FINANCE – GENERAL

1993

MAY — JUNE

Tuesday, April 27 quotation for unit trust:

General Equity Funds:

ABSA	142,32	133,12	5,42
BOE: Growth	155,96	145,70	2,96
Community Growth Fund	111,90	105,65	na
CU Growth	120,51	112,51	3,69
Fedgro	129,11	120,56	4,76
Guardbank	2577,26	2398,96	4,67
IGI Life	129,65	121,33	3,35
Metfund	188,08	174,79	4,38
Metlife	118,82	111,01	6,31
Momentum	256,61	240,51	4,13
NBS: Hallmark	933,54	871,66	4,54
Norwich	365,05	340,85	3,56
Old Mutual Investors	2637,97	2457,58	3,92
SAGE	2406,26	2245,04	3,73
Sanlam	1596,76	1495,60	3,49
Southern	205,75	192,62	3,94
Standard Bank	1194,32	1122,27	6,92
Syfrets Growth	295,10	276,35	4,58
Syfret Trustee	117,30	109,95	4,24
UAL	2077,81	1950,91	5,36

Planning ahead

South 1/5-5/5/93.

58

Investors have been quick to grasp new long term investment opportunities offered by unit trusts, says Old Mutual Unit Trusts' Manager, Selwyn Feldman.The outstanding inflation-beating returns offered by unit trusts has been the major factor contributing in Old Mutual Unit Trusts having the largest client base in the industry. Another contributing factor is the wide range of funds and packages offered by the company meeting the diverse needs of investors.One such package is Old Mutual Retirement Trust specifically tailored to meet the investor's retirement needs.

Retirement Trust is an investment in the R3 billion strong Investors' Fund and is specifically aimed at investors who want to supplement their retirement annuity or who want to invest the cash lump sum received from the annuity on their retirement. Most people who fall into this category no longer have dependents and can therefore afford to supplement their retirement annuity with a unit trust investment to ensure that they will be well provided in the future.Retirement Trust is also an easily affordable investment with a minimum monthly investment amount of R50 and a minimum lump sum investment amount of R500.A second option available to the investor who has a lump sum to invest is Old Mutual's Phased Portfolio. When investing a lump sum in unit trusts there is always some timing risk. This can be combatted by either attempting to invest when unit prices are low (a near impossible thing to gauge) or otherwise by spreading one's purchases over time. This is where Phased Portfolio will benefit the investor. A minimum lump sum of R25 000 can be invested in Old Mutual Income Fund. The Income Fund is a relatively secure investment in interested bearing securities and government stocks with minimal capital fluctuations. The lump sum is then transferred, on a monthly basis, to any of Old Mutual's higher risk/higher growth while minimising timing risks!

Of course, the longer the investment period, the greater the chances of achieving inflation beating growth.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. "Old Mutual Unit Trusts intends to continue developing new flexible packages for this sector of the market.

The number of account holders who are making repeat investments in our funds indicates that we are meeting market needs."

Accident fund for clean-up

ARG 1/5/93

(58)

MARTIN CHALLENOR
Weekend Argus Political Staff

■ Sweeping changes are to be made in the running of the Motor Vehicle Accident Fund following excessive insurance claims and thefts.

PRIVATE sector experts are to join the much-criticised Multilateral Motor Vehicle Accidents Fund (MMF).

This was recommended by Mr Justice Melamet after an investigation in which he found that lax control of the MMF had allowed lawyers, doctors and insurance agents to lodge massive over-claims. There were also instances of theft.

The MMF compensates victims of road accidents in South Africa and the TBVC states. It is financed by a 9c levy on every litre of petrol sold.

After Mr Justice Melamet's report, police opened files on 2 200 possible crimes which are now with the Office for Serious Economic Crimes for a decision on prosecution. Nine attorneys have been in court already.

At the end of April last year, the MMF had an actuarial liabililty of R3,25 billion with assets of R250 million.

About 90 percent of MMF claims are processed by 10 short-term insurance companies.

At the top of the MMF management tree is a Council of Ministers comprised of the Minister of Transport, Dr Piet Welgemoed, and his counterparts from the TBVC states — a clergyman from Bophuthatswana, a former South African Navy admiral now with the Ciskei government, a brigadier in the Transkei government and a Venda politician.

Underneath the council is an executive committee of directors general of transport from the five countries.

Now, to put the MMF on a sounder business footing and to have it managed more like an ordinary insurer, six people from the private sector — experts in insurances, actuarial science and law — are to be appointed to the executive committee. The chairman and vice-chairman are to be elected from the new members.

Management-type powers previously held by the Council of Ministers would be devolved to the board.

The MMF will be audited by the South African Auditor General.

Dr Welgemoed yesterday described the MMF as "a fine example of international co-operation between independent states of South Africa".

Mr Willem Swanepoel, new chief executive officer of the MMF, said a special inspectorate of 15 people would check on the agents' work.

The MMF's outgoings were increasing at 25 percent a year because of medical cost inflation and increasing awards by courts. Fuel sales were not increasing at this rate — so an increase in the MMF levy could be expected, the MMF said.

Banks in amazing deal with civics

SI Times 2/5/93

By JAMES BRITTAIN

BANKS and building societies, which are owed millions of rands in unpaid bonds, are working hand-in-glove with civic groups — the architects of township rent and bond boycotts.

The financial institutions are being asked to pump money into the coffers of the civic groups, represented by the powerful South African National Civic Organisation. Some of this money could be used to pay the salaries of the civic members.

Sanco president Mr Moses Mayekiso confirmed this week that his organisation was seeking money from banks to run what he described as joint financial negotiating committees in townships. (58)

Mr Mayekiso said some of the money being sought from banks — to be put into a trust fund administered by Sanco — could be spent on paying civic staff.

"We are still discussing how these local committees will be funded and administered.

"No agreement has yet been made on payments, but we are going to set up a trust and apply to banks and other sources for money.

"Civic members may earn a salary, or they may be paid piecemeal. They may also work voluntarily," Mr Mayekiso said.

Financial analysts were unable to give national figures for either the number of houses in arrears or the amount of money owed to banks through payment defaults.

But some sources in the financial sector say representatives in the civics are already being paid to mediate between money-lenders and township households which have fallen behind in their repayments.

Mr Mayekiso denies any of his members have ever been paid.

Association of Mortgage Lenders executive director Mr Martin Milburn-Pyle said recent negotiations with Sanco on new procedures to deal with the provision and repayment of home loans in townships had not been finalised.

One building society that has already made a firm deal with Sanco is the Perm, a division of banking giant Nedcor.

The deal made provision for the opening and paying of bonds, as well as an education and development programme.

Nedcor's divisional director in charge of the Perm, Mr Hugh Maclachlan, said the Sanco-Perm deal had not been signed to help with repossessions and evictions.

But since the signing of the deal, the Perm has been exempted from bond boycotts.

Twenty-three percent of the Perm's home loans are to clients in townships. Mr Maclachlan said eight percent of these were in arrears.

The Perm has already made contributions to the running of home-loan advice centres shared with civic organisations, and has set up trusts to "encourage development" in townships.

But, said Mr Maclachlan, "we will not pay the salaries of civic leaders involved in these projects".

Perm's development general manager, Mr Denis Creighton, said the Perm did have civic members on its payroll, although this would not compromise their independence in the community.

"I'm sure members of our staff are civic leaders. But we have no plan to pay fees to people to do our work in the townships," he added.

However, the deputy general secretary of the Civic Associations of the Transvaal, Mr Mathew Phetla, said there were firm plans in the region to create community teams of civic members and Perm staff to negotiate with home-owners borrowing from the Perm.

Spur mocks recession with a 41% profit lift

S/Times (Buss) 2/5/93

58

SPUR Steak Ranches rides high with yet another set of recession-defying results this time for the year to February 1993.

Turnover at the steak-ranch, pizza and pasta franchising group grew by a third to R28,6-million and profits by 41% to

By JULIE WALKER

43,7c a share. The dividend was raised 35% to 31c.

Another 18 retail outlets were opened in the year, bringing the total to 124. Chairman and founder Allen Ambor notes a trend back to shopping centres and the group is expanding in these areas, often as anchor tenant.

Cape companies had a good week Pepkor announcing fine results for the year to February in spite of tough times. Group chairman Christo Wiese says Checkers' turnaround was among the highlights. Although not yet achieving a respectable return on investment, progress is beyond what Mr Wiese expected in the first year.

Pepkor has deferred its dividend declaration until the end of May, by which time it will have received its own dividend income and qualify for credits. Mr Wiese sees little room for improvement in trading conditions in the short term, but hopes his group will continue to do well.

African Life's business with a large community group helped it to lift recurring premium income by 42% to R98-million in the year to March, and total premium income by half to more than R100-million.

Managing director Bill Jack says it was a tough year, but the results are pleasing because ideas put into action several years ago are bearing fruit. Certain niche products will be expanded.

Loss

Mr Jack reports that the rate of increase in operating expenses has averaged 11% below growth in recurring premium income in the past seven years. The group is well structured compared with a year ago.

The life assurer's earnings a share grew by 20% to 22,5c and the dividend by 24% to 14,8c, or scrip in the ratio 1,9 new shares for every 100 held.

Of the 15 companies reporting preliminary results this week, none incurred an operating loss, seven did better than previously and Fintech, Autopage, Presmed and Boymans achieved double-digit earnings growth.

First National, Fidbank and Board of Executors were the pick of the 17 interim reporters, only Ocfish, Barprop, Umdoni and Datakor achieving better than the previous comparable figures.

Even before the benefits of lower corporate tax, First National Bank's profits were 22% higher at R421,5-million in the six months to March.

Managing director Barry Swart says there will be some who criticise banks' margins. But his group worked hard to achieve its results, which for the first time include the operations of Henry Ansbacher plc.

Victims

The small print does not actually say what the contribution was: Mr Swart says it was neutral, as expected. "It's a long-term investment"

Being the biggest in instalment credit, First National benefited by R139-million as a result of savings on deferred tax. This was countered by certain long-term project-financing and a tax-equalisation provision of R72-million was made

The net windfall softened the R89-million extraordinary loss taken on the financial-rand premium paid for Ansbacher and Midlantic (Asia). Mr Swart says other South African banking groups have made similar write-offs.

Bad-debt provisions were R24-million up at R185-million, counting Ansbacher's "It is the fifth year of recession and many of its victims did nothing wrong," says Mr Swart.

I asked how long ago the loans had been advanced: before or after Mr Swart took over First National and sent all the managers back to credit-advancement school?

His reply. "How long is a piece of string? Things would have been much worse if the bank had carried on as it was a few years ago."

Net of the tax equalisation adjustment, First National's earnings rose 20% to 310c a share and the dividend by 5c to 55c. The share price jumped 350c to R76 after the results. It was R55 six months ago.

Company round-up

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Pep	1356,1	−11	169,1	+7	43,2	+1	19,5	+9
Fintech	602,2	+7	34,3	+16	226 0	+31	60,0	+25
Tradegro	5254,6	N/A	36,8	N/A	74,7	N/A	—	—
Tradehold	5254,6	N/A	31,5	N/A	81,0	N/A	—	—
Mainpro	—	—	—	—	55,33	0	55,33	0
Apex	—	—	—	—	31,42	+3	31,42	+3
Cashbuild □	328,0	+12	8,9	−8	14,1	−25	6,0	N/A
Autopage	39,8	+8	12,5	+19	24,0	+16	9,0	+13
Tongaat	3867,6	−3	192,6	+8	190,9	−5	73,0	0
Presmed	95,8	+19	11,4	+9	23,0	+19	6,25	+25
Boymans #	217,7	+7	2,9	+284	6,4	+611	2,0	N/A
Tafelberg	49,8	+9	1,4	−10	6,0	−14	3,0	−14
Pepkor	7763,9	+70	252,1	+30	71,7	+17	N/A	—
Pepgro	—	—	—	—	84,9	+23	N/A	—
Macadam	37,3	+9	1,0	−16	6,2	−18	—	—
Midas	293,0	+3	0,1	N/A	−16,9	N/A	—	—

□ 36 weeks # 13 months

INTERIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Barprop	28,4	+8	9,4	−8	7,8	+8	6,34	+4
Randcoal	791,2	+3	92,4	−7	68,0	−28	20,0	−13
Sycom	—	—	—	—	34,49	−10	34,48	−10
Ocfish	181,9	−7	29,6	+78	151,8	+81	42,0	+40
Gencor	—	—	593,0	+6	43,1	−10	16,0	0
Genbeh	—	—	325,0	+6	39,0	−10	14,3	0
First bank	—	—	421,5	+22	310,1	+20	55,0	+10
Randgold	19,4	N/A	4,4	N/A	9,1	N/A	—	—
PGM Inv.	—	—	0,7	N/A	2,2	N/A	—	—
Fidbank	—	—	—	—	47,3	+26	11,0	+24
Adcock	478,6	+12	75,6	+31	160,0	+36	42,0	+27
Decor	10,3	−5	−0,5	N/A	N/A	—	—	—
RM Prop	90,6	−4	1,0	−93	10,0	−82	30,0	0
K H Props	—	—	7,1	+26	28,0	−4	26,0	−4
Umdoni	—	—	9,1	+7	9,65	+7	4,85	+5
Tamboti	—	—	11,8	−6	15,0	−6	15,0	−6
BoE	—	—	9,2	+32	58,8	+35	17,0	+21
Datakor▲	678,8	+22	65,9	−2	28,5	+12	11,6	+5

▲ 2nd interim

Ratel des deal to ir Romania

S/Times (

(25

THE designer, developer and manufacturer of the SA Defence Force Ratel and Buffalo troop carriers is to take on the truck industry with the introduction of a Romanian heavy-duty vehicle.

Ranko Stojakovic established Springfield Engineering several years ago and developed army and police vehicles

Springfield was one of the largest bodybuilders in SA and prouced the Scania range. Production stopped in 1985 Mr Stojakovic has reopened the company under the name Springfield Roman.

He will begin assembly of Roman trucks in September at a 6 000 square metre site in Isando, Johannesburg

Other truck manufacturers have indicated they will enter the SA market in spite of declining sales. They include the Dutch DAF, which will be assembled by Associated Automotive Distributors (AAD), and the Italian Iveco, assembled by Truckmakers, a subsid-

Week i

A SUMMARY of the week's co

MONDAY: Maid o' the Mist (P liabilities exceed assets by R94- be cancelled.

THURSDAY: The 1993 tranche o Absa sells 49% of Amalgamate

COMPANIES

New business boosts Aflife income growth

B/DAY 3/5/93 (58)

ANDREW KRUMM

ASSURER African Life (AfLife) has posted a 20% rise in earnings to 22,5c a share (1992: 18,7c) off substantially higher income for the year to end March 1993, the company said at the weekend.

The final dividend of 8,8c a share pushed total distribution for the year 23% up to 14,8c a share (12c). Directors said shareholders were also offered the alternative of 1,9 bonus shares in lieu of dividends for every 100 shares held.

AfLife MD Bill Jack said a highlight was the 44% jump in total income to R124,5m from R86,2m in 1992. Most of the increase came from a substantial rise in recurring premium income, which grew to R98,1m from R75,5m — more than double that forecast.

"We had a large increase in new business in 1992, and this, together with the 31% new business growth in 1993, manifested itself mainly in the growth in recurring premium income."

Single premiums income jumped to R6,6m from R400 000 in the previous period, with investors attracted by the good returns on investment policies. A switch from equities to fixed interest investments in the middle of last year bumped investment income to R19,8m (1992: R16,5m).

Jack forecast premium income would rise by at least 20% in the six months to end September 1993 and expenses would rise by less than that.

He added Aflife was looking at broadening its distribution channels to cater to the growing levels of income among its mostly black clients.

"We now provide some form of life assurance to 2-million individuals, which represents a mirror image of our society. Aflife is well positioned to take up new business as the level of awareness of assurance products, and levels of income rise among clients."

Commercial banks to be used in making state transactions

Star. 3/5/93

By Bruce Cameron

CAPE TOWN — The Government and Reserve Bank are to go ahead with a new system of state banking which will further entrench the separation of monetary and fiscal policy.

The move announced by Finance Minister Derek Keys in Parliament last week to start using the four main commercial banks for state transactions will also enable the Reserve Bank to give clearer signals on monetary policy.

(58)

Reserve Bank Governor Dr Chris Stals recently complained that the markets and banks did not respond fast enough to signals from the Reserve Bank in the wake of falling gold and foreign reserves.

And the scapping of liquid Bankers' Acceptances (BAs) as an instrument for banks to raise money from the Reserve Bank will also give the latter greater ability to control monetary policy because the instrument was in the past extensively used by the private sector to create money.

Dr Estian Calitz, deputy director-general of the Department of Finance, said in an interview that the Government intended using not only the Exchequer account at the Reserve Bank to handle its inflows and outflows, but also the four main commercial banks.

Last year there had been an average daily cash surplus of about R5 billion in the Exchequer account.

The effect of the move would be to leave the surplus in the private banking sector.

Dr Andre Kock , Reserve Bank general-manager (money and capital markets), said the most important advantage of the new system was that it would make monetary policy signals easier to read.

In the past, when the Reserve Bank was active, particularly with the sale of Treasury Bills and government stock, the market did not always know whether this was the Bank neutralising flows in and out of the Exchequer account or whether it was financing part of the Government's borrowing requirments or was taking steps in monetary policy.

Kock said the Reserve Bank had to do very various offsetting transactions to minimise the effect of disruptive flows on money market conditions.

"Under the new system, the Bank will rely even more on open-market operations in managing money market liquidity. But it should find it easier to transmit its aims clearly to the market.

"The market will know the bank is in the market for monetary policy. It will make the signals easier to read," he said.

20 pc boost for Aflife

Star 3/5/93 (58)

Finance Staff (232)

African Life reports good earnings growth in the 12 months to end-March based on a strong improvement in both premium and investment income.

Earnings per share were up 20 percent to 22,5c (18,7c) and the total dividend is 23 percent higher at 14,8c (12c).

Shareholders are again offered bonus shares in lieu of the dividend.

MD Bill Jack says the fast-growing broker division and success in the group benefits market lifted recurring premium income 42 percent to R98,1 million (R69,3 million).

Coupled with a 20 percent rise in investment income to R19,8 million (R16,5 million), this boosted total income by 44 percent to R124,6 million.

NBS posts 24% boost in earnings

(58)

CT 4/5/93

By AUDREY D'ANGELO
Business Editor

NBS Holdings lifted attributable earnings in the year to March by 24% to R91,2m (R73,2m) before an extraordinary profit of R28,7m, comfortably outstripping inflation.

But the charge for bad and doubtful debt rose by 35% to R70,6m (R52,2m). Total provision for losses now stands at R81,8m, which is 0,94% of the total advances book.

MD John Gafney said this provision was above average for the industry and the board was comfortable with it.

The extraordinary profit came from the sale of the former group head office in Smith Street, Durban, and lifted income to R119,9m (R75,4m).

Net income after tax was 23% higher at R81,8m (R66,3m) and income from associate companies rose by 38% to R9,4m (R6,8m).

Earnings at share level were 137,6c (115,6c). The final dividend is 29c a share, making a total pay-out for the year of 46c (40c), covered three times by earnings.

Gafney said performance and margins were "much better than expected, particularly against a backdrop of deteriorating economic conditions, and the increase in operating expenses was contained to within the inflation rate."

Some borrowers, "confronted with rising unemployment, high interest rates and low wage increases, have found it extremely difficult to meet their repayments," he continued.

"In reviewing such cases NBS Bank has made every effort to renegotiate the terms of payment.

"Resources have been focused on managing the level of arrears, which have improved in recent months as a result of our efforts to assist borrowers. Property repossession has also remained at a constant level."

Gafney said that, since the year ended in March, the results reflected no benefit from the lower company tax rate. Taxation was paid at the old rate of 48%, not the new one of 40% announced in the budget."

But, because dividends received exceeded those paid out, the group was not adversely affected by the new secondary tax on companies (STC), levied on profits to be distributed.

The group was also getting good results from its diversification through investments in Norwich Life, the French Bank and Circle Risk Management and expected to achieve real growth in earnings in the current year.

Paul Leaf-Wright, GM (group finance and treasury), said that income from other sources was increasing at a faster rate than home loans, which now accounted for only 60% of total business.

But the group was aiming at a 15% increase in its home loan business in the current year "and it looks as if we shall meet this target."

In spite of the recession "we still do as much home loan business as we want". Assets had increased by 21% over the past year, which showed that the NBS had captured a larger share of the market.

Discussing the outlook for interest rates, Leaf-Wright said he hoped pressure on the balance of payments would not force the Reserve Bank to raise bank rate. If this happened, he did not think it would result in more repossessions.

BD 4/5/93

NEWS IN BRIEF

Absa seeks appeal

58

FINANCIAL services group Absa will this morning apply for leave to appeal against a Rand Supreme Court ruling in favour of sports promoter Peter Mancer.

The application, to be heard in the same court, follows a ruling in March in which Absa was ordered to pay Mancer's marketing company Tytherley Investments R1,5m plus costs.

Mancer had lodged a claim against Absa for part payment of a R4,5m agreement concluded with Allied MD Kevin de Villiers in September 1990, just months before Allied's takeover by UBS and the formation of Absa.

Star 4/5/93

NBS Bank lifts dividend

NBS Bank reports a 19 percent rise in earnings a share to 137,6c (115,6c) for the 12 months to end-March, despite a sharp increase in bad-debt provision. (58)

The final dividend is up 4c at 29c, bringing the total to 46c (40c).

Income rose 24 percent to R91,3 million from R73,3 million, while the bad-debt provision shot up by 35 percent to R70,6 million.

The total provision for losses now stands at R81,8 million.

MD John Gafney says it is expected the group will achieve real growth in earnings per share in the year ahead. — Sapa.

Debt plan may lift govt interest bill

BDay 4/5/93 .

GRETA STEYN

GOVERNMENT is to issue interest-bearing paper to replace its non interest-bearing debt to the Reserve Bank on the country's forward cover losses — a move which could raise government's huge interest bill.

Reserve Bank money and capital markets GM Andre Kok confirmed that the forward cover debt — estimated by economists at about R10bn — would be replaced by interest-bearing debt as part of the overhaul of the monetary control system announced last week by Finance Minister Derek Keys.

Keys announced that government's deposits would be kept within the private banking system rather than at the Reserve Bank. The change would reduce the Bank's balance sheet and constrain its ability to influence money market liquidity and hence interest rates through open market operations.

To enable the Bank to be active in the money market, government would gradually issue stock to cover some or all of the debt incurred on forward cover losses.

Kok said at present it was difficult to distinguish whether the Bank's activities in the market were to raise funds for government or to influence the money market liquidity. The new system would make a clear distinction between policy operations and funding activities.

Asked whether the move to replace non interest-bearing debt with interest-bearing debt would not raise government's interest bill, he said the effect of the new system of monetary control on government's interest bill depended on a number of factors.

Government would earn interest on its cash balances in the banking system, which would have to be offset against the interest paid on the new stock issued. He added the new stock would be used for "repurchase agreements" — the Bank would buy the stock back once it had achieved its liquidity objectives. The increase in the supply of stock would not put upward pressure on interest rates.

In addition, the Bank's profits were handed to government and should also be offset against any increased interest payments. A group charged with looking into implementing the new system of monetary control would weigh all these aspects.

Bankers said the interest earned on government deposits placed with private banks was likely to be less than the interest on stock issued to cover the forward cover debt.

whole page.

—Part bonds and property syndication—

Business Day SURVEY

The steady growth of the participation mortgage bond industry shows the product has a place in the long-term financial arena, and is particularly popular in the over-50s market. The industry has also contributed to the economy by making low cost capital available for the development and acquisition of fixed property. **LYNN CARLISLE** *reports.*

New concept aims to spread the risk

A NEW concept in property syndications launched by Russell, Marriott & Boyd Trust (RMBT) permits investors to buy a share that is made up of four commercial and industrial properties spread countrywide.

Seeing the value of spreading the risk, investors have snapped up all share units in the Quadriform property syndication launched seven weeks ago.

The properties have a sound tenant base that includes Plascon Paints at the Empangeni warehouse syndicated property, the KwaZulu Finance Investment Corporation at the Maritzburg commercial property, and Afrox subsidiary Dowson & Dobson (a Cape Town factory).

Based on this multiple syndication's success in a generally depressed market, the venture is similar in concept to a mutual fund or property trust insofar as the risk is spread.

Dimension

Provided well-sited and quality properties make up such a portfolio, sound multiple property syndications add a new dimension to this investment instrument.

RMBT director and head of the property syndication division Dennis du Plessis says the innovation was prompted by RMBT policy to offer syndications valued at not less than R5m.

"Not only did we consider the four properties to be too small for separate syndications, but we also saw merit in offering a spread of investment."

Some degree of risk is inherent in any type of investment, but RMBT — having pioneered property syndications in Natal 30 years ago — believes this can be reduced to a minimum by paying attention to the basics.

Du Plessis says the same criteria are applied when selecting individual properties for multiple syndications — they must be the right quality in terms of growth area location, a financially sound and well-managed tenant, well-structured building and good yield prospects.

Leading players see steady growth ahead

(58)

STEADY growth of the part bond industry is expected as more investors, particularly the over-50s, continue to seek safe havens for their money.

This forecast by leading part bond managers Standard Bank Bond Investments (Stanbond) is supported by growth in its new business in first-quarter 1993 — twice that for the same period last year.

Stanbond MD Stewart Shaw-Taylor says while the industry as a whole recorded 6% growth amid tougher investment conditions last year, the company achieved above average growth to increase market share 25,5% for that period.

He says Stanbond has taken the lead in the part bond industry, where competition is strong.

"Industry growth was achieved against fierce competition from other investment sectors."

However, some leading part bond managers say the market has slowed with to the recession and resultant unwillingness of developers to borrow for new projects.

"Broadly speaking, all bank lending is down," says Absa Trust MD Kelvin Bell. "And part bond investments must be equally matched by demand to borrowers of such investors funds.

Absa says although it is still lending funds to selective borrowers, as a result, the backlog of investors are snapping up every part bond investment as soon as it becomes available.

Metboard investment manager Stephen Weir says the industry has experienced real growth and many promoters in the field have moved towards conservative projections relating to capital and income growth.

Says Shaw-Taylor: "The steady growth of the industry clearly indicates the product has a place in the long-term financial arena and has proved to be a popular form of investment, especially in the over-50s market."

The benefits begin as capital invested in part bonds is channeled in the development and acquisition of industrial and commercial properties and, to a lesser degree, residential properties and farms.

Contribution

He says the part bond industry has made a sizeable contribution to the country's economy by making available low-cost capital to large and small businesses for the development and acquisition of fixed property.

"It has enabled such concerns to move from a situation of high rentals and accompanying rental escalations to a structured bond repayment pattern with appreciation of the fixed premises."

He says the owner's equity in the purchase enhances his commitment and helps ensure the business is run on sound management principles.

Although part bonds have been around for many decades, enhancements were included when the industry gained statutory recognition in 1964 through the Participation Bond Act.

Since then the product emerged as a refinement to "composite bonds" and "pari passu" bond schemes operated by various people such as attorneys.

Initially, the mortgage bond was registered in the name of the nominee company, but, following a court decision, the process had to be refined to protect the investor.

Now the bond must be registered in a Deeds Registry in the name of the nominee company as nominee for or representative of the participants, thus vesting the real rights under the bond in them and not the part bond scheme manager or the nominee company.

Promoters should be checked out, investors warned

EVALUATE the track record of the property syndication promoters just as carefully as one would examine the property on offer, advises a chartered accountant.

Deloitte & Touche's Durban Financial Management Services Graham Dunnington takes these precautions for his clients, so as to ensure, among other things, the marketability of such an investment.

He says a good property syndication has a definite place in the well-rounded portfolio and that such an instrument will, in addition to providing a good escalating income, yield sound capital growth.

Realise

"But it is important for shareholders to have the facility to realise their investment, should they wish to withdraw and place their funds elsewhere. One should thus ensure the syndication documentation makes provision for this."

Dunnington says it should be borne in mind, however, that the marketability of shares in syndications is not as readily achievable as with a JSE-listed investment.

He welcomes the recent

managed tenant;

☐A comprehensive long-term lease which provides for regular rent reviews to ensure a market related investment;

☐Commencing rent which is at or below market level;

☐Market-related annual rent escalations;

☐An acceptable commencing yield.

Reducing

While noting that there is always some degree of risk in any investment, Dunnington says the good property syndication promoter looks at reducing this to a minimum by following these rules.

An interesting new development is the multi-property syndication, whereby a number of properties in various locations are housed in the same syndication, thereby reducing overall risk.

Secondary markets provide a new profile

SOME property syndication companies are looking to create a secondary market in their companies which will give syndication investments a new profile.

Among them is Metboard, where investment manager Stephen Weir says the secondary market will be based on the number of sellers and buyers of syndicated shares that can be matched efficiently.

This will stimulate sales in the primary market, where most promoters report a surplus of syndication shares as investor fund shortages continue with the recession.

Metboard says only a few companies are looking at creating a secondary market. It aims to launch a promotion campaign this month.

Marketability is not what it was, especially where the syndicated property is in a low-growth business area or when it loses a major tenant that it has trouble in replacing.

This may mean those investors ready to sell their shares must wait some time before they can realise the capital part of their investment. Meanwhile, they will continue to receive the income from rentals.

Some companies, including Metboard — which has 28 property syndications — may repurchase the shares in special circumstances, such as where an investor is desperate.

However, such reputable syndication managers act only as principal insofar as to decide what allocated funds are available for assistance.

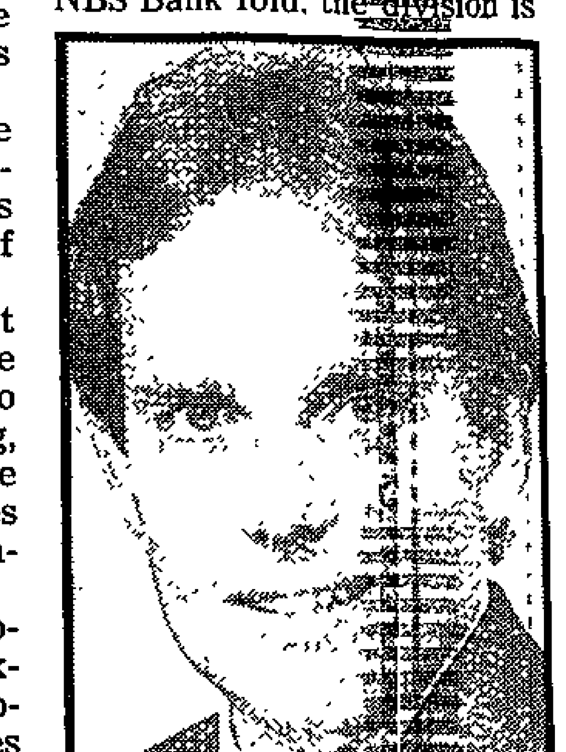
The security provided by property syndications is, however, unlike that of a trading or manufacturing concern.

"While there may be a temporary loss of rental income resulting in a lower return to shareholders, the quality of the underlying asset — being the property — does not change and the investment remains sound."

Weir says that in the case of a manufacturing or trading concern, however, it is possible to have failure of the total concern.

He says one of the most important aspects is the choice of promoter, who must be of sound standing, with the ability to ensure that the correct properties are selected for syndication.

It is essential the promoter has considerable experience in managing properties, particularly in times of recession.



STEPHEN WEIR

IMPORTANCE

AS WITH a number of investment instruments, more under-experienced managers are entering the fray, increasing the need to stay with reputable part bond managers and better quality products.

Investors should be wary of what type of part bond manager they deal with as no company is legally bound to make good monies invested in defaulting loans, says Syfrets joint-MD David Rennie.

However, established part bond companies such as Board of Executors, Syfrets and Stanbond, do stand good for any defaulting loans, although

Bridging a gap

INNOVATIVE marketing is being used to bridge the gap between the high number of part bond investors and a national shortage of borrowers of part bond funds.

Companies such as Absa Trust, the NBS and Stanbond report more emphasis is being given to marketing this double-edge investment with growing assistance from their banking divisions.

An example of success in finding more sound borrowers to provide opportunities for investors is reported by NBS Participation Bond Managers MD Mike Maidment.

He says flexibility is the key to attracting more borrowers and, operating through the NBS Bank fold, the division is

...roperty syndications association, which is formulating a proposed code of conduct.

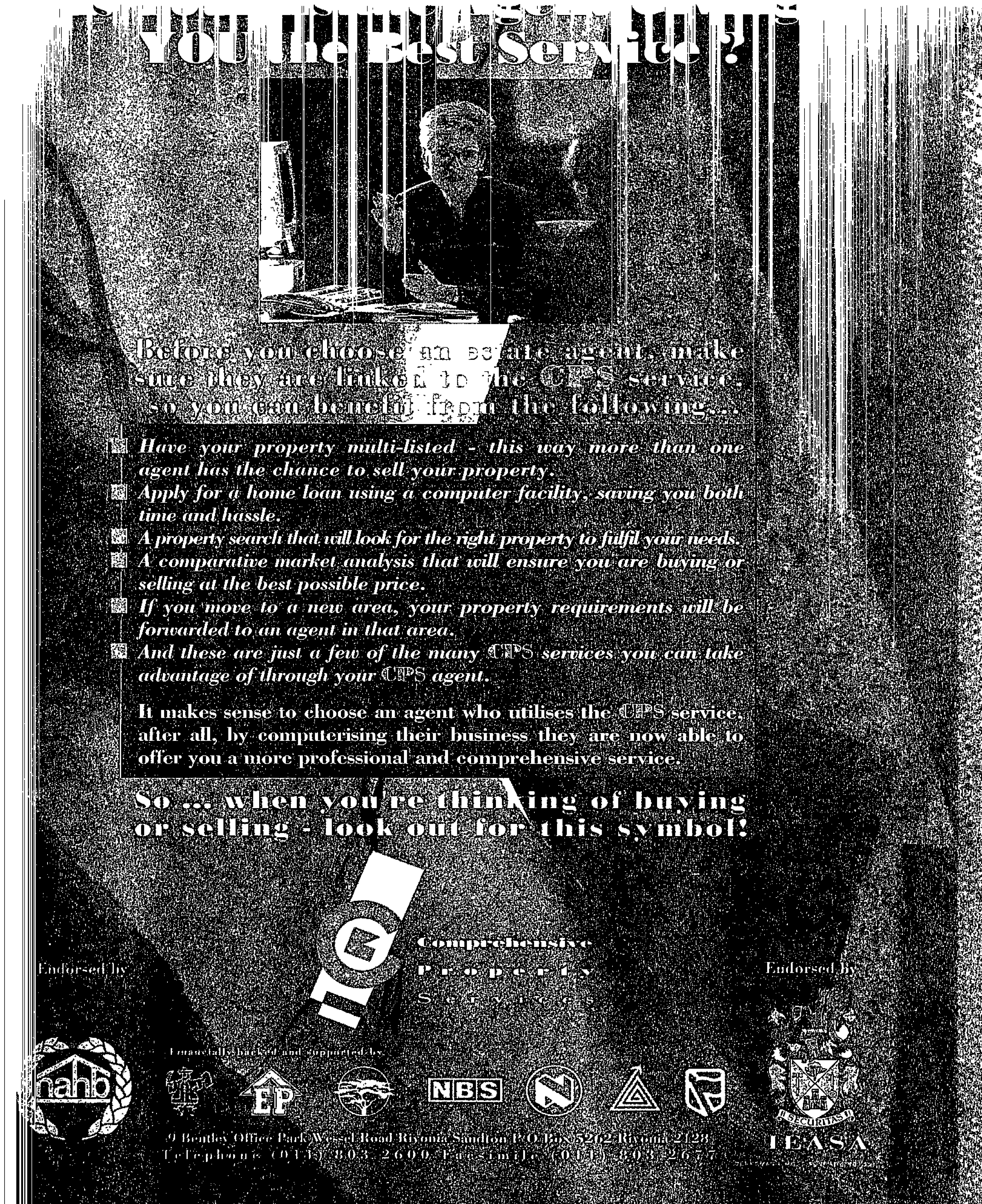
"It should give the public much more confidence in this form of investment."

He says the general points of principle which all property syndications should adhere to are:

☐The right location;

☐A functional, preferably modern and structurally sound building;

☐A financially sound, well-



(58)

RE[...]ABLE MANAGERS IS INCREASING

...tors would probably
... know such a rescue had
... place.
...rt bond companies are
...s that accept money
... investors and put it into
... they have assessed as
...ving property loans.
...ould the property venture
...into trouble — which is
— the company would
... a moral, not legal, re-
...sibility to make good the
...tments.
...ennie says the surprise
...anger with which the in-
...ing public greeted the
...terbond and Supreme af-
...s clearly shows that this distinction has not been properly grasped by, or made clear to, investors.

"Syfrets has in the past stepped in to protect part bond investors when the venture in which their monies were invested ran into trouble. However, our investors were not even aware of the operation."

Pioneered

Together with other trust companies, Syfrets pioneered the concept of part bonds in SA in 1925 and is the largest player in the industry with a book in excess of R1bn.

A part bond company's status as an agent has also been of concern to the regulatory authorities in Pretoria.

The recent Jacobs report in fact came out in favour of a clear distinction between agents and principals, says Rennie.

"It is likely that this will affect the part-bond industry in that barriers to entry may become far stricter. Alternatively, part bond companies may have to satisfy capital adequacy requirements.

"For the sake of the investor and the industry, we can only welcome this," he says.

... between investors and borrowers

...ybacking bank loans with bonds and offering clients ...ble packages.

...feature of the division's ...egy is to allow borrowers ...art reducing the loan im...iately, instead of repay...t being confined to interest ...he first five years.

...nother factor is it does not ...t a shotgun approach, but ...er tackles the market on a ...tive, personal basis.

...at this strategy has paid ...dends is reflected in ...wth in terms of capital bal...s for financial year-end ...ch 31 being up 50%.

This is directly attributed ...trategic representation in ...or city centres such as Jo...nesburg, Cape Town and ...ban, as well as innovation and flexibility," he says.

The division also has representation in Port Elizabeth, with the opening of the NBS corporate branch on April 1.

A realistic growth target of 33% has been set for 1993/94. Last year, most business registered was done in Natal.

Operating in a depressed market means even greater caution when considering loan applications, says Maidment.

"It is necessary to stick mainly to high ground areas close to major metropolitan cities such as Jet Park on the Reef, Avoca and Springfield Park in Durban and Montague Gardens, Epping and Paarden-eiland in Cape Town."

Important criteria for granting loans are the marketability of the property, if it has to be sold in execution, and the borrower's ability to service the loan.

Notwithstanding that the property market has suffered in the recession and that demand for factories has greatly diminished, the NBS is financing some smaller factories.

However, it ensures these factories are pre-let and only deals with people and companies that meet its criteria.

While the division traditionally operates in the commercial and industrial division, if it were to consider trading in the residential market it would tend to grant loans on income-producing property, such as blocks of flats.

'Irresponsible adverts' compromise industry

CONCERN is mounting among Public Property Syndication Association members over the current spate of "irresponsible" advertisements placed by some new and less reputable property syndication promoters.

In a market which has become highly competitive, some advertisements are promising unrealistic returns while the promoters fail to make clear they are both adviser and vendor.

With all this hype comes the sober reminder of the Masterbond and Supreme tragedies, say a number of major players, who prefer not to be identified.

The considerable increase in advertising of syndications in the past 15 months comes with many new participants in the industry attracted by perceived super-profits.

They say investor trust built on the foundation of a much older discipline — the good commercial practice enshrined in the Companies Act and which provides stability to a wide range of commercial enterprise — is being compromised.

Many of the more established participants are unknown to the general public because of the Companies Act and how it has been interpreted.

Discourages

Such participants have obeyed the letter and spirit of the Act, including section 11 of the Share Block Act which discourages high profile advertising.

With the spate of hyped advertisements, some reputable institutions are dragged in by the irresistible forces of competition, supported by a perceived lack of action from financial authorities in the face of flagrant infringements of legislation.

Participants who have obeyed the written and unwritten understanding that advertising was not desirable now find that the playing fields are no longer level, they add.

With the arrival of a new breed of syndication promoter are those who are simply not acting as a professional adviser to a property investor, but have a dual role as a vendor to the same client, who apparently is unaware of this.

"Discipline has been allowed to dissipate to the extent that no one knows what is permissible and what is not," says one manager.

Some off-beat publications are not only carrying many full-colour advertisements with straight-line projections, giving the impression of guarantees and enormous profits with no risk, but more uninformed articles supporting these claims are appearing.

"Get in before you're left behind" is the essence of one property syndication's article, sandwiched between cake recipes in one women's magazine.

Syndication managers believe their investments cannot be marketed like soap powders.

Although the newly formed association expects to issue new guidelines to protect public interest, it alone cannot prevent all losses that may result from poorly selected and managed syndications.

Further developments are expected when appropriate legislation is introduced and enforced.

Syndications appeal to private investors

WELL structured and professionally managed property syndications have become attractive alternatives for the private investor, but are not suited to every type of investor.

Historically, sound property investments have proven their worth, but many of today's best investment properties are out of reach of the average individual as they cost too much and require too high a degree of expertise in the areas of evaluation, negotiation and management.

For these reasons the syndication market has become an attractive alternative for the private investor, says JH Isaacs Group MD Roy Alderdice.

Furthermore, when property values began to rise in the early '80s after a slump in the late '70s, the syndication market became a natural route for the private investor. Reasons include:

☐ Better properties in the higher price range;
☐ Less risk or perceived as such;
☐ More acceptable to many investors than the JSE;
☐ Recommended by financial advisers for clients.

Horizon

The Public Property Syndication Association and most investment managers contacted, including Metboard, JH Isaacs, Russell, Marriott & Boyd Trust, Board of Executors and Seeff Trust, suggest people have a minimum investment horizon of five years.

Given the need to protect capital and earn income, property syndications are appealing, as they comprise the utilisation of a

ROY ALDERDICE

public or private company, trust, close corporation or partnership to hold a registered title of fixed property, with the objective of sharing profit and income emanating from the trading or leasing of property.

When entering into a property syndication it is vital to establish whether one is going to trade in property or invest to enjoy the fruits of capital growth and escalating income.

Four types of property syndication exist:

☐ Traditional — properties let to tenants on leases which will provide growth in income and capital appreciation (11%-13%);
... ...ive — those

Location and leases of tenants are of vital consideration

MAJOR factors that make for a good property syndication are location and the leases of occupants in a commercial property, say Seeff Trust managers Michael Mendelowitz and Jonathan Jawno.

With the first rule of property being location, a building situated in an area perceived as generally undesirable, or heading that way, is unlikely to be a good syndication candidate.

But location is not something always fixed in terms of a top, middle or bottom rating, says Mendelowitz.

"Understanding both sides of this issue is central to the success of any syndication operation."

There are properties, in some parts of the Johannesburg CBD, for instance, that were once regarded as prime. But as a result of the rapidly changing socio-economic environment, they now have a question mark over them.

Conversely, there are properties in areas that have not traditionally been much favoured as desirable locations, he says.

However, if one examines the infrastructure and demographics, especially shifts in residential and shopping trends, these locations could be well placed for the future and hence become desirable.

Critical

Jawno says the quality of leases and their duration and the terms, if contractual, of renewal are vital in deciding whether a property is suitable for syndication or not.

Critical to a syndication's success is that one should try to find a property where rentals are on the low side in comparison with the prevailing rates in comparable buildings.

While this is where the scope for substantial but realistic growth in rental income lies, he says, it should be remembered that a lease is no more than a piece of paper.

"You may have a bunch of tenants with leases that all look to offer excellent returns to the building's owners, but what if some have businesses that are not going to survive?

"And what if there are no big-name tenants; How do you think the building is going to fare, especially with some empty offices and retail space, and no major anchor tenant or tenants to act as a draw for the whole building?" asks Jawno.

public sold at a profit;
☐ Growth — properties let to tenants at rentals below market rates which will provide the syndicate with the opportunity to review rentals in future and so improve the return (7%-10%);
☐ Gearing — acquired with the assistance of loan finance.

Large firms working to offer top packages

MAJOR part bond companies are going all out to offer borrowers attractive financing packages amid sluggish growth in the industry.

Absa Trust property GM Neil Main says the present sluggish growth in the industry is nothing more than a reflection of the low demand for property-backed loan finance.

Provided borrowers meet quality standards, Absa will negotiate a flexible package to meet their needs.

"Sure, its a buyer's market for loans right now, but all the major players know that this business will be very competitive at any stage in the cycle, so we'll keep our pencils sharpened," says Main.

Duty

Competition to secure borrowers should not, however, be seen as a measure leading to lower standards that put investors' money at risk.

"We have a duty to maintain the quality of our loan book."

A further safeguard is that legislation requires that no loan may exceed two thirds of the valuation of the property.

But the industry is set to resume a strong growth path at the first sign of an upturn in economic activity, says Main.

Lower rates of interest — which fluctuate in line with market trends — have been a major feature of part-bonds to borrowers, whose loans are usually for at least five years.

With overall loans at about R4,5bn and secured mainly by commercial and industrial properties, this has provided a well-established avenue for investors seeking a high income yield and security of capital.

COMPANIES

Da Gama textile group shows 30% drop in earnings

DUMA GQUBULE

TROUBLED textile group Da Gama reported its third successive drop in profit with attributable earnings down 30% to R21,1m (R30m) for the year ended February.

This was equivalent to earnings of 41,4c (58,9c) a share, just over a third of financial 1990 earnings of 120c a share. The SAB subsidiary's payout for the year was 18c (25,5c) a share. B/07 4/5/93.

Chairman Laurie van der Watt said little benefit had flowed from government increases in customs duties, effective on November 1, on yarn, fabric and clothing.

This was because duty free import permits covering some R600m were estimated to be still available under the structural adjustment programme's export reward scheme. The duty free permits were to end at the end of March 1994.

Turnover eased 2% to R254,1m despite deepening recession, intense price competition and the unabated large-scale importation of foreign fabrics.

Operating income declined 31,3% to R25,1m (R37,4m). Interest absorbed R590 000 and tax R4,6m. Attributable earnings came to R21,1m (R30m).

Van der Watt said the group's balance sheet remained sound with a further improvement in the cash position underpinned by a strong cash flow from operations.

A major contributor to the improvement was a R17m reduction in inventory holdings.

Capital expenditure for the year and a further R13m had been planned for the coming year.

Van der Watt said earnings this year were expected to equal those of the past year although no significant reduction on foreign fabric imports was likely.

Wankie lines up its Z$350m gas project

JONO WATERS

DETAILS of Wankie Colliery's Z$350m gasline project were expected to be finalised this year, chairman Ngoni Kudenga said in his annual statement.

The project would pipe gas to the Zimbabwe Electricity Supply Authority's thermal station from the colliery. The move would replace imported diesel fuel for start-ups and flame stabilisation, saving aboutZ$20m a year in foreign exchange.

Repayments of loans and interest on the project had been guaranteed by government and the authority, which buys about 40% of Wankie's annual output of more than 5-million tons.

Wankie could declare a total dividend of Z$0,08 (Z$0,05) a share for the year ended February 1994, Kudenga said. The prevailing business environment made a meaningful forecast difficult, but the onset of good rains had resulted in an improvement in the demand for coal by the agricultural sector.

The company's profitability and cash flow would improve after approval by government of coal and coke pricing on a cost plus margin basis, Kudenga said. The price increases ranged from 25% to 80%.

The company's cash flow in the past financial year was affected by increased costs and declining sales. The situation was aggravated by the inability of major coal consumers to pay their debts on time, causing Wankie to borrow from an extremely tight money market.

Presmed earnings up 19%

A member of the First National Bank Group

(Member of The Johannesburg Stock Exchange)

DavisBorkumHare

Davis Borkum Hare & Co Inc
(Registration Number 72/09126/21)
(Member of The Johannesburg Stock Exchange)

Penrose Financial 18787

week reported a 19% increase in earnings to 23c a share for the year to end February 1993 from 19,3c in 1992.

The dividend was 25% higher at 5,25c a share (4,19c). The company said the dividend was comparable to 1992, as it took into account a 1:1,6 share split in August 1992.

...after-tax profit showed the success of a drive towards cost-effectiveness. Turnover increased 19% to R95,8m from R80,4m.

Operating income rose 17% to R13,76m (R11,8m), but a R1m jump in the interest bill to R2,39m retarded growth in net income, which increased 9% to R11,37m (R10,46m).

Attorneys — Routledges Incorporated, Est 1892, ATTORNEYS, NOTARIES AND CONVEYANCERS

Sponsoring brokers — DavisBorkumHare, Davis Borkum Hare & Co. Inc. (Registration No. 72/09126/21) (Member of The Johannesburg Stock Exchange)

Corporate advisers — Deloitte & Touche

JONSSONS

Da Gama

Da Gama Textile Company Limited

(Registration No. 68/15435/06)

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 1993

CONSOLIDATED INCOME STATEMENT

R000's	Audited Year ended 31 March 1993	Audited Year ended 31 March 1992
Turnover	254 094	259 032
Net operating income	25 126	37 422
Interest paid/(earned)	(590)	850
Net income before taxation	25 716	36 572
Taxation	4 594	6 543
Normal taxation	5 098	6 543
Deferred taxation rate change	(905)	—
Secondary tax on companies	401	—
Net income attributable to ordinary shareholders	21 122	30 029
Ordinary dividends declared	9 181	13 007
Retained income for the year	11 941	17 022
Number of ordinary shares in issue at year end (000's)	51 008	51 008
Weighted average number of shares in issue (000's)	51 008	51 008
Earnings per share (cents)	41,4	58,9
Dividends per share (cents)	18,0	25,5

CASH FLOW STATEMENT

R000's	Audited Year ended 31 March 1993	Audited Year ended 31 March 1992
Cash retained from operating activities		
Net operating income	25 126	37 422
Non cash items	14 362	14 105
Cash generated from trading	39 488	51 527
Decrease/(increase) in working capital	30 033	(29 636)
Cash generated from operating activities	69 521	21 891
Net interest earned/(financing costs)	590	(850)
Taxation paid	(6 119)	(7 601)
Cash flow from operations	63 992	13 440
Dividends paid	(11 221)	(15 302)
Net cash generated/(absorbed)	52 771	(1 862)
Cash utilised for investment activities	(15 905)	(14 408)
Cash injected from financing activities		
(Decrease)/increase in borrowings	(6 679)	10 160
(Increase)/decrease in cash	(30 187)	6 110
Net (reduction)/increase in financing	(36 866)	16 270

CONSOLIDATED BALANCE SHEET

R000's	Audited at 31 March 1993	Audited at 31 March 1992
Fixed assets	92 232	90 674
Investments	664	679
Current assets	190 221	183 804
Total assets	283 117	275 157
Interest free liabilities	47 571	43 444
Deferred taxation	4 520	5 949
Employment of capital	231 026	225 764
Shareholders' funds	225 963	214 022
Long and medium term borrowings	4 473	5 311
Short term borrowings	590	6 431
Capital employed	231 026	225 764
Capital expenditure for the year	15 987	14 755
Capital commitments at year end	13 313	12 245
Net asset value per share (cents)	443,0	419,6

COMMENTS

1. Earnings

Turnover for the year declined by only 1,9%, despite the deepening recession, intense price competition and the unabated large-scale importation of foreign fabrics – currently estimated to be about 45% of South Africa's requirements for cotton and man-made/cotton woven fabric. In the circumstances, the Company did well to limit the decline in earnings to a reduction of 29,7% from last year's result.

2. Dividend

In accordance with the practice of covering dividends 2,3 times by earnings, a final dividend of 11,5 cents per share has been declared. This brings the total dividends for the year to 18,0 cents per share, as compared with 25,5 cents per share for the previous year.

3. Financial position

The balance sheet remains extremely sound with a further improvement in the cash position underpinned by a strong cash flow from operations. A major contributor to this improvement was a R17,0 million reduction in inventory holdings. Capital expenditure for the year was R15,9 million and further expenditure of some R13,0 million has been planned for the coming year on refurbishment.

4. Tariff structure

The Government has announced increases in customs duty, effective November 1992 on yarn, fabric and clothing. Little benefit has flowed from these increased duties as some R600 million duty-free import permits are estimated to still be available under the Structural Adjustment Programme's export reward scheme. These duty-free permits terminate at the end of March 1994.

5. Prospects

Although no significant reduction in the imports of foreign fabric is likely in the coming year, group earnings are, nevertheless, expected to approximate those of the past financial year, provided there is no serious deterioration in the current socio-political climate.

DECLARATION OF FINAL DIVIDEND

Dividend No. 13 of 11,5 cents per share has been declared payable to members registered at the close of business on 21 May 1993. Cheques will be posted on or about 30 June 1993.

Non-resident shareholders' tax will be deducted from the dividend where applicable.

On behalf of the board:
L. van der Watt *(Chairman)*
T. H. Pearce *(Chief Executive)*

Johannesburg
4 May 1993

Directors: L. van der Watt *(Chairman)*, T. H. Pearce *(Chief Executive)*, V. J. Cunningham, J. A. Harrison*, J. M. Kahn, R. A. Maddox*, W. S. MacFarlane, N. J. Pietersma, G. E. Schroeder, S. J. Stonestreet, M. I. Wyman* (*British)

INCE

Bank rate cut now on the cards — Stals

CT 5/5/93

(58)

From GRETA STEYN

JOHANNESBURG. — There was a greater likelihood of another cut in Bank rate than of rates remaining stagnant or rising, Reserve Bank Governor Chris Stals said yesterday.

His comments were in sharp contrast to the mood before the surge in the gold price, when Stals raised the possibility of higher interest rates and economists predicted no further declines in Bank rate.

But the pessimism on interest rates faded fast yesterday as the Bank pumped cash into the money market, signalling it wanted to ease the upward pressure on rates by ending the cash crunch.

The money market shortage dropped to only R1,9bn from Friday's levels of R5,4bn.

Stals said the higher gold price, dollar weakness and lower agricultural imports meant balance of payments' pressures were abating.

The recent upturn in inflation was not cause for concern and had been expected. Money supply data indicated demand for credit remained weak.

Sources said at a meeting with bankers last week the Bank indicated it would intervene to ease the liquidity squeeze.

'Astounded'

The shortage had raised the cost of money and some bankers said a higher prime overdraft rate might be unavoidable. However, bankers were "astounded" by the extent to which the Bank eased the pain this week.

Overnight rates fell by a percentage point in response to pressure easing, while non-liquid bankers' acceptances were 15 points lower. The yield curve is likely to shift downwards on the expectation that "the days of a shortage of R6bn are over".

Reuter quoted a Bank spokesman as saying the higher level of liquidity was the result of the four-day, R500m repurchase agreement by the Bank yesterday, beginning of the month government spending inflows and the fact that the Treasury had recently purchased money market assets.

Bankers said the new system of monetary management, and the abolition of bankers' acceptances as liquid assets, meant the banking system could not cope comfortably with a shortage of more than R2.5bn-R3bn.

While the cash crunch was on, some banks were paying punitively high interest rates because of their high borrowings at the Bank's discount window.

Finance Minister Derek Keys last week provided hope for interest rate bulls when he said SA's gold and foreign exchange reserve position had improved.

BoP pressure was the main reason for Stals's warnings that rates might have to rise.

Cut in Bank rate possible — Stals

GRETA STEYN

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Finance Minister Derek Keys last week provided hope for interest rate bulls when he said SA's gold and foreign exchange reserve position had improved in April. BoP pressure was the main reason for Stals's warnings that rates might rise.

Dropping of sanctions 'has opened the door'

BIDAM 5/5/93

THE removal of sanctions has opened the doors for professional valuation services in SA, says Dunlop Heywood plant and machinery department head David Read.

"The lifting of sanctions has resulted in an inflow of regional and offshore inquiries. These are for valuations to be performed in Australia, Kenya, Mozambique and Zambia," he says.

While Dunlop Heywood had been active in these areas before sanctions, work came to an almost standstill after they were implemented. The limited foreign work that continued was conducted through the Botswana, Swaziland or Zimbabwe offices.

"We believe that current inquiries may be stimulated by the advantageous rand exchange rate. In addition to cross-border work, there is a large volume of valuations within SA for finrand purposes, where foreign investors are looking to buy into existing local companies or are relocating overseas factories to SA," Read says.

Commercial and industrial property valuers and consultants The Property Partnership has meanwhile formed an association with international property consultants Grimley J R Eve (GRJE), which has headquarters in London.

58

Associated

GRJE has nine offices in the UK and mainland Europe and associated offices in the US, Far East and Pacific Rim countries.

"The purpose of this link is to advise corporate clients on offshore property opportunities — several deals are already under consideration.

"In addition, it gives the company an enormous international backup and access to latest international valuation techniques and methods," says Property Partnership director Dave Grey.

It appears that it will take at least two years for the UK property market to emerge from its depression, which is creating opportunities for locally based clients.

In addition, the company is also able to facilitate overseas manufacturers that are showing interest in joint ventures with local conglomerates, he says.

Star 6/5/93

NBS, Momentum acquire Aegis

By Sven Lünsche

58

NBS and Momentum Life have joined forces to acquire control of short-term insurer Aegis from the UK's Norwich Life and minority shareholders for R182 million.

In a statement today NBS and Momentum say they will exercise joint control over Aegis but they intend to allow Aegis management to acquire a meaningful stake "to ensure its long-term commitment to the business".

To finance the acquisition both NBS and Momentum have issued new shares. Momentum will issue 11,4 million shares at 800c a share and NBS 6,14 million at R14,75 a share.

As a result of the share placing Rand Merchant Bank's stake in Momentum will fall from 74,6 to 68,2 percent, but Norwich's interest in NBS will rise slightly from 25,7 to 26,3 percent.

In line with the rest of the short-term insurance industry Aegis last year reported a strong turnaround in profitability.

On premium income of R356 million the group reported an underwriting profit of R16 million and retained income of R24 million.

According to the statement, if the acquisition had been effective in the previous financial years of the institutions, NBS' earnings per share would have increased by seven percent and Momentum's by 27,5 percent.

Net asset value would have risen by eight and 12,7 percent respectively.

NBS managing director John Gafney said the acquisition met the group's objectives of diversifying its source of earnings.

"We have actively focused our efforts on expanding into the insurance industry by buying into a well-established organisation," he added.

Reserve Bank 'helped to scupper Gencor strategy'

BIDAM 5/5/93.

MATTHEW CURTIN

RESERVE Bank exchange control policy and the politically sensitive and shaky finrand have combined to undermine the drive by mining house Gencor to establish itself as an internationally based resources group.

Chairman Brian Gilbertson admits the group "failed" in the past year to achieve what remains a key objective: ensuring Gencor becomes a conglomerate internationally diversified in its assets and shareholders. The group's increasingly high profile new business team has little to show for its efforts.

Coal producer Trans-Natal almost clinched a deal to acquire a controlling stake in Australian colliery Oakbridge Coal in December last year. The deal would have turned the coal group into one of the world's biggest coal exporters. But Trans-Natal was unable to get Reserve Bank approval for financing the deal from SA.

After a Finance Ministry directive in late November aimed at curbing the alarming descent of the finrand, the Reserve Bank said it would approve only offshore acquisitions yielding an immediate benefit to SA. New investments or deals already signed would have to be financed with loans raised abroad.

Gilbertson says resources projects, by their nature, have a long lead time before they generate cash, there are few commercially viable deposits up for grabs, while Gencor's limited financial resources overseas make raising funds offshore difficult. He says a second deal was also scuppered by the Bank's new policy.

In contrast, Anglo American and JCI already have significant offshore interests, Gold Fields has strong links to the US gold mining industry, while Anglovaal has moved towards consolidating its successful industrial and consumer businesses in SA.

Sappi's successful acquisition of German paper producer Hannover Papier in June 1992 was a step forward for Gencor.

However, the subsequent collapse in pulp and paper markets, the finrand's plunge and a crash in Sappi's share price sent foreign investors scuttling. Analysts believe most of the new Sappi shares acquired by European institutions have returned to SA investors.

However, Gencor is pressing on even if the current exchange controls amount to "a blanket veto on finrand deals", says one analyst. The policy leaves mining houses in an unenviable position because significant local opportunities — Gencor is already involved in new aluminium, gold and steel projects — are limited. Their gold and coal operations will "waste away" without gaining access to new offshore resources.

Minerals projects which provide immediate returns are rare, but they do exist, and Gencor theoretically has no difficulty in handling an offshore acquisition financed 100% by borrowings. The problem is it is impossible to service the debt from SA.

Finding a project which has a significant self-funding component is not impossible, but such a venture is likely to be high-risk, exposed to fluctuations in commodity prices, and deterring commercial banks from providing necessary finance.

The World Bank's private sector arm, the International Finance Corporation, has backed new gold projects in Ghana and Zaire, but its resources relative to major new developments like a Columbus or Alusaf are small.

Exploration can be financed through the commercial rand, and management services can be supplied in exchange for equity in a project. However, greenfields mining projects are likely to take at least three or four years to develop.

IB Joffe sells off three loss-makers

ANDY DUFFY

BESIEGED retailer I B Joffe has sold three loss-making businesses as part of its strategy to strip itself back to the core.

The company, which in the 12 months to December 1992 suffered attributable losses of R2m, raised R1,75m by selling kitchen furniture manufacturer Telek, leisure chair subsidiary LLB, and the operations' holding company Joffe Saddlery to private individual Goos Lustig. BIDAM

I B Joffe, which had flagged up the disposals in its year-end results, said Telek had underperformed since its acquisition in 1988. The poor economic climate had led to the other sales.

Had the sales gone through during 1992, Joffe said this would have cut its losses a share from 12,8c to 4c. Net asset value would have slipped from 33,2c to 23,2c.

The disposals, effective from January 1, reduce I B Joffe to a manufacturer and seller of leather, camping, backpacking and outdoors products. 5/5/93.

Experts expect Nedcor to record strong growth

BIDAM 5/5/93.

NEDCOR is expected to report strong growth in first-half earnings tomorrow and may declare an alternative scrip dividend to a higher interim cash payout, analysts said.

"We'll see good results from them," Doug Ellish of stockbroker Anderson Wilson Partners Inc told Reuter.

Wider interest rate margins before the current squeeze affecting the second half, and recent tax changes, would more than offset its continued high level of bad debt as the recession dragged on, analysts said.

Analysts forecast growth in share earnings of at least 15% to 117 cents plus in the six months to March 31, 1993.

The interim dividend was expected to be increased to 24c per share from a previous 21c.

Analysts said Nedcor may offer a scrip dividend as an alternative to the usual cash payout as this would escape the new 15% secondary company tax on distributed profits (cash dividends).

The recent reduction in the company tax rate to 40% from 48% would be a windfall for Nedcor, as seen recently in First National Bank Holdings Ltd's first-half results, they said.

An analyst who declined to be identified said although Nedcor had half the size of First National's deferred tax reserve, the corporate tax change would allow it to release a substantial amount. "The final results depend how they show the tax windfall. They will be cautious anyway in the first half."

David Southey of Edey Rogers Co forecast continued heavy growth in expenses because of its computerisation programme despite the fact that its three-year rationalisation plan was coming to an end. Expenses were R846m in the previous first half.

Analysts did not expect a major increase in Nedcor's specific and general risk provision from last year's R103m.

"The Perm Building Society is not the problem child it used to be, although it is not out of the woods yet," Ellish said. — Reuter.

New unit trust grabs R63m in four weeks

LINDA ENSOR

CAPE TOWN — Old Mutual's new medium risk, general equity unit trust, the Old Mutual Growth Fund, has attracted more than R63m in its first four weeks.

BIDay 6/5/93.

Old Mutual unit trusts manager Selwyn Feldman said the response had been well ahead of expectations and showed that, despite the current political uncertainty, investors continued to believe the stock market would produce inflation-beating returns.

(58)

"Old Mutual launched the new fund with a 40% reduction in the initial charge for the first month and, while this clearly was an incentive to buy the units early, we anticipate that demand will continue in the months ahead," he said.

Bank says it did 'exceptional job'

ANDY DUFFY (58)

NATAL-BASED New Republic Bank turned in a solid performance for the year to March, raising earnings a share 16% to 60,9c in spite of tightening conditions and rising costs. BDM

Net income before taxation rose to R6,8m (R5,7m), with higher interest margins pushing net interest income up from R20,6m to R23m. The dividend was ahead from 17c at 19c. 6/5/93.

This, the bank added, was an exceptional performance "in the light of the difficult trading conditions during the past year".

Although New Republic Bank's total income edged forward 17,4% to R27,9m, operating costs rose by a similar proportion to R21,1m (R18m). Staff costs were up from R14,1m to R16,5m, while bad debt provisions rose 22% to R4,7m. The bulk of the provision came through in the second half.

Advances rose 17,7% to R408,2m, while shareholders' funds leapt from R19,5m to R39,2m after the R17,3m rights issue it called in February.

The bank, which gained Sanlam and IGI Life as shareholders in the rights, said it expected earnings to increase in the current financial year.

The rights issue, made up of ordinary shares and convertible unsecured debentures, had raised the bank's capital adequacy ratio to 9,9%.

New Republic Bank had said also it planned to use its expanded capital base to enable it to move into commercial banking.

The bank did not expect economic conditions to "improve materially".

Civics, lenders reach accord on bonds

GAVIN DU VENAGE

A FIRST step towards ending the deadlock over bond boycotts and the granting of home loans to township residents has been taken with an agreement between major banks and civic organisations.

The Association of Mortgage Lenders (AML), which represents SA's major home loan institutions, and the SA National Civic Organisation (Sanco), said the deal, covering bond arrears, defaults and repossessions, had been signed on Friday.

The two parties agreed that:

□ Financial institutions' responsibility to depositors included providing a rate of return on deposits, and repaying them on demand;

□ Shareholders and the providers of capital required a fair rate of return on their investments;

□ Banks had to assess the credit risks carefully and lending would be done according to an individual credit profile or against the security of fixed property or other suitable collateral;

□ Government had a responsibility to create a normal property market through subsidies, infrastructure and guarantees;

□ Community participation and education were vital to a stable market, but agreements should be subject to market trends;

□ The concept of home ownership should be encouraged;and

□ Negotiations rather than "disruptive actions" should address differences.

8/3/93 (58) (123)

Robberies set to boost insurance premiums

Star 6/5/93

(58)

By John Miller

Household insurance costs are expected to rise by up to 20 percent this year because of increased home robberies — and fraudulent claims — according to a broker.

Heritage group director Jenny du Toit said an increase was unavoidable.

Insurance companies had to deal with more crime-related claims and fraudulent claims because of increasing unemployment.

"Every claim has an element of fraud in it. Clients and companies are to blame for this."

Du Toit said that in the past, clients had padded their claims because insurance companies did not pay out the full amount claimed.

Claims were now also far more fully investigated than in the past, she said.

This was not because they were looking for reasons not to pay, but more to discourage anyone putting in a fraudulent claim.

Du Toit appealed to the public to check on the percentage payouts on such items as jewellery and sound equipment.

With the cost of insurance expected to rise dramatically, she recommended that would-be clients deal with a broker, who should be able to get them the best deal.

David Hirsch, managing director of Compuquote, believes insurance companies should issue a clear and concise summary of each policy.

"Any insurance policy is rightly described as the least-read best-seller".

Hirsch said jewellery and electrical items were subject to changes in payouts.

Agreement on mortgage arrears and repossessions

Star 6/5/93 (58)

By Cyril Madlala

Banks and building societies, owed millions of rands in unpaid bonds, have reached an agreement with the SA National Civic Organisation (Sanco) on procedures for handling arrears, defaults and repossessed properties.

Details of the arrangement, first alluded to in a Sunday newspaper report, were announced yesterday at a press conference by the Association of Mortgage Lenders (AML) and Sanco.

The agreement was signed after about nine months of intensive negotiations between the two bodies.

It is hoped it will contribute towards the creation of a "normal" property market in problem areas.

AML president Mike de Blanche and Sanco president Moses Mayekiso hailed the agreement as "historic", saying it "affords new hope for borrowers of home finance who are having difficulty repaying their home loans".

The agreement is aimed at economically active existing and potential home owners within these communities who can afford to own homes.

Mayekiso ... against culture of non-payment.

It does not prejudice any rights available under such schemes as the Government's first-time home buyer subsidy and the home loan guarantee fund.

An extensive programme of information and education within disadvantaged communities is to be facilitated by the AML in conjuction with Sanco.

This includes an undertaking by the AML to pursue the creation of unemployment insurance facilities for home owners within these communities.

"We are not encouraging a culture of non-payment," said Mayekiso.

He added that it was the first time community organisations and lenders came together to identify problems and find ways to solve them together.

The parties have agreed that problems should initially be resolved through negotiations instead of "disruptive actions".

Among principles outlined in the agreement are:

- Shareholders and providers of capital require a fair share of return on their investments and banks which fail to provide this will be unable to raise funds for home lending.
- Community empowerment, education and participation are vital to the process of creating a normal property market, and other financial mechanisms relevant to disadvantaged communities have to be approved by banks concerned.
- The concept of home ownership should be encouraged among people who have the desire and financial ability to own their own homes, and the prospect of repossession should be avoided whenever possible.

A pilot project to see if the agreement works on the ground will be implemented, probably on the Reef, it was announced yesterday.

Sowetan, 6/5/93

Homeowners' reprieve

■ Move towards trying to improve buyers' lot:

THE Association of Mortgage Lenders and the South African National Civic Organisation have reached an agreement on resolving the rent boycott and education crisis.

The parties reached an agreement on a number of principles to be followed in the handling of arrears bond payments, default payments and repossessed properties.

The historic agreement will afford optimism for borrowers having difficulty repaying their home loans.

At a Press conference in Johannesburg, Sanco president Mr Moses Mayekiso said the agreement acknowledged the existence of severe distortions in the property market, especially within disadvantaged communities.

He said: "This agreement is aimed at economically active, existing and potential homeowners who can afford to own their homes."

The second agreement, which outlined an extensive programme of information and education within disadvantaged communities, was signed by the parties, he said. The agreement would include an undertaking by AML to pursue the creation of unemployment insurance benefit for homeowners.

Nedcor posts sterling net income growth

58 CT 7/5/93

By ARI JACOBSON

NEDCOR reinforced the banking sector's status as a top performer on the JSE, pushing out net income up 22% at R234m (R192m).

Earnings a share grew by 19% to 121c (102c) a share and included the benefits of the reduction in the tax rate and the introduction of a secondary tax on companies.

The higher potential tax at the dividend payout level saw the group declare a scrip dividend instead — of 1,16 new ordinary shares for every 100 held. The fraction of shares that result will allow for a residual cash payment based on an ordinary share value of R21,50 a share.

The bank's bread and butter loan business, featured as gross advances, rose by a controlled 11% at R37bn (R33bn) brought on by stricter lending criteria at the Perm.

However as CE Chris Liebenberg points out "the rate of growth in properties in possession and arrears at the Perm have declined".

Yet the specific and general provision for bad debts increased by about 33% to R120m (R90m) between comparable six month periods to March, which Liebenberg describes as "in line with expectations".

He mentions that "the momentum for strong growth" in the first six months of the financial year — came from the corporate, consumer and commercial divisions.

He said that the the restructuring of the Nedcor group was now into the final phase "the exercise began three years ago to establish divisions with identifiable brand names, client and product groups."

Looking at the divisional performance, he points out that of the R234m in net income produced by the group, Nedcor Bank contributed R190m, UAL Merchant Bank provided R19m and asset managers Syfrets R9m as did the Cape of Good Hope bank.

Tighter margins, with the reduction in interest rates, saw net interest income grow 11% to R881m, while fee income shotup 22% to R574m.

Deposits were up 12% at R43,3bn (R38,6bn).

On future prospects, Liebenberg says that the prospects for "lingering unrest and the prolonged recession" will make profit growth difficult.

However he said that the reduction in the tax rate would allow the group to realise a real increase in earnings for the full year to September.

- An independent rating agency said it had accorded the Nedcor Group a "top notch" credit rating.

Republic Ratings said Nedcor Ltd — the group holding company — and its subsidiary Nedcor Bank had both been accorded the highest short-term rating of A1.

Republic director Dave King added that Nedcor Bank's recent R300m secondary capital issue had been accorded a long-term rating of AA.

COMMERCIAL FINANCE CORP

Cloudy crystal ball (58)

FM 7/5/93 ,

Activities: *Property and engineering subsidiaries and a portfolio of listed investments.*
Control: *Directors and associates 58,4%.*
Chairman: *C van der Pol; MD: W J Swain.*
Capital structure: *9,92m ords. Market capitalisation: R59,5m.*
Share market: *Price: 600c. Yields: 2,3% on dividend; 5,7% on earnings; p:e ratio, 17,5; cover, 1,6. 12-month high, 725c; low, 600c. Trading volume last quarter, 19 000 shares.*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	1,4	2,4	5,4	3,1
LT debt (Rm)	3,9	1,9	0,9	2,0
Investment inc (R000)	2 920	3 512	3 128	2 951
Trading profit (R000) .	3 416	1 449	1 249	834
Pre-tax profit (R000) .	6 065	5 782	5 183	4 428
Net profit (R000) . .	4 069	4 105	3 507	3 406
Earnings (c)	40,9	41,3	35,3	34,2
Dividends (c)	21	22	22	22
Net worth (c)	904	891	1 122	995

Taxed profit as % of total

	'89	'90	'91	'92
Investments	64	84	87	87
Property	29	29	54	64
Operating/Trading ...	7	(13)	(41)	(51)
Total	100	100	100	100

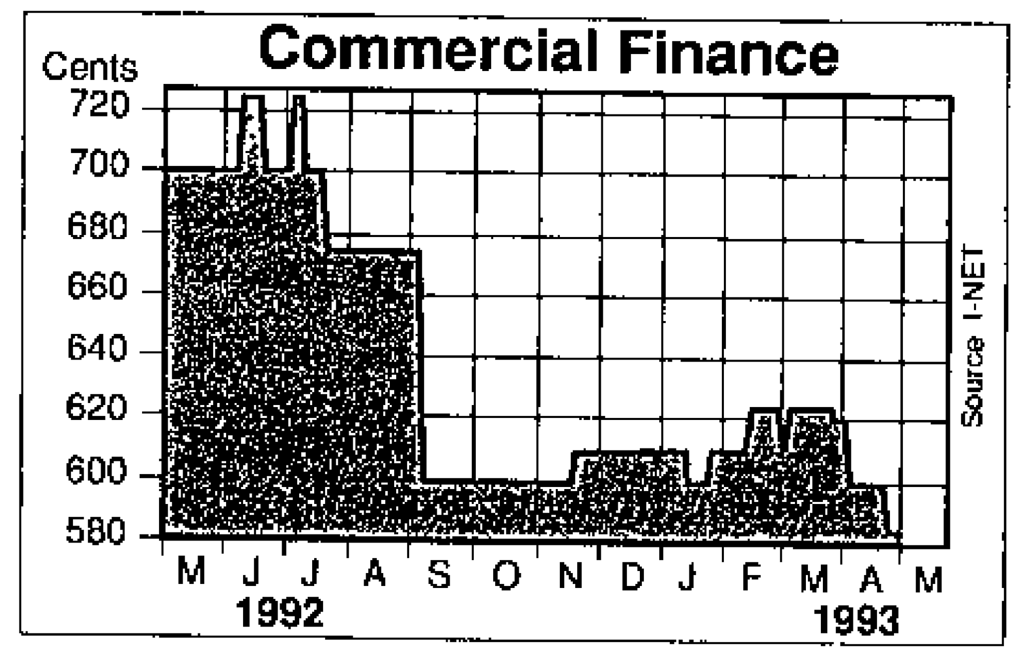
Chairman Kees van der Pol shouldn't be criticised unduly for having been optimistic about 1992 in his 1991 statement; after all, his prediction for the first half was right on the button That he was horribly wrong for Commercial Finance Corp (CFC)'s second half, which resulted in dreadful year-end figures, isn't entirely his fault.

Contributions from the operating/trading division slumped for the fourth consecutive year. That left the burden of producing earnings growth solely on the shoulders of the property subsidiaries — in a year in which property wasn't exactly the right flavour.

Increases in demand for working capital as a result of the swell in turnover of contracting operations, along with losses incurred by trading operations, necessitated a restructuring of 79%-owned Communication Engineering, whose shareholders' loans were converted into equity.

Earnings from the property division were marginally better than in 1991. Investments in property increased by about R1,2m, mostly through additions and improvements Since financial year-end, CFC has sold one property for R4,5m, a capital profit of R4m. The directors say properties are worth

FM 7/5/93 · (58)



R23,7m, or 239c a share, more than the R15,3m book value. Allow for this and the present price of R6 is little less than half net worth.

Market value of listed and unlisted investments dropped 24% to R64,9m Van der Pol says this was due to the downward trend in share prices as well as the sale of listed shares — proceeds have been invested elsewhere in the group. Earnings from investments were marginally down as the dividend in specie of R1,2m from the Ovbel group was treated as an extraordinary item.

CFC's asset base, however, remains strong About one-third of its R64,9m share portfolio is in Tongaat-Hulett (15,8%) and Specialty Stores/Storeco (15,8%). Mining houses (including JCI and Anglo American) account for another 20%.

CONGELLA FEDERATION

	'89	'90	'91	'92
Net profit (R000)	1 207	1 258	1 726	2 103
Earnings (c) .. .	142,5	148,5	203,7	248,3
Dividends (c) ...	49	57	65	80

About R1,5m of CFC's attributable profit, or 44,6%, came from 72%-owned **Congella Federation.** This listed subsidiary's property and investment interests had mixed fortunes. While the market value of listed investments fell from R8,6m to R6,6m, properties remained fully let — no mean achievement. The build-up of its reserves continues to assist steady growth with a progressive increase in dividends.

Van der Pol says CFC is budgeting for an improvement in earnings this year, but whether this can be achieved depends largely on reversing losses in the operations divisions. Provided these perform again, long-term prospects for the share will be good. *Kate Rushton*

FM 7/5/93 FOX

BOARD OF EXECUTORS (58)

Capturing new business

The large fees received by the Board of Executors (BoE) for its role in the Royal Foods/Del Monte transaction barely influenced the sparkling performance for the six months to March 31, according to MD Bill McAdam Pre-tax income rose 30% and attributable earnings jumped 36%. Additional fee income has, however, been prudently hidden in non-disclosed provisions

All divisions are trading well, says McAdam. He ascribes the underlying strength of the operation to a tight clamp on expenses imposed last year and on the higher stock market. Assets under administration increased 17% to R5,4bn and the period was marked by a "pleasing inflow" of general new business, particularly in the pension fund division, which now controls assets of R2,1bn.

When BoE reports its full-year performance towards the end of November, its accounts may show full disclosure, a legal requirement with which banks must comply from January 1 1994. BoE does not yet comply and McAdam says the opportunity was taken to strengthen general provisions and reserves. Evidently, results were better than disclosed.

Chairman Paddy Wilson is confident the growth rate achieved in the first half will continue in the second. McAdam adds that, provided the market does not collapse, he is confident BoE will continue to produce an EPS growth rate close to the 29% compound rate achieved over the past 10 years. That sort of optimism, accompanied by such buoyant results, justifies the appreciation of the share over the past few months. *Gerald Hirshon*

FIRST NATIONAL BANK

FM 7/5/93

A fortuitous combination

No wonder First National Bank (FNB) MD Barry Swart is smiling. Not only did his bank enjoy a fortuitous earnings boost from the reduced corporate tax rate, but last year's purchase of Henry Ansbacher Plc, while not yet contributing to the bottom line, has helped non-interest income grow by the same healthy 17% as interest income.

And the incorporation of trading results from Henry Ansbacher for the first time provides a handy reason for the 15% increase in the bad debt provision, to R185m. Swart says domestic bad debts have remained flat, the increase in the charge being attributable to the inclusion of provisions for loans on the London bank's books. (58)

The new tax rate, reduced from 48% to 40%, has allowed FNB to release R140m from deferred tax; a tax equalisation provision of R72m has been created.

That, with g wth in both interest and other operating i. ome ahead of the increase in the bad debt charge, has helped boost earnings by 20,3%, not bad for a year in

FM 7/5/93

which interest rates began to drop, the prime rate moving about three percentage points in the period (58)

Swart expects margins could be squeezed slightly in the second-half, but does not anticipate any further changes in interest rates.

Henry Ansbacher, he says, is still being streamlined and will probably not contribute to profits during this financial year. But its strategic value is in the nature of its operations, which lean towards merchant banking and should provide reasonable volumes of non-interest business.

Midlantic, the Hong Kong-based bank acquired last month for US$15m, seems to hold promise. Swart says it is a well established, profitable business specialising in pre-manufacturing and post-shipment finance.

"It's well established in its field, though we plan to add financing, money market and treasury operations and might even look at dealing in securities." Swart says, however, it would not be realistic to expect anything from Midlantic during the next year.

He is well satisfied with the 18,6% growth in the bank's advances book, but bemoans the lack of demand for credit. "I wish the politicians would get their act together so as to create the climate for investment. I look forward to that happy day when there's again a strong demand for credit — we have the funds avaliable."

The share price has been tracking the bank's strong performance, gaining about 26% since the beginning of the year. Its rating has improved accordingly, with the current yield of 2,6% well below the sector average and not far off Standard Bank Investment Corp's 2,1%. It's expensive, but underpinned by these results it will stay on institutional shopping lists. *Shaun Harris*

FINANCIAL SERVICES FM 7/5/93

Upstaging Absa

(58)

Relationships between estate agents and large financial institutions are not always the one-way street they appear to be. One such tie-up has enabled J H Isaacs (Natal) (JHI) to expand its services substantially. The company has drawn on the expertise of minority (29%) shareholder Absa to establish what it claims is the country's first one-stop property and financial planning facility.

As a value-added adjunct to traditional real estate services JHI offers in the industrial, commercial and residential sectors, its new financial service facility offers the group's 13 500 clients advice and procurement services for pension and provident funds, preferred and deferred compensation, major medical and hospital plans, cover for partnership and shareholder agreements, contingent liability, key-man cover and employee package options.

It is also available to assist investors in areas such as property syndications, bank investments, unit trusts, assurance-based investments, and managed share portfolios. That includes an analysis of their financial planning needs with particular reference to taxation, investments, retirement planning, illness, disability, estate duty and insurance.

Chairman Trevor Warman says the new facility will initially be confined to Natal but extended to Johannesburg and Cape Town. He explains that the idea for the financial service has taken about a year to develop. "We decided to use the expertise available to us from Absa to establish our own financial services operation."

He stresses, however, that "this is not just a window-dressing exercise to put a JHI label on Absa services. It is a JHI operation with JHI staff offering a service to JHI clients." ■

NBS HOLDINGS FM 7/5/93 (58)

More insurance exposure

NBS Holdings' share, apart from its price gaining about 50% over the year, is now rated alongside the big four banks — its historical yield of 2,6% is way below Absa's, in line with FNB and Nedcor, and not that far off SBIC's 2,1%. Its p:e of 13,1 is second only to SBIC. Not bad for what used to be a building society, though one daren't call it that anymore.

NBS's strong rating seems set to improve on the strength of preliminary results and this week's announcement that NBS has, with Momentum Life, jointly acquired 100% of short-term insurer Aegis from its UK parent.

Total cost of the acquisition of control

FM 7/5/93 (58)

from Norwich Union Plc, with minority interests, is about R182m, R40m more than the speculated price *(Fox,* April 2). It's 8,3% more than NAV, and has been settled by issue of shares, 6,14m from NBS at 1 475c a share and 11,4m at 800c a share by Momentum.

For NBS, joint control of Aegis means its income from insurance activities should increase from roughly 27% now to about 34%, says MD John Gafney. In September insurance only accounted for about 19% of income.

The changing income mix was the result of well-timed diversification, reducing NBS's reliance on margin income before the interest rate worm began to turn, and spreading into broader financial services through Norwich Life SA, French Bank, Circle Risk Management (formed last year by the NDH Bank team which defected from Sechold), and now Aegis, which, according to official estimates, would have added 10c to EPS had the acquisition been effective in the financial year.

A result of diversification, says Gafney, has been strong performances from all divisions, and better-than-expected margins. It shows in the 23% increase in taxed income to R81,8m and EPS up by 19%.

"In the old days we were very much a building society, but with the banks coming in we realised home loans were going to become very competitive," says Gafney. "I was uncomfortable with our heavy exposure to home loans, so we began to grow non-interest business while keeping our share of the home loans market."

Advances, which have grown by a creditable 16,5%, show the emphasis moving away from mortgages to instalment credit, which now makes up about 18% of the advances book. Overall, NBS is only getting about half its income from interest business, compared to 68% two years ago.

With diversification to continue, Gafney expects real growth in earnings in the coming year. As for the share, the FM considered it expensive 14 months ago at R11. It now trades at 1 625c, though on a firmer yield, and will no doubt still be sought after by the institutions.

Shaun Harris

BUSINESS DAY, Friday, May 7 1993 3

Masterbond investors warned on legal costs

BDay 7/5/93

(58)

LINDA ENSOR

CAPE TOWN — The Masterbond curators have sent a circular to the 20 000 investors in the shipwrecked Masterbond group urging them to seek independent legal advice on the action to be brought by Masterbond Victims' Association chairman Don MacKenzie against the Department of Finance and/or the Reserve Bank.

"It is possible that should the action be unsuccessful the claimants (investors) could be held liable for the legal costs of the parties against whom action was instituted. Any such liability might not be affected by the compensation with Mr Levin," Horton Griffiths said on behalf of the curators.

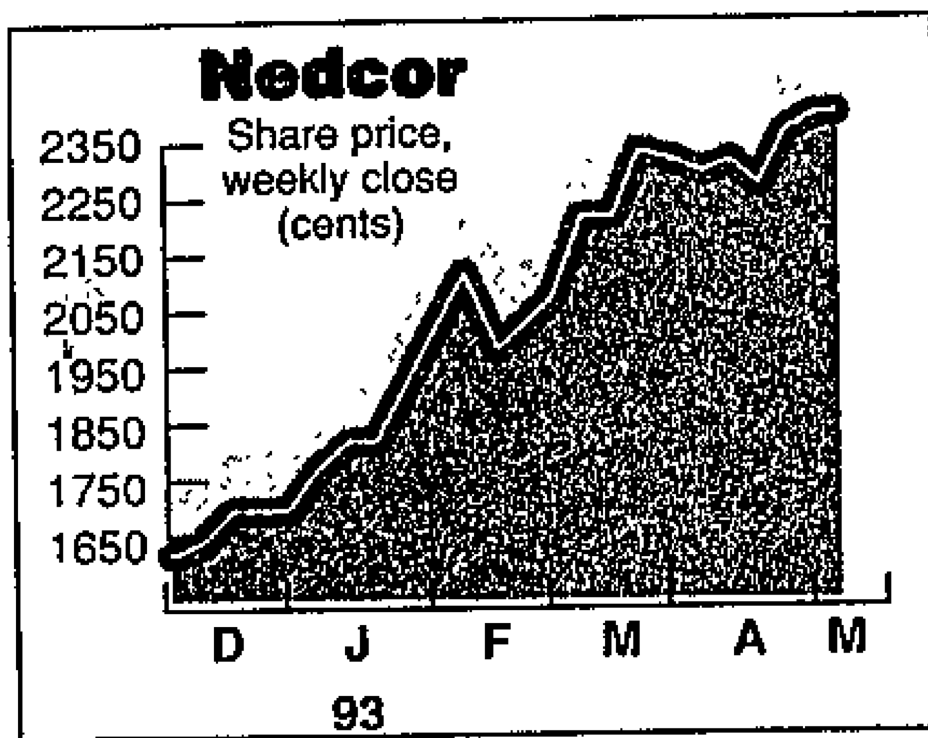
Attorney Allan Levin has agreed to act for Masterbond investors on a contingency basis, which means he would be paid only if the action was successful.

MacKenzie said in an interview yesterday that the Law Society had given its approval for Levin to represent the investors on a contingency basis and he was awaiting a reply from the Bar Council as to whether senior counsel could act on a similar basis.

He said the claim for damages was based on the allegation that the authorities were fully aware as far back as 1985 that there were criminal activities being perpetrated at Masterbond, and that numerous Acts were being contravened.

Lower tax rate lifts Nedcor

(B)



Graphic LEE EMERTON Source I-NET

DUMA GQUBULE

BDAY 7/5/93

NEDCOR Group, boosted by a lower tax rate, reported a 22% increase in net income to R234m (R194m) for the half year ending March.

This translated into a 19% increase in earnings to 121c (102c) a share, which was within the range of analysts' expectations.

The bank gave shareholders the option of a capitalisation issue rather than a scrip dividend, which would have been subject to the new secondary tax on companies (STC).

□ To Page 2

Nedcor

Bday 7/5/93

(58)

□ From Page 1

Shareholders were offered 1,1628 capitalisation shares for every 100 held, or a 19% higher interim dividend of 25c a share.

Nedcor Group's interest expenses declined more rapidly than interest income, suggesting a wider margin. Expenses dropped 13% to R2,2m and income 8% to R3,1m, which resulted in an 11% increase in net interest to R881m (R791m).

But CE Chris Liebenberg said margins had narrowed because of lower interest rates and volumes which were below expectations. Expenses were up 14,6% to R934m (R815m) and the group hoped it would show an increase of just above 14% at the year-end. Expenses included a phased provision for spending on upgrading the technology base.

Nedcor tucked away an extra 33% (R120m) in specific and general risk provisions. Explaining the increase, Liebenberg said conservatism was needed because of political and economic uncertainties.

Income before tax was up 13% to R401m (R355m) and the bottom line was boosted by a lower tax rate. The tax bill, which took into account the new STC and all other taxes on the same line, was up 2% to R167m (R163m), and net income came to R234m (R192m).

On the Perm, previously an area of concern, Liebenberg said arrears and properties in possession had been on a declining trend.

Perm's book would be overprovided for if the trend continued and significant provisions would flow back to capital in the next few years.

Perm experienced lower growth in bond volumes because of stricter lending criteria, but increased income by 15% to R38m.

Nedcor Bank's contribution to net income was up 23% to R190m with restructured Finansbank's share of the figure jumping to R7m from R1m.

Cape of Good Hope's contribution increased 13% to R9m. Syfrets Group's net income was up 15% to R9m and UAL Merchant Bank's figure rose 19% to R26m.

Nedcor Group assets, driven by an 11,8% increase in advances to R37,1m (R33,2m), were up 9,5% to R49,2bn.

Liebenberg said the group was well capitalised with an overall capital adequacy ratio of 9,6%.

In the year ahead the group would focus on underperforming assets, which included Perm and Syfrets, Liebenberg said.

MONEY SUPPLY FM 7/5/93.

Out of orbit

Growth in money supply is a crucial indicator of economic activity. So the Reserve Bank's surprisingly low estimate of the broad monetary aggregate M3, at the end of March, is cause for concern.

After slowing in 1992, growth in M3 has stopped. In two of the first three months of 1993 the seasonally adjusted level fell. And the monthly slumps produced declines in the annualised growth rates — from the mid-November base. The significance of this measure (as opposed to the year-on-year growth rate) is that the Bank provides growth guidelines, which in 1993 are set at 6%-9%, and a serious deviation shows events are taking an unexpected turn.

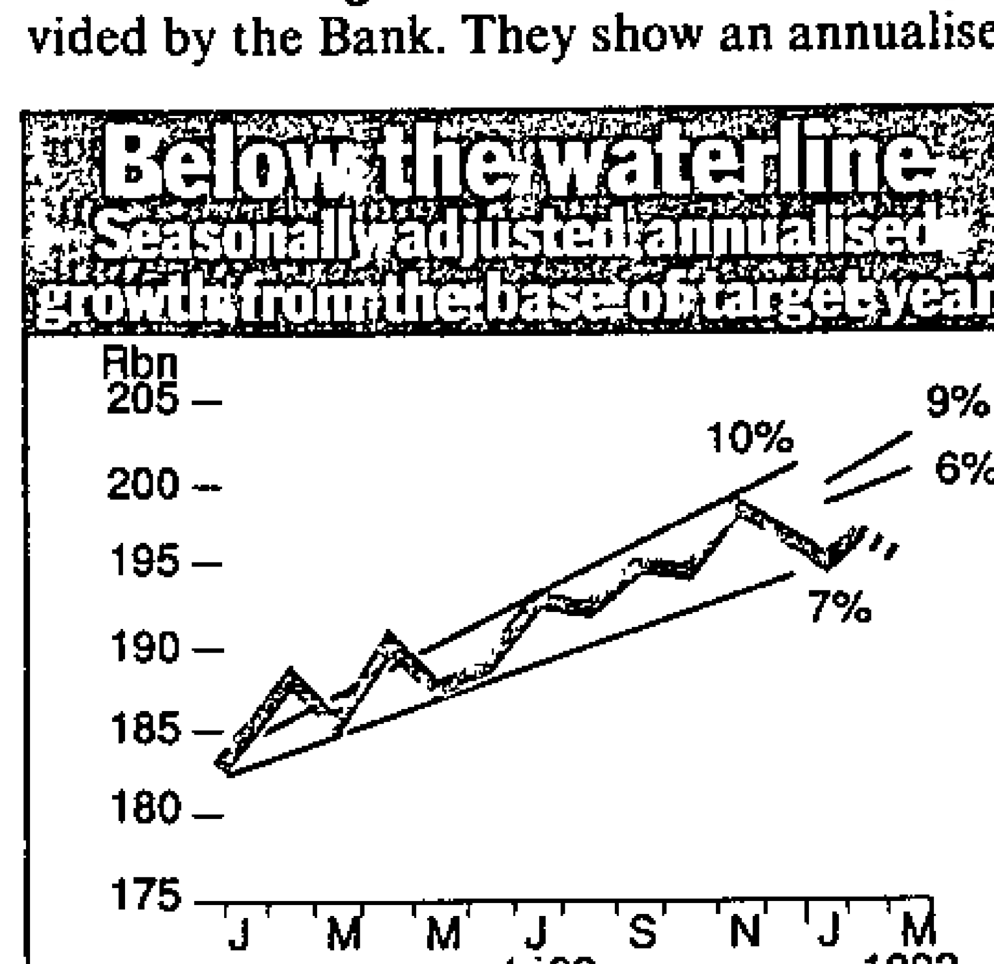
Latest figures show M3 fell 1,8% in March (to R195,2bn), after a rise of only 0,68% in February and a fall of 4,8% in January.

The contractions in November-January and November-March are the first absolute declines in this measure since figures were published in March 1989. Money supply targeting from a fourth-quarter base was introduced in 1986 by the then Governor Gerhard de Kock. But initially only 12-month figures for M3 growth were published. A decision to publish the other measure was taken when De Kock realised the targeting exercise could not be properly evaluated by the public unless people had access to it.

But the January and March falls in M3 must be seen in perspective. Though they are partly an indication of the low level of demand for credit, credit extension is only one component of M3 growth. Another important element is the movement in gross foreign reserves. These fell from R10,6bn in November to R9,1bn in December, and from R8,3bn in February to R7,5bn in March.

Declines in forex reserves constrain future growth — but they are not a symptom of low demand in the economy. On the contrary the recent fall in reserves was partly due to a high import bill.

An indication of the strength of demand comes from figures on credit extension provided by the Bank. They show an annualised seasonally adjusted rise of 5,1% in total credit extended between the end of November and the end of February. (Figures for March are not available.) This shows consumer confidence is low but is far from being at the depressed levels indicated by M3 growth.



Another factor to be considered is that March was the end of the fiscal year and government spending is often delayed in that month to keep the figures as presentable as possible. In that case, the monthly dip would have been followed by a compensatory rise in April, which will be incorporated into that month's money supply figures.

The long-term declining trend in money supply growth is at least a harbinger of a lower rate of inflation.

Annual growth in M3 peaked in August 1988, at 27,5%. In the years that followed inflation climbed from 13,3% in January 1989 to 16,5% in October 1992. A slide in money supply growth saw inflation fall to single digits by December 1992. As both figures have been technically distorted over the period, the correlation is not perfect. But, overall, it suggests that, with 12-month growth in M3 down to 5,33% in January, 5,18% in February and an estimated 5,15% (to R198bn) in March, there can be little fundamental pressure on inflation. Which means the exchange rate should stabilise in the years ahead.

Money supply figures for February show:
- ☐ M0 rose 11,7% to R13,4bn;
- ☐ M1A 24,5% to R42,1bn;
- ☐ M1 14,17% to R70,4bn;
- ☐ M2 6,9% to R168,7bn; and
- ☐ M3 5,2% to R197,4bn.

MOVIE SCHEMES FM 7/5/93

Happy endings

The terms Inland Revenue has announced for the settlement of outstanding assessments of taxpayers, who had committed funds to so-called movie schemes, have implications for those involved in schemes based on plantations, bloodstock and aircraft.

The recent decision of the Transvaal Income Tax Special Court, in the *Jake Speed* case, gave final impetus to the movie settlement. The Income Tax Act will be amended this year to provide for it and taxpayers will have to prove that the movie was manufactured and released for viewing in an "export country" (one in relation to which the benefits under Section 11*bis* of the Act were available).

The offer ~~must be~~ accepted in writing on or before September 30. The most important terms of the offer (see box) are to allow a

LIFE ASSURANCE FM 7/5/93

Time passes

(58)

Timelife Insurance, the youngest of SA's life offices, has posted excellent results for 1992. Yet the figures could make the minority shareholders of Time Holdings, the JSE-listed group which owned Timelife until last November and who are now watching their remaining assets slip away, wonder if they got a fair deal.

Time Holdings was suspended by the JSE earlier this week. This was quickly followed by an application for provisional liquidation. Time Holdings' problems flow from an unsuccessful foray into low-cost housing development.

Timelife, though a small life office and suffering the new business strain which typifies young life assurance operations, was the jewel in Time Holdings' trophy room. It was expected to go for an independent listing in about three years' time. MD Bill Haslam says that is still the plan, despite Time Holdings' problems.

In a reshuffle of Time Holdings' interests last November, Timelife ceased to be a subsidiary and 67% was allotted to construction group Concor with the balance held by Timelife's directors, brokers and some individual shareholders. At the same time, Concor acquired 30% of Time Holdings for R9,4m.

A Concor spokesman has said (*Fox*, April 30) that the company has a "fall-back position" to comfort it against problems in its Time Holdings' investment. Concor's holding in Timelife could be precisely that.

It's difficult to value a young assurer because of the twin concepts of business strain and embedded values — the value of contracts written but from which profits will still flow. If Time Holdings' shareholders and the

cont

liquidator want to know if they parted with an asset at a knock-down price, they will have to bring skilled actuaries on board.

Haslam, himself an actuary, says that when the restructure was organised late last year, there were four independent actuarial assessments of Timelife's worth. The price set for Concor's acquisition was R2,80 a share, which was a discount to the lowest of the four valuations.

Haslam says the assurer's net premium income last year was R25,8m, up 46%, with most coming from recurring premiums. The asset value climbed 43%, from R33,6m to R48m. Investment income totalled R2,8m, an improvement of 45% on the previous year. Benefits paid to policyholders increased from R1,7m to R4,4m.

By the standards of the life industry, Timelife is tiny: Old Mutual has assets of nearly R90bn. But Timelife is considered by many assurance observers to be an office with good potential, servicing mainly the A and B-plus income groups. It has been innovative in developing products linked to investment and home purchase.

It is distancing itself from the problems at Time Holdings, though Haslam remained a director of the parent company after the restructure. In a news release concerning Timelife's results this week, Haslam comments: "Timelife is in no way affiliated to Time Holdings. It is also important to point out that no Timelife policyholder funds are invested in Time Holdings group."

To finance growth, Timelife will need new capital. Haslam is confident this can be found. ■

FM 7/5/93 (58)

QUARTERLY HOUSE PRICES
FM 7/5/93, (58)

Remaining buoyant

According to the latest ~~Absa~~ quarterly housing review, the increase in the price of the average medium sized house (roughly 176 m²) in SA is continuing its upward trend, after a five year low of 5,6% in the third quarter of 1992. This is by far the largest segment of the market, suggesting prices are firming.

Compared with the same quarter a year ago, the average price of a medium-sized house (110 m²) was 9,6% up in the first quarter of this year, and that of smaller houses 9,2% higher.

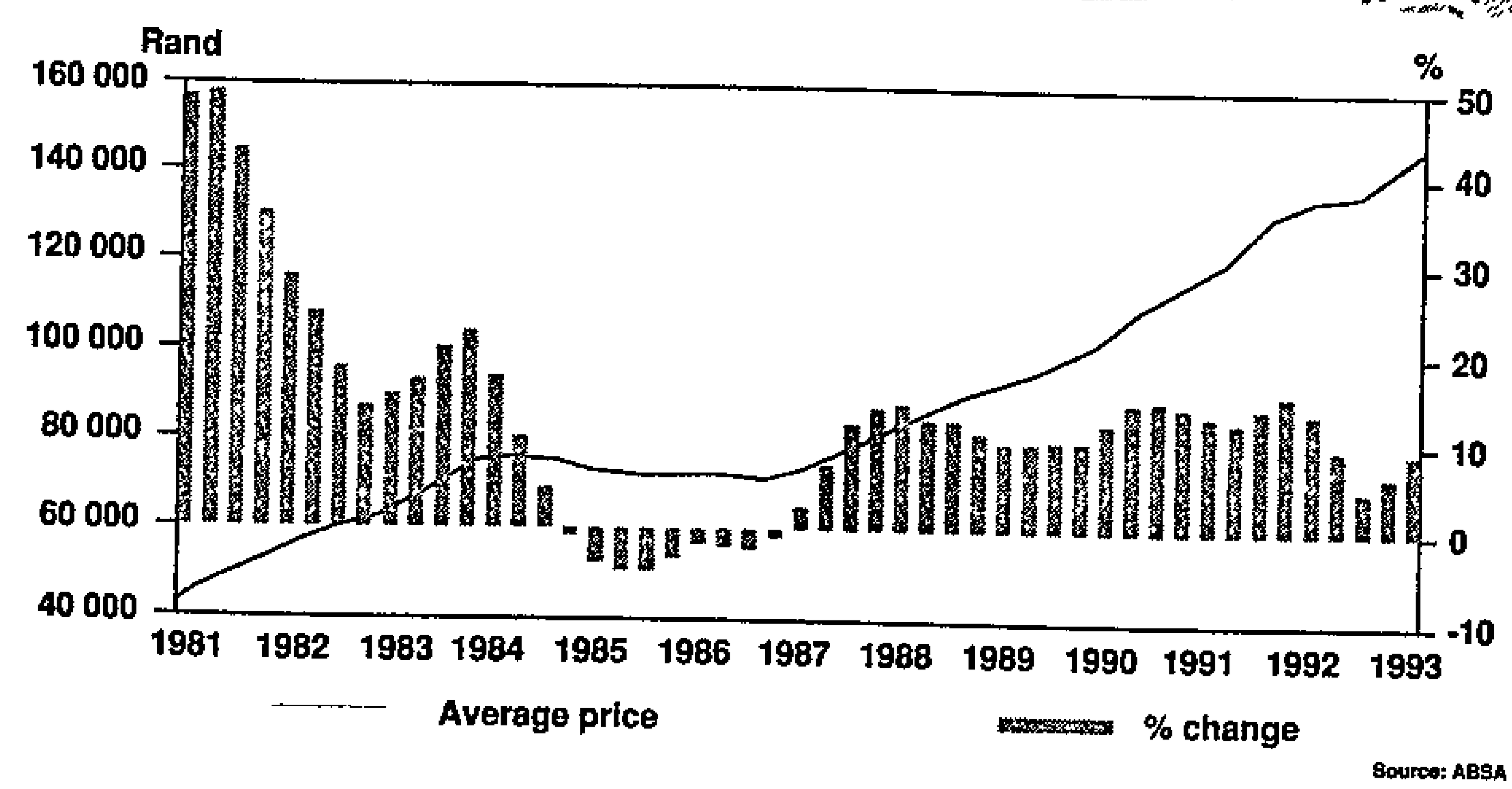
As can be expected, prices of large homes (roughly 265m²) have suffered the most, showing an actual decline of 1,1% in the first quarter of 1993. For 1992 as a whole, the average price of large houses was 3,5% higher than in 1991.

Confirms Absa economist Christo Luus: "The basic difference is that the luxury end of the market has been more adversely affected than the lower end because people are scaling down, or because this market has been more affected by emigration.

"This is to be expected. In an upturn, prices of large houses generally increase faster and in recession, decrease faster. For example, in 1988, before the start of the recession, large house prices increased twice as much — by 15% — than prices for small homes (8%), while prices of medium-sized houses were 13% up.

"The basic message therefore is that the lower end of market has performed better than the luxury end, though some regions have been more adversely affected than others."

Getting firmer
The normal price of medium-sized houses



The latest quarterly review shows that in virtually all parts of the country, prices of medium-sized houses increased from the fourth quarter 1992 to the first quarter 1993, except for the East Rand where they declined by 2,4%.

Average quarterly increases were 6% in the Johannesburg region; 7,4% on the West Rand; 6,2% in Pretoria; 6,29% in the Vaal Triangle; 4,3% in the rest of the Transvaal; 4,7% in Durban-Pinetown; 6,1% in the rest of Natal; 4,3% in the OFS and northern Cape; 4,4% in the eastern Cape; and 3,9% in the western Cape.

On an annualised basis, the quarterly changes are 16,1% for medium-sized houses, 10% for smaller houses, and 3,2% for large houses

The increases can be attributed to the continuing rising affordability of housing because of declining mortgage rates. The monthly repayment on an 80% bond on a medium-sized house over 20 years has fallen from R1 758 a year ago to R1 655.

"While the recent increases in Vat and the fuel price are likely to increase inflation by about two percentage points, interest rates are unlikely to move upwards before the first half of 1994 owing to the generally poor economic conditions in the country," according to the review.

It warns, however, that "a sustained deterioration in the country's balance of payments position could lead to an earlier than expected rise in interest rates."

Luus expects a 1% to 2% increase in real house prices in the year ahead, encouraged by lower mortgage rates and an average increase in building costs of around 12% to 15%.

This expectation of rising building costs is based on a number of factors. "In the first quarter of this year we have already had an increase of roughly 14% year-on-year for residential building costs. We will also see a further increase because of the Vat hike, which is part of the reason why material costs will rise. Added to this is the fact that there is still an overall shortage of housing in the country".

Although he concedes that deteriorating political circumstances at the beginning of the second quarter could have a negative impact on prices, he is nonetheless optimistic about the general trend. The general underlying factors that affect the housing market — such as the shortage of housing and the relatively greater affordability of houses — are positive for the residential property market, he believes.

According to property economist Neville Berkowitz: "Prospects for the short term will be associated with the assassination of Hani and reduced levels of confidence. This will impact more on the R500 000 plus market than on the lower end of the market which seems immune to these pressures." ■

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

_______ Words underlined with a solid line indicate insertions in existing enactments.

ACT

58

To regulate the legal consequences of the registration of a notarial bond over specified movable property; to exclude the operation of the landlord's tacit hypothec in respect of certain movable property; to repeal the Notarial Bonds (Natal) Act, 1932; to adjust another law in consequence of such repeal; and to provide for matters connected therewith.

(English text signed by the State President.)
(Assented to 29 April 1993.)

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows:—

Legal consequences of special notarial bond over movable property

1. (1) If a notarial bond hypothecating corporeal movable property specified and described in the bond in a manner which renders it readily recognizable, is registered after the commencement of this Act in accordance with the Deeds Registries Act, 1937 (Act No. 47 of 1937), such property shall—

(*a*) subject to any encumbrance resting upon it on the date of registration of the bond; and

(*b*) notwithstanding the fact that it has not been delivered to the mortgagee,

be deemed to have been pledged to the mortgagee as effectually as if it had expressly been pledged and delivered to the mortgagee.

(2) Upon the discharge of the debt secured by a bond mentioned in subsection (1) the mortgagee shall, at the request of the mortgagor, furnish to the mortgagor, free of charge, proof of such discharge in the form required for the cancellation of the bond.

(3) Subject to the provisions of subsection (4) a notarial bond contemplated in subsection (1) other than a notarial bond contemplated in section 1 of the Notarial Bonds (Natal) Act, 1932 (Act No. 18 of 1932), which was registered before the commencement of this Act shall, upon the insolvency of the mortgagor before or after such commencement, confer on the mortgagee the same preference in respect of the entire free residue of the insolvent estate as that conferred on a mortgagee by a general bond in terms of section 102 of the Insolvency Act, 1936 (Act No. 24 of 1936).

(4) The provisions of subsection (3) shall not apply if any part of such free residue was, before the commencement of this Act, paid out to concurrent creditors in terms of a confirmed account.

(5) If, at the commencement of this Act, an account has been confirmed but dividends have not yet been paid out as contemplated in subsection (4), such account shall be reopened so as to give effect to the provisions of subsection (3) without obtaining the permission of the court in terms of section 112 of the Insolvency Act, 1936.

Exclusion of landlord's tacit hypothec

2. (1) Notwithstanding anything to the contrary in the common law or in any other law, movable property—

(a) which, while hypothecated by a notarial bond mentioned in section 1(1), is in the possession of a person other than the mortgagee; or

(b) to which an instalment sale transaction as defined in section 1 of the Credit Agreements Act, 1980 (Act No. 75 of 1980), relates,

shall not be subject to a landlord's tacit hypothec.

(2) The provisions of subsection (1) in respect of movable property hypothecated by a notarial bond mentioned in section 1(1) shall not apply if such bond is registered after the landlord's hypothec has been perfected.

Repeal of Act 18 of 1932

3. The Notarial Bonds (Natal) Act, 1932 (Act No. 18 of 1932), is hereby repealed.

Amendment of section 2 of Act 24 of 1936, as amended by section 2 of Act 16 of 1943, section 1 of Act 6 of 1972 and section 1 of Act 27 of 1987

4. Section 2 of the Insolvency Act, 1936, is hereby amended by the substitution for the definition of "special mortgage" of the following definition:

" 'special mortgage' means a mortgage bond hypothecating any immovable property or a notarial mortgage bond hypothecating specially described movable property in terms of section 1 of the **[Notarial Bonds (Natal) Act, 1932 (Act No. 18 of 1932)]** Security by Means of Movable Property Act, 1993, but excludes any other mortgage bond hypothecating movable property;".

Savings

5. Nothing in this Act contained shall—

(a) affect any mortgage, hypothecation, pledge, tacit hypothec, preference, lien or right of retention acquired by or in accordance with any law by the State or by—

(i) any body corporate; or

(ii) any association of persons,

constituted or established by or under any law and supported wholly or partly by public funds; or

(b) affect any right acquired under the Agricultural Credit Act, 1966 (Act No. 28 of 1966).

Short title

6. This Act shall be called the Security by Means of Movable Property Act, 1993.

REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

Government Gazette
Staatskoerant

Vol. 335 PRETORIA, 7 MAY / MEI 1993 No. 14796

GENERAL NOTICES

NOTICE 396 OF 1993

FINANCIAL MARKETS CONTROL ACT, 1989

AMENDMENT OF DEFINITION OF LOAN STOCK

Under the power vested in me in the definition of "loan stock" in section 1 of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), I, Petrus Johannes Badenhorst, Registrar of Financial Markets, hereby—

(a) designate the institutions as set out in the Schedule as institutions of whom instruments issued by them creating or acknowledging indebtedness, shall be regarded as loan stock for the purposes of the said definition; and

(b) specify treasury bills as excluded from the said definition,

with effect from **7 May 1993.**

P. J. BADENHORST,

Registrar of Financial Markets.

SCHEDULE

1. The following State-controlled institutions:

Armaments Corporation of South Africa Limited:

Armaments Development and Production Act, 1968 (Act No. 57 of 1968).

Atomic Energy Corporation of South Africa:

Nuclear Energy Act, 1982 (Act No. 92 of 1982).

National Housing Commission:

Housing Act, 1966 (Act No. 4 of 1966).

Small Business Development Corporation:

Small Business Development Act, 1981 (Act No. 112 of 1981).

ALGEMENE KENNISGEWINGS

KENNISGEWING 396 VAN 1993

WET OP BEHEER VAN FINANSIËLE MARKTE, 1989

WYSIGING VAN OMSKRYWING VAN LENINGSEFFEK

Kragtens die bevoegdheid my verleen in die omskrywing van "leningseffek" in artikel 1 van die Wet op Beheer van Finansiële Markte, 1989 (Wet No. 55 van 1989)—

(a) wys ek, Petrus Johannes Badenhorst, Registrateur van Finansiële Markte, hierby die instellings soos uiteengesit in die Bylae aan as instellings van wie instrumente, deur hulle uitgereik, wat 'n skuld skep of 'n bewys van skuld is, geag sal word leningseffekte te wees vir die doeleindes van genoemde omskrywing; en

(b) spesifiseer ek hierby skatkisbiljette as uitgesonder van genoemde omskrywing,

met ingang van **7 Mei 1993.**

P. J. BADENHORST,

Registrateur van Finansiële Markte.

BYLAE

1. Die volgende Staatsbeheerde instellings:

Krygstuigkorporasie van Suid-Afrika Beperk:

Wet op Krygsontwikkeling en -vervaardiging, 1968 (Wet No. 57 van 1968).

Atoomenergiekorporasie van Suid-Afrika Beperk:

Wet op Kernenergie, 1982 (Wet No. 92 van 1982).

Nasionale Behuisingskommissie:

Behuisingswet, 1966 (Wet No. 4 van 1966).

Kleinsake-ontwikkelingskorporasie:

Kleinsake-ontwikkelingswet, 1981 (Wet No. 112 van 1981).

South African Roads Board:
South African Roads Board Act, 1988 (Act No. 74 of 1988).

South African Broadcasting Corporation:
Broadcasting Act, 1976 (Act No. 73 of 1976).

Uranium Enrichment Corporation:
Uranium Enrichment Act, 1970 (Act No. 33 of 1970).

South African Abattoir Corporation:
South African Abattoir Corporation Act, 1992 (Act No. 120 of 1992).

South African Rail Commuters Corporation.

Transnet Limited.

Telkom SA Limited.

2. Other bodies:

South African Housing Trust Limited.

Development Bank of Southern Africa.

Independent Development Trust.

3. Any water board established in terms of the Water Act, 1956 (Act No. 54 of 1956).

4. Any technikon or university established by law.

5. The Governments of, or any local authority within the territory of—

Swaziland;
Lesotho;
Botswana;
Namibia;
Transkei;
Bophuthatswana; and
Venda.

6. Lesotho Highlands Water Scheme.

7. The governments of the following self-governing territories in terms of the Self-governing Territories Constitution Act, 1971 (Act No. 21 of 1971):

Gazankulu.
Lebowa.

Suid-Afrikaanse Padraad:
Wet op die Suid-Afrikaanse Padraad, 1988 (Wet No. 74 van 1988).

Suid-Afrikaanse Uitsaaikorporasie:
Uitsaaiwet, 1976 (Wet No. 73 van 1976).

Uraan Verrykingskorporasie:
Wet op Verryking van Uraan, 1979 (Wet No. 33 van 1979).

Suid-Afrikaanse Abattoirkorporasie:
Wet op die Suid-Afrikaanse Abattoirkorporasie, 1992 (Wet No. 120 van 1992).

Suid-Afrikaanse Spoorpendelkorporasie.

Transnet Beperk.

Telkom SA Beperk.

2. Ander liggame:

Suid-Afrikaanse Behuisingstrust Beperk.

Ontwikkelingsbank van Suidelike Afrika.

Onafhanklike Ontwikkelingstrust.

3. Enige waterraad ingestel ingevolge die Waterwet, 1956 (Wet No. 54 van 1956).

4. Enige technikon of universiteit wat kragtens wet gestig is.

5. Die Regerings van, en enige plaaslike bestuur binne die grensgebied van—

Swaziland;
Lesotho;
Botswana;
Namibië;
Transkei;
Bophuthatswana; en
Venda.

6. Lesotho Hoogland Waterskema.

7. Die Regerings van die volgende selfregerende gebiede ingevolge die Grondwet van die Selfregerende Gebiede, 1971 (Wet No. 21 van 1971):

Gazankulu.
Lebowa.

NOTICE 397 OF 1993

STOCK EXCHANGES CONTROL ACT, 1985

AMENDMENT OF RULES OF JOHANNESBURG STOCK EXCHANGE

I, Petrus Johannes Badenhorst, Registrar of Stock Exchanges, hereby under section 12 (8) of the Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), after consultation with the committee of the Johannesburg Stock Exchange and with the consent of the Minister of Finance, add to the Rules of the said Johannesburg Stock Exchange the rules as set out in the Schedule.

P. J. BADENHORST,
Registrar of Stock Exchanges.

KENNISGEWING 397 VAN 1993

WET OP BEHEER VAN EFFEKTEBEURSE, 1985

WYSIGING VAN REËLS VAN JOHANNESBURGSE EFFEKTEBEURS

Ek, Petrus Johannes Badenhorst, Registrateur van Effektebeurse, vul hierby kragtens artikel 12 (8) van die Wet op Beheer van Effektebeurse, 1985 (Wet No. 1 van 1985), na oorlegpleging met die komitee van die Johannesburgse Effektebeurs en met die toestemming van die Minister van Finansies, die Reëls van genoemde Johannesburgse Effektebeurs aan met die reëls soos uiteengesit in die Bylae.

P. J. BADENHORST,
Registrateur van Effektebeurse.

Southern's stuntmen a risk to Aids sufferers

(58)

W/Mail 7/5 - 13/5/93

Would you take out life insurance that could be slashed to 10 percent? Southern Life's controversial new policy flaunts the fact that it discriminates against people who are HIV-positive. By **MARK GEVISSER**

SOUTHERN LIFE has launched a life insurance policy that makes a virtue of excluding people with Aids. The company proudly vaunts the policy as a "world first", but its campaign has been slammed as "divisive" and "stigmatising" by people working in the Aids field.

The campaign's advertisement, printed in the Sunday papers over the weekend, shows a stuntman flying upside down in an aeroplane, with the text: "You wouldn't subsidise his life insurance. So why should you subsidise the premiums of those who run a high risk of contracting Aids?"

The Exclusive Life Series, launched last week, requires policy-holders to test for HIV every five years until they reach the age of 40. If a policy-holder tests positive — or refuses to undergo subsequent tests — then the life cover will be reduced to 10 percent of its original level.

Southern Life's executive director, Chris Liddle, explains that the company has "taken the view that it is not reasonable to expect policy-holders to cross-subsidise the cost of Aids-related death claims. Uninfected policy-holders have a right to be protected and should not be faced with exorbitant premium increases or reduced payouts."

Southern Life actuarians claim that, as South Africa sinks deeper into the Aids epidemic, this is the only way of protecting policy-holders' investments.

All life policies require a preliminary HIV test, but the company has gone a stage further by designing a policy that aims to create a pool of uninfected policy-holders through regular testing.

Dr Clive Evian, head of Aids programming at the Johannesburg Municipality, finds the advertising campaign "very dangerous, as it fuels the fires of social prejudice against people with HIV. It implies that people with HIV are dangerous, and are a risk to society. It actually seems to blame people with HIV."

The account executive at BSB-Bates, which holds Southern Life's account, explains: "We used a photo showing an aeroplane stuntman, because stuntmen engage in a lifestyle that does put them at higher risk. So they have to pay higher premiums. Likewise with people who engage in risky sexual behaviour."

But Edwin Cameron, of the AIDS Consortium, retorts that by depicting people with HIV as stuntmen, the advert implies that they have "voluntarily contracted the virus.

"This is incorrect, unacceptable and counter-productive.

"Rather than stigmatising people with HIV, the insurance industry would do well to pour its massive resources into helping those with Aids.

"There are rational arguments for wanting to limit the impact of HIV on the industry, but it would be better if they devised formulae that are socially responsible, rather than whipping up sentiment against people with HIV."

In response to the advertisement, the AIDS Consortium intends mounting its own campaign, including an official complaint to the Advertising Standards Authority and renewed pressure for legislation preventing discrimination against people with HIV.

Nedcor group sees rise in interim earnings, dividend

Star 7/5/93

(58)

By John Spira

Nedcor posted a 22 percent net income gain to R234 million in the six months to March.

Earnings are up 19 percent to 121c a share, with the interim dividend similarly higher at 25c.

Although interest income declined marginally, interest expense fell by a larger percentage, resulting in net interest earned advancing 11 percent to R881 million.

Other income rose by 22 percent to R574 million to boost total income to R1,46 billion — 16 percent ahead of the comparative 1991-92 figure.

Expenses were held to a 15 percent increase.

The specific and general risk provisions totalled R120 million (R90 million), lifting Nedcor's provisions to 2,8 percent of advances and acceptances — the highest in the industry.

The tax charge was only 2 percent higher, reflecting the benefit of the new secondary tax on companies.

On a divisionalised basis, Nedcor Bank contributed R190 million to group net income (up 23 percent), Cape of Good Hope Bank R9 million (up 13 percent), Syfrets R9 million (up 15 percent) and UAL R26 million (up 19 percent).

Deferred tax

Segmentation of Nedcor Bank shows Nedbank's net income contribution 22 percent higher at R110 million, Finansbank's up from R1 million to R7 million, Perm's 15 percent better at R38 million and Nedfin's at R35 million (R30 million).

The directors have decided not to apply the lower tax rate to the balance of deferred tax (R334 million at September 30 1992) in the form of an extraordinary credit to income.

Instead, the benefits of a substantial portion of the reduced deferred tax balance will be spread over the life of the transactions to which they apply.

Shareholders are being given the option of taking the interim dividend via a capitalisation issue of shares in the ratio of 1,1628 shares for every 100 held, or a cash payment of 25c a share.

The former option is based on a Nedcor share price of 2 150c — a 10 percent discount on the ruling level.

The directors say the increase in value-added tax, the prospect of lingering unrest and the prolonged recession "make it more difficult to continue the past trend in core profits growth".

They nevertheless expect the results for the full year to show an increase in real terms.

Chief executive Chris Liebenberg says: "The results should be seen in the context of Nedcor travelling a long-term strategic road with the object of creating long-term value for shareholders."

Up to the people to ensure continent thrives

Africa at the crossroads

Star 8/5/93

THERE is a plan to save Africa — the continent left in the cold after the Cold War ended. Health and education — as always — are at the root of the solution. BRUCE CAMERON reports from Cape Town.

AFRICA'S people are seen more as a liability than an asset, but could be developed into Africa's most valuable source of wealth.

This was what international public relations consultant and Swedish former diplomat Hans Johnsson told delegates at the International Public Relations Institute conference in Cape Town this week.

The development of Africa could come in one stage or a combination of three stages, he said.

These were:

- From the earth, which was the traditional starting point for economic growth.

Output

Mining provided half of Africa's exports but employed fewer than 2 million out of a population of 600 million.

Agriculture provided a third of the continent's economic output but employed two-thirds of the workforce. The drawback of earth-bound business was that its products had shown negative price trends. However, exploitation of hydro-electric power and the development of infrastructure on a commercial basis provided opportunities.

- Manufacturing was the intermediate stage. Africa, with 10 percent of world population, was responsible for only 1 percent of world industrial production.

But industry had become capital intensive and skill intensive, so it did not create employment in large numbers.

- The development of people was the third stage. The question was whether the riches of Africa — its people — could be translated into people-intensive business such tourism and services.

Johnsson said that if Africa were to find its future in muscles and minds rather than mines, minerals or manufacturing, it had to get rid of the termites of the economy.

The first priority was to keep the population alive and well. Children who starved and survived would be condemned to reduced capacity for the rest of their lives.

Aids would exacerbate the position. It was estimated that the disease would cost Africa 75 percent of gross domestic product in loss of earnings and potential contribution to the economy.

Ignorance

The second essential was to add value to people through education and training.

The argument was quite simple, Johnsson said: "If you think education is expensive, then try ignorance."

Education had to be attacked in time-frames not considered possible now by, for instance, adapting new electronic learning methods. It was not a problem for educationists to solve, but required the active participation of everyone, including business

Johnsson said the money to help pay for development had to come from foreign investment, with South Africa as the possible bridgehead; the development of two-way trade; and a major cutback in military spending.

However, Africa's problems had to be solved by Africans, or at least on terms defined by African countries.

Japanese ambassador Katysumi Sezaki told delegates that many people had asked what was behind Japan's success. His answer was that Japan planned for the long term.

Strategic planning was not done only by the government but by every company and every individual

Every action had to fit in with the overall target of the strategies devised.

Even now Japan was preparing strategies to avert a repeat of the problems of the current world recession. If Africa wanted to succeed it had to follow suit.

Top homes taking strain

MEG WILSON and SAPA

WHILE prices of small and medium-size houses continue to rise, the top end of the market is taking strain.

According to the latest ABSA Housing Review, the average price of a medium-size house (175 sq m) rose by an annualised 16,1 percent in the first quarter of this year, and by 9,6 percent compared with the same period of 1992.

The average price of a small house (110 sq m) rose by an annualised 10 percent in the first quarter, and by 9,2 percent compared with 1992.

However, the average price of large houses (265 sq m) rose only 3,2 percent between December and March, and actually declined 1,1 percent in the year.

Property commentators say there is still resistance to prices being asked in the top end of the market, despite falling bond rates. They ascribe this in some measure to political uncertainty, but say there is a also a strong trend away from borrowing more than is necessary and a fear of over-commitment in the face of predictions that bond rates could rise again.

The latest Rode Report on the South African Property Market says upper-price houses in Johannesburg appear to be the weakest area in the residential market. Prices in this bracket have effectively been static for the past two years.

ABSA says the overall affordability of housing has continued to improve along with falling bond rates — with the monthly repayment on an 80 percent bond on a medium-size house over 20 years falling to R1 655 in the first quarter, from R1 758 a year ago. This compares with an average monthly repayment of R1 796 last year and R1 734 in 1991.

ABSA also says that, while the recent increases in VAT and the fuel price are likely to increase inflation by about 2 percent, interest rates are unlikely to move upwards before the first half of 1994, owing to the generally poor economic conditions in the country.

It warns, however, that a sustained deterioration in the country's balance of payments could lead to an earlier-than-expected rise in interest rates.

EQUITIES: *Exploit weakness in market, investors told*

'Don't sell new SA short'

STAR 8/5/93.

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LEIGH HASSALL

INVESTORS should not give up on South African equities in these times of political crisis, but should take a long-term view.

This was the message of André du Plessis, of stockbrokers Ed Hern, Rudolph, when addressing the The Star Investors' Club at yesterday's Planning for Wealth seminar.

Problems

"Despite all the problems, this is not the time to sell South Africa short, but rather time to watch events closely and match them with an appropriate equity strategy," he said.

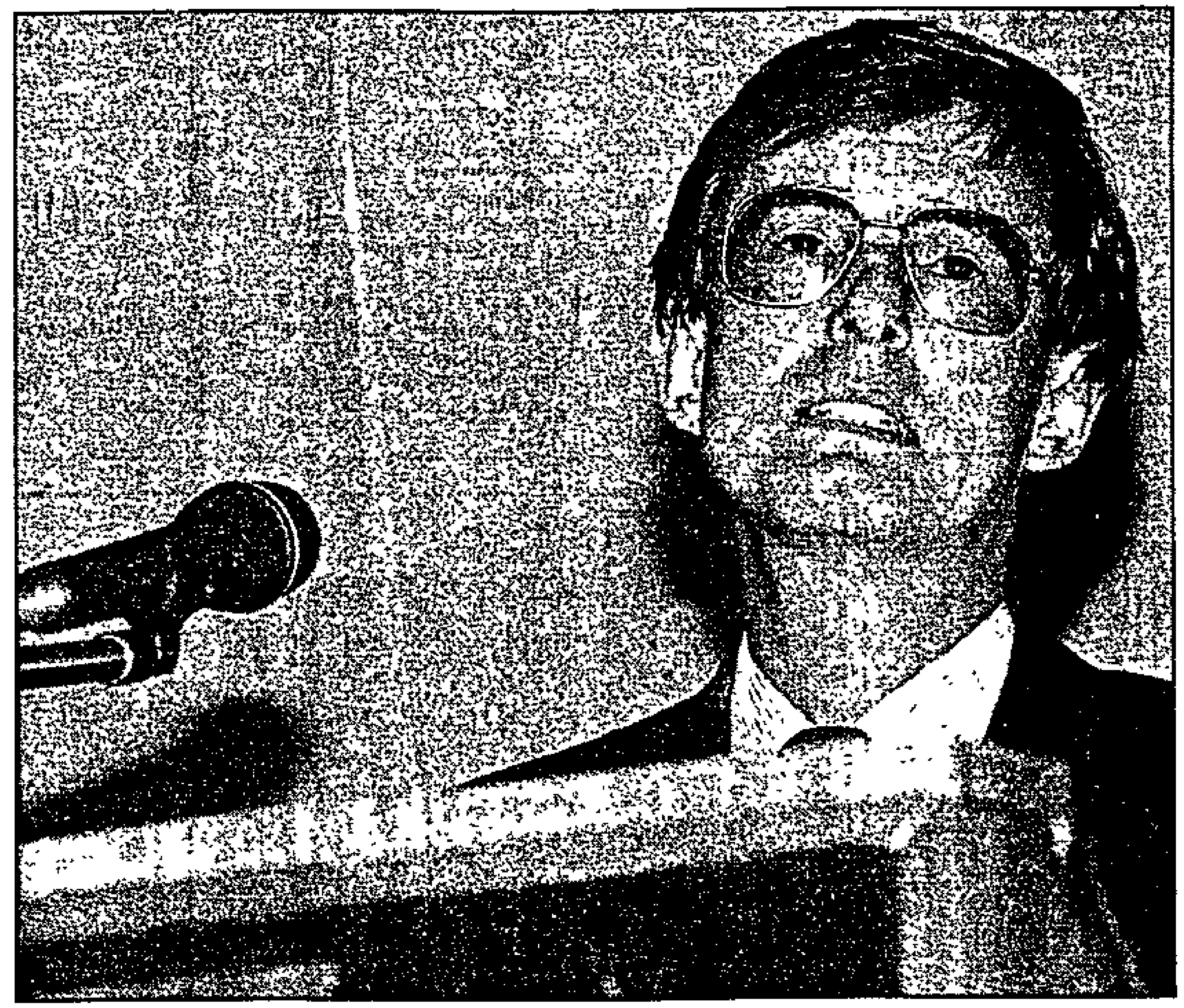
Investors should accept that political setbacks were an inevitable part of the ongoing transitional process, and should focus on the economic growth potential of the new South Africa.

Quality stocks would, in the long term, continue to provide consistently superior returns. "Investors should take advantage of any weakness in the market over the next six months and avail themselves of the superb investment opportunities available."

On the outlook for the JSE, Du Plessis said the market, with the exception of gold shares, was delicately poised to react to both internal and external developments. The price of gold bullion seemed to have bottomed out, he said, predicting only a gradual improvement after the initial recovery spurt. He cautioned investors against expecting an explosive bull market in gold, as the upside was likely to be capped by forward selling by mining producers, by the fear of central banks entering the market as sellers, and by occasional short selling by major Middle East speculators.

The firmer bullion price, while helping to underpin the market, was unlikely to compensate for any adverse political developments on the home front or international economic developments. An external factor likely to have a dampening effect on the JSE was the expected lack of real growth in Organisation of Economic Co-operation and Development countries in the next year, and the continued depressing effect on commodity prices.

Du Plessis said any setback in the currently overrated international equity markets would further affect the JSE as the South African market closely followed Wall Street.



OPTIMIST: Dr Cees Bruggemans, chief economist at First National Bank, addressed the Star/FNB Investors Club seminar held in Johannesburg yesterday. He maintained inflation could go as low as 7 percent next year if taxes were not increased again. □ Photograph: KAREN FLETCHER

"The US market is vulnerable to a correction in the short term due to a number of factors. The pace of economic recovery is slowing, corporate profits are likely to be lower in the next two quarters, and there is understandable nervousness on Clinton's new tax proposals." There was also increasing socio-political pressure to stimulate world economies, and this would precipitate higher inflation and interest rates.

The dominant internal factors influencing the JSE were the socio-political environment and prospects of slow earnings growth over the next two years.

Du Plessis suggested that those investors expecting a breakdown in negotiations and increased violence should be heavily geared to rand and financial rand hedge shares. Pronounced political progress, on the other hand, would lead to a sustained economic recovery, even in the face of sluggish growth in the world's leading industrial nations. This scenario would obviate the need for a heavy rand hedge, and greater emphasis could be placed on financials and industrials, including consumer and cyclical stocks.

The important role played by local institutions limited the downside potential of the local market. Institutional cash-flows had grown by more than 20 percent a year in the last two decades, with a substantial portion being directed into equities. The estimated cash flow for this year was more than R33 billion.

Defensive

In response to a question on the merits of the banking sector, Du Plessis recommended an exposure of at least 8 percent, and a further 7 percent in insurance stocks, recognising the defensive nature of these sectors and prospects of real earning growth over the next two years.

Rosy future for property listings

Star 8/5/93

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PROPERTY EDITOR

INVESTORS should look out for new property trust and loan stock listings in the next 24 months. So says Niki Vontas, chairman of the Association of Loan Stock Companies and managing director of Abcon Properties.

He forecasts that over the next two years the sector will become aware of major opportunities in financing infrastructural and social structures, as well as mass housing.

Vontas told a meeting of the Investment Analysts Society this week that while it had become fashionable to give the sector a poor rating, the records showed that, over a 12-year period, the returns on property unit trusts (PUTs) and loan stocks had been well ahead of inflation — and compared well with the performance of the JSE all share index.

He noted that the sector now had a market capitalisation of R6 billion — roughly R4 billion in the portfolios of 16 trusts and the remainder in 14 loan stocks.

However, investors needed to exercise caution, as by far the largest proportion was invested in office, retail and industrial property — where rentals have been flat or drifted lower for some time.

Ian Watt, property investment manager for Old Mutual, told the gathering that there was another effect of the general economic decline which needed to be addressed.

This was the fall in the actual value of buildings, in terms of what could be realised in the market if they were sold.

Upward trend

In Europe and the UK, the average drop in value had been between 20 and 25 percent, but in South Africa the trend had been to increase steadily the listed value of buildings in line with inflation.

Portfolio managers needed urgently to review this situation, he said.

Vontas said there was also a need for more disclosure by PUT and loan stock management companies.

Before committing themselves, investors needed to consider whether there was a definite investment strategy and record of sound asset management.

Heady stuff but beware

Medium house prices go up

SMALL and medium-sized house prices continued to accelerate in the first quarter, ABSA said in its latest housing review. S/Times [Buss] 9/5/93

The average price of a medium-sized house rose an annualised 16,1% from the fourth quarter of 1992 while small house prices rose an average 10%. 58

From the first quarter of 1992, medium and small house prices rose an average 9,6% and 9,2% respectively.

The only region to register a decline for medium sized houses was the East Rand where prices were down 2,4% from the last quarter of 1992.

Lawyers form front to fight Absa fees cut

S/Times (Buss)
9/5/93

By JEREMY WOODS

LAWYERS have formed a united front to fight Absa's attempt to give consumers cheaper legal fees on home loans.

The war of words has attracted the interest of the Competition Board, which says that a rule which protects vested interests is of doubtful legitimacy.

The Association of Law Societies (ALA), which comprises the four regional law societies, decided this week to ask Absa to drop its demand for lawyers to take a 25% cut in fees to help finance a marketing scheme. Absa home-owners are offered a 50% reduction in registration costs.

ALA's decision follows a report in Business Times two weeks ago that members of the Cape Law Society were threatening to use their financial clout — they control trust funds of up to R4-billion — should Absa proceed with its demands.

Mr Igna Klynsmith, president of the Law Society of the Transvaal, said: "We believe the imposition on the profession by any financial institution of a pre-determind discount in respect of bond registration costs, is unacceptable."

Mr Klynsmith did not believe any campaign, by any financial institution, whereby his members were pressured into doing bond work at less than existing tariffs, was in the long-term interests of the profession or the public.

"We are agreed that we want Absa to stop pressurising attorneys into lowering their fees, and we want Absa to pick up the tab for this whole marketing exercise," says Carl Pohl, president of the Cape Law Society, which has 1 100 member firms in the Western Cape.

Pierre Brooks, Competition Board chairman, says he has "an interest" in the matter and was giving it "due consideration".

"In a free market economy, any move to lower the cost of property transactions to the public is to be welcomed."

A confidential memorandum from Absa Bank to its branch managers says: "The matter must be handled very diplomatically and under no circumstances must attorneys be threatened with a withdrawal of Absa support if they do not agree to participate in the scheme.

"It is, however, recommended that attorneys who do participate in the scheme be rewarded with other business at the full tariff in order to compensate them for the reduced fees charged in support of the scheme.

"This will have to be at the expense of attorneys electing not to support the scheme."

Sid Booysen, Absa operating executive, commercial banks, says "the plight of customers who are struggling to meet bond and other expenses cannot be ignored."

Competition

Mr Booysen said that Absa's 50% scheme saves the client R558 on a R150 000 bond.

"Intense competition in the home-loan market has led to sky-rocketing business volumes and a substantial increase in conveyancing business.

"We have consequently approached the legal fraternity to seek their co-operation in the interests of the consumer," he says.

Under its rules, members of the Cape Law Society are not allowed to lower their fees, except in special circumstances of need. If they do, they face disciplinary action.

However, the Transvaal Law Society has different rules, and its members are allowed to negotiate their charges, though they are not permitted to tout for business.

In Natal this week a Durban firm of attorneys, Shepstone & Wylie, challenged a refusal by the Natal Law Society to allow them to charge lower fees on some conveyancing work. In what might become a landmark judgment, Mr Justice McLaren ruled in favour of the firm.

Tax benefits not included in Nedcor income

S/Times (Buss)

9/5/93

By Julie Walker

NEDCOR elected not to take any of the benefits accruing from the change in corporate tax on its deferred tax provisions in the six months to March 1993.

This is in contrast to a rival which took the net benefit into the income statement last week.

Nedcor chief executive Chris Liebenberg says a substantial part of the benefit has been factored into the pricing of client deals.

A portion of the reduction represents a spreading of future benefits on the transactions and will be dealt with over the life of the deals.

So, rather surprisingly, Nedcor's tax rate edged up 2% to R167-million out of pre-tax profit of R401-million.

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Mr Liebenberg says that tax is an expense that requires management. Splitting out the 21% rise in transactional taxes, Nedcor's statutory tax actually declined.

The bulk of the R234-million net income came from Nedcor Bank (Nedbank, Nedfin, Perm and Finansbank), at R190-million. UAL continued strongly and Syfrets and Cape of Good Hope Bank both chipped in R9-million.

Non-interest income was R574-million, 22% above 1992 and about 40% of the total income. Mr Liebenberg hopes the proportion of non-interest income will climb in future as it is still short of the long-term strategic target.

The rate of increase in expenses was contained at 15%, and comprised a favourable 64% of income. "Top banks are in the early 60%s," says Mr Liebenberg.

Nedbank managing director Richard Laubscher says the group successfully put in new technology at the client interface, and attention is now on networking and mainframes. Provisions are already being made against costs.

Nedcor will retain cash by making a capitalisation issue of 1,16 shares a 100 at R21,50 — about a 10% discount to the current share price of R23,75. Members declining may accept 25c cash — well up on last year's interim but aimed at restoring the distribution ratio.

Small change going

S/Times (Buss) 9/5/93

NAMIBIA will not mint 1c and 2c coins when it introduces its own currency in October. Sweden will mint R1,8-billion worth of Namibia dollars and pay R9-million of the R13-million bill.

There will be three notes: $100, $50 and $10. Coins will be for $5, $1, 50c, 20c 10c and 5c. A reason for the policy is the possibility that Namibia will leave the SA common monetary area and dismantle exchange control.

The Commercial Bank of Namibia says SA's new 1c and 2c coins require the use of a magnifying glass to establish their value.

What value?

Upmarket property values stagnate

Star 16/5/93

(58)

By Meg Wilson and Sapa

There has been virtually no movement in the price of upmarket houses in Johannesburg for the past two years.

The latest Absa Housing Review shows that, while prices of larger houses (265 sq m) rose 3,2 percent in the first quarter of this year, they actually declined 1,1 percent compared with the same period of 1992.

The Rode Report on the South African property market comments that upper-priced houses in Johannesburg appear to be the weakest area in the residential market — and the report shows that prices in this bracket have effectively been static since 1991.

Property commentators say there is still resistance to prices being asked in the top end of the market, despite falling bond rates.

They ascribe this in some measure to political uncertainty, but say there is also a strong trend away from borrowing more than is necessary and a fear of over-commitment in the face of predictions that bond rates could rise again.

However, Absa says the overall affordability of housing has continued to improve with falling bond rates — with the monthly repayment on an 80 percent bond on a medium-size house over 20 years falling to R1 655 in the first quarter from R1 758 a year ago.

This compares to an average monthly repayment of R1 796 during 1992 and R1 734 in 1991.

According to the review, the average price of a medium-size house (175 sq m) rose by an annualised 16,1 percent in the first quarter of this year, and by 9,6 percent compared with the same period of 1992.

The average price of a small house (110 sq m) rose by an annualised 10 percent in the first quarter and by 9,2 percent compared with last year.

Absa also says that, while the recent increases in VAT and the fuel price are likely to increase inflation by about 2 percent, interest rates are unlikely to move upward before the first half of next year.

Reichman lifts dividend 60%

ANDY DUFFY 58

TRADE finance group Reichmans lifted its dividend payout by nearly 60% for the 12 months to March, despite a fall in net income. BDay

Operating income for the Investec-owned company dropped from R15,3m to R14,2m for the period. A tax charge down at R0,67m (R1m) limited the fall at net level to R13,5m (R14,2m). 10/5/93

Though Reichmans had warned that it was being hit hard by the recession, total preference dividends leapt to R12,8m (R8,1m). Listed payouts accounted for R5,1m to R6,8m of the total (R5,1m), while unlisted payouts nearly doubled to R6m. Longterm liabilities rose 11% to R4m, while the cash balance fell to R28,8mfrom R45,8m. The company has also issued an intergroup loan of R47,1m.

Two banks to open in SA

TIM MARSLAND (58)

TWO more foreign banks are planning to set up operations in SA, according to the latest Government Gazette. BDM

The Gazette said the National Bank of Egypt had been granted permission to set up a representative office in SA but would not be entitled to conduct the business of a bank in SA.

The other bank is the Ljubljanska Banka, situated in Slovenia. 10|5|93

A source said a team of Egyptian banking officials had been in SA earlier in the year and met representatives from local banks.

Other foreign banks with representative offices in SA include Bank Leumi Le-Israel BM, the Belgian-based Kredietbank Internasionale Groep, and Union Bank of Switzerland.

Southern Life AIDS advert raises hackles

KATHRYN STRACHAN

A ROW has erupted over Southern Life's new "AIDS free" life assurance product, with AIDS lobbyists claiming the company is exploiting fears of the epidemic.

A consortium representing 60 organisations has lodged a complaint with the Advertising Standards Authority against the product's advert on grounds that it is derogatory and misdirected.

Southern Life spokesman Graeme Lillie responded that the company was sensitive to the views expressed by the AIDS bodies and would be reviewing its advertising campaign in the next few days.

The advert depicts a stuntman precariously dangling on the wing of an aircraft, and says "You wouldn't want to subsidise his life insurance. We don't think it right that you subsidise those who have contracted AIDS."

Wits Centre for Applied Legal Studies spokesman Edwin Cameron said the implication was that AIDS was acquired in a "frivolous and irresponsible" way.

Southern Life believes that with statistics indicating 2,3-million South Africans will die of AIDS by the year 2005, all life assurance will soon be sold this way, or the industry may be wiped out.

The product Exclusive Life is designed to protect healthy policyholders from sharp premium increases due to subsidisation of HIV-infected clients, and requires clients to undergo testing every five years to the age of 40.

Should a policyholder test positive in a repeat test, or refuse to undergo the test, life cover would be reduced to 10% of the sum insured. Exceptions would be made in

To Page 2

Southern Life

B/DAY 10/5/93

From Page 1

cases of proven accidental infection, such as through blood transfusions or rape.

It was accepted that life assurers had defensible interests, said Cameron, adding there was a legitimate debate of the role and responsibility of insurers in the SA economy.

But, he said, the question was where the line was drawn — and Southern Life had gone far beyond that line.

"The angle Southern Life has taken is derisive and derogatory, and it creates the wrong climate around HIV," he said. "It demeans HIV-positive people in a way it would not do to other groups."

Current testing merely screened people who were HIV positive when taking out a policy, and did nothing to control the cost of benefits to those infected after acceptance for cover, the company said at the launch of the product.

Lillie said the company did not believe the advertising campaign was discriminatory against people with HIV or AIDS.

"The central message of the ad implies that where individuals practise unsafe sexual behaviour, they are increasing their risk by at least the same level as the stuntman depicted in the ad," he said.

'Aids-free' life cover slammed

CT 10/5/93 (58)

Own Correspondent

JOHANNESBURG. — A row has erupted over Southern Life's new "Aids-free" life assurance policy, with Aids organisations claiming the company is exploiting people's fears of the epidemic.

An Aids consortium — which represents 60 organisations — has lodged a complaint with the Advertising Standards Authority against the advert for the new policy on the grounds that it is derogatory and misdirected.

Southern Life spokesman Mr Graeme Lillie said the company was sensitive to the views expressed by the Aids organisations and would be reviewing its advertising campaign.

Company to review campaign

The advert depicts a stuntman precariously dangling on the wing of an aircraft, and says: "You wouldn't want to subsidise his life insurance."

It continues: "We don't think it right that you subsidise those who have contracted Aids."

Wits Centre for Applied Legal Studies spokesman Mr Edwin Cameron said the implication of the advert was that Aids was acquired in a "frivolous and irresponsible" way.

Southern Life believes that with statistics indicating that 2,3 million South Africans would die of Aids by the year 2005, all life assurance would soon be sold this way, or the industry could be wiped out.

The policy, Exclusive Life, is designed to protect healthy policyholders from sharp premium increases due to the subsidisation of HIV-infected clients, and requires clients to undergo testing every five years to the age of 40.

Should a policy-holder test positive in a repeat test, or refuse to undergo the test, life cover would be reduced to 10% of the sum insured.

Exceptions would be made in cases of proven accidental infection, such as through blood transfusions or rape.

It was accepted that life assurers had defensible interests, said Mr Cameron, adding there was a legitimate debate of the role and responsibility of insurers in the economy, especially as it covered a major part of new investment.

But the question was where the line was drawn — and Southern Life went far beyond that line.

"The angle Southern Life has taken is derisive and derogatory, and it creates the wrong climate around HIV," he said. "It demeans HIV-positive people in a way it would not do to other groups."

The company said current testing merely screened people who were HIV-positive when taking out a policy, and did nothing to control the cost of benefits to those who were infected after they had been accepted for cover.

Mr Lillie said the company did not believe the advertising campaign was in any way discriminatory against people with HIV or Aids.

"The central message of the ad implies that where individulas practise unsafe sexual behaviour they are increasing their risk by at least the same level as the stuntman depicted in the ad," he said.

Star 10/5/93

Langeberg maintains its dividend

Finance Staff 232

Hard hit by depressed trading conditions both locally and overseas, earnings at Tiger Oats' food processing subsidiary Langeberg dropped 14,3 percent in the six months to end-March.

Despite the fall in earnings per share to 18,8c (21,9c) the group has maintained its interim dividend at 5c.

Turnover during the six months improved by 5,2 percent to R360,5 million (R342,7 million), but operating profits fell 11 percent to R37,2 million (R41,8 million).

Langeberg says the effects on trading as a result of the continuing economic recession were aggravated by increased competition due to the weak export market.

While the pineapple division failed to improve on its previous loss, the deciduous division showed real growth in earnings. 188

Looking ahead, the directors say they expect a further weakening of both the domestic and overseas markets but the extent of the decline in earnings will be determined by efforts to reduce overheads and the sale of shipments of available stock.

The company raised its borrowings from R74,4 million to R101,7 million, but maintained gearing at 32 percent.

Star 10/5/93

RMP gets Barlow properties

By Sven Lünsche 232

Barlow Rand has consolidated its property interest into Rand Mines Property (RMP) in a deal valued at close to R100 million.

In terms of the transaction RMP will pay Barlow Rand R71,5 million in cash for its 78 percent holding in Barlow Rand Properties (Barprop) with effect from April 1.

RMP will further issue 3,2 million shares, valued at R24,5 million, to Barlow Rand, which, in turn, will distribute them to minority shareholder so they will maintain their percentage shareholding in RMP.

Barlows' stake in RMP is expected to be maintained at about 56 percent.

Commenting on the deal, RMP says it paid slightly more than the listed price for Barprop after evaluating the Barprop portfolio.

While the acquisition dilutes earnings by 2,5 percent when compared with 1992 profits, RMP forecasts a small positive effect on earnings for the year to end-September 1993. 58

RMP chief executive and Barprop chairman Colin Steyn says RMP raised the bulk of the R71 million cash payment through the realisation of its existing portfolio of investment properties.

Outlining the advantages of the deal he says: "RMP now becomes an even bigger property group with two key arms — land development through RMP and property investment through Barprop."

Its London listing is to be cancelled.

Star 10/5/93

Refocus at Fraser Alex

By Stephen Cranston

Fraser Alexander has sold a 75 percent interest in its contract mining operation to management as part of a refocusing exercise to concentrate group efforts and resources on its core businesses. 232

The operation, previously part of the mining division, undertakes underground mining, tracklaying and shaftsinking on a contract basis. It will trade under the name Econotrack.

Chairman Peter Flack says: "Our peripheral activities have been under review in the light of the strategic necessity to build up our core operations.
"While contract mining is an essentially sound business, it is not in the mainstream of our environment-driven core divisions and as such does not fit into our long-term plans."

Flack says the retained interest in Econotrack is evidence of the group's confidence in the business and the ability of management.

Barprop changes hands in R100m deal

58

ANDY DUFFY

BARLOW RAND has sold its property arm (Barprop) to its 56%-controlled subsidiary Rand Mine Properties (RMP) in a cash and paper deal worth nearly R100m.

Under the terms of the deal, RMP will take 78% of Barprop in exchange for R71,5m cash and 3,2-million RMP ordinary shares, totalling altogether R96m.

The deal, effective from April 1, gives RMP a steady income flow and land development and national property investment operations.

"This will provide focus to the new property development activities and added value to RMP in the future," said RMP CE and Barprop chairman Colin Steyn in a statement yesterday.

On listed value, however, RMP has paid generously for such gains.

Interim figures show Barprop's net asset value at R94m, suggesting RMP has paid more than R20m over book value. RMP added, however, that it was gaining quality

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Barprop

BDay 10/5/93

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assets and lease covenants.

The acquisition was likely to have only a "small positive effect" on projected earnings for the year to September. On 1992 earnings it represented a 2,5% dilution.

Discussions between the two Barlow Rand companies have been under way since earlier this year.

RMP has relied heavily on its property porfolio since 1989, after the steady decline in its gold earnings, related to low bullion prices and rising costs, which have hit its small gold retreatment operations.

In the year to September 1992, while gold contributed operating losses of R3,9m, RMP property turned in operating earnings of R22,5m. However in the six months to March, operating profits were just R1,6m.

Barprop turned in net earnings of R6m for the six months to March, up 8% on the 1992 figure because of a falling tax rate. Before-tax profit dropped 8%.

The release of 3,2-million new shares would increase RMP shares in issue by more than a quarter.

RMP added that Barlow Rand had undertaken to renounce sufficient of the additional shares to enable current shareholders to "substantially maintain" their percentage shareholdings. RMP would also apply to the JSE to transfer its listing from mining to property.

Banks get a R1,8bn breather

B/DAY 19/5/93

RESERVE Bank Governor Chris Stals gave notice this week that a Bank rate cut was still on the cards — and the capital market reacted by dropping bond yields.

Smart players realised on Monday that the Bank's economic targets were back on track when the Bank fed R500m into the market through a repurchase offer (the Bank lent the money to banks for three days against specified assets as collateral).

Also on Monday, about R1,8bn in government spending flowed into the money market. So why would the Bank add liquidity when the government spending would ease the pressure on liquidity in any case? Answer: policies were back on track so the Bank could take the pressure off the banks — and it did so in a major way. The banks' daily debt to the Bank dropped to R2bn from recent highs of R6bn.

Some dealers grumbled that Stals had been saying interest rates were under pressure but changed his tune on Monday.

It is worth noting that Stals did not say Bank rate would not be cut — he said interest rates were under pressure.

Reserve Bank sources indicated frustration with the banks when liquidity was at its tightest. The Bank thought tight liquidity would bring market principles into play and the banks would raise deposit and interest rates, meaning local loans would be more costly than those offshore. (The Bank pinpointed the repatriation of offshore loans to SA as a major reason for the drop in reserves.) (55) (56)

That banks decided to absorb the high cost of money surprised the Bank. It appears the Bank was keeping liquidity artificially high by selling government debt.

Now capital market eyes will be firmly on political developments with the economy taking a back seat. In the meantime, smart dealers will be keeping a weather eye on the money market shortage for signs that all is not well in Pretoria.

B/DAY 11/5/93

Insurers back policy

SOUTHERN Life will not ditch its new "AIDS-free" life assurance policy and ad campaign, which have drawn sharp criticism from AIDS organisations. It said last night the policy was designed to protect healthy policyholders from sharp premium hikes attributable to subsidisation of HIV-infected clients. 58

Bad debts fail to hobble Investec

B/DAY 11/5/93.

GRETA STEYN

WIDER interest margins and a strong performance by treasury offset bad debt problems to lift merchant banking group Investec Bank Ltd's earnings a share by 24% to 188,3c for the year ended March 31 1993.

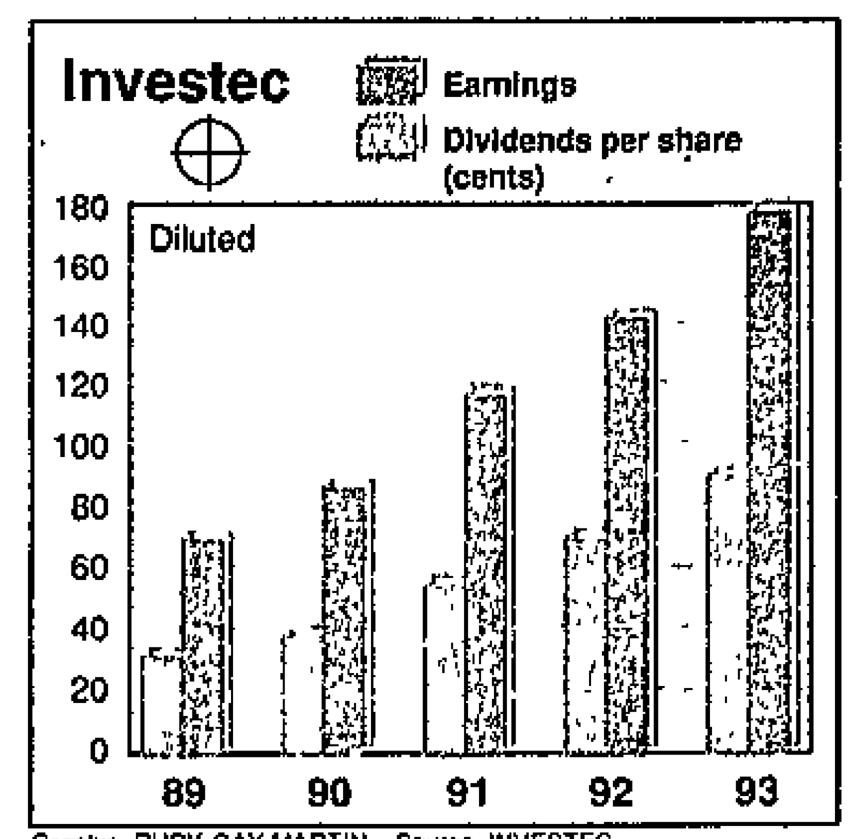
A final dividend of 55c a share was declared, raising the total dividend 29% to 90c a share, covered 2,1 times by earnings.

It is not clear what effect tax paid had on Investec's performance, as the group has not yet brought its disclosure up to the level of the big banking groups and does not reflect tax paid separately. A charge of R24,8m was reflected for taxation, contingencies and transfer to internal reserves (1992: R13,3m). FNB and Nedcor, which reported results recently, benefited from lower tax charges.

Interest received surged by almost 35%, while interest paid lagged behind with a 27% rise, reflecting a wider interest margin and the acquisition of the Allied Trust Bank (ATB) in the UK.

Executive chairman Bas Kardol said yesterday the non-rand component of the group's income was 41% of attributable earnings because of the acquisition of ATB.

Investec would continue to grow ATB's private client deposit base, and would introduce new activities to support the group's international operations, such as corporate finance, project finance and additional treasury activities.



Graphic: RUBY GAY MARTIN Source: INVESTEC

The group's non-interest income rose by 30%, mainly reflecting a strong performance by treasury and trading operations.

Bad debt provisions surged by 57% to R30m, representing 1% of total advances. MD Stephen Koseff said difficulties in trade finance company Reichmanns were the main factor behind the surge in bad debt.

Operating expenses — disclosed for the first time — increased by a substantial 35,5%, but Koseff said this included the cost of the acquisition of ATB.

Assets grew by 44% to R5,6bn, mainly because of the ATB acquisition. Organic growth in assets slowed as it became more difficult to write quality lending business.

The bank is well capitalised, with a risk weighted capital-to-assets ratio of 14,3% — comfortably above the 8% required by the Banks' Act in 1995. Koseff said 20% a year growth in the asset base could be sustained with the present capital base.

‘Aids-free’ advert to stay

CT 11/5/93 (58)

Southern to keep new policy

Staff Reporters

SOUTHERN LIFE is to keep its new “Aids-free” life assurance policy and its advertising campaign which has drawn sharp criticism from Aids organisations.

The “Aids-free” life assurance policy advertisement depicted a stuntman precariously dangling on the wing of an upturned aircraft and says: “You wouldn't want to subsidise his life insurance.”

It continues: “We don't think it right that you subsidise those who have contracted Aids.”

Southern Life executives met on the issue last night.

A spokesman said no decision to drop the advertisement had been made.

The policy was designed to protect healthy policy-holders from sharp premium increases due to the subsidisation of HIV-infected clients.

Policy-holders were required to undergo testing every five years to the age of 40.

Should a policy-holder test positive in a repeat test, or refuse to undergo the test, life cover would be reduced to 10% of the sum assured.

A complaint about the advertisement had been lodged and would be investigated, said a spokesman for the Advertising Standards Authority.

At present people are only screened for HIV/Aids when they take out a life assurance policy and there is no control over the cost of benefits to those who are affected after they have been accepted for cover.

Old Mutual's chief actuary Mr Theo Hartwig said he believed the Southern Life approach was “not an unreasonable one”.

Deaths

“There is a movement towards selling life assurance to a person at special low rates as long as he or she undergoes periodic Aids tests,” he said.

Southern Life believes that with statistics indicating that 2,3 million South Africans would die of Aids by the year 2005, all life assurance would soon be sold this way. Otherwise the industry could be wiped out.

Star 11/6/93

Investec earns more, pays more

By Stephen Cranston

Investec Bank has reported a 24 percent increase in earnings per share to 188,3c in the year to March.

The dividend, 2,1 times covered by earnings, has been raised 29 percent to 90c.

This was achieved despite a 57 percent increase in bad debt provision to R30 million.

Chairman Bas Kardol says there was a tightening demand for credit, higher bad debt levels, reduced imports and the continuing deferral of capital expenditure decisions.

Higher interest margins, the acquisition of Allied Trust Bank from Barclays Plc and organic growth in interest earning-assets pushed net interest income up 63 percent to R172 million.

There was a 30 percent growth in other income, mainly because of an improved performance from treasury and trading activities, which pushed total income up 46 percent to R270 million.

Operating income, which has been disclosed separately for the first time, accounted for 60 percent of total income, down from 65 percent in the previous year.

The acquisition of Allied Trust Bank (ATB) increased offshore income to 41 percent of the total.

Investec will continue to grow ATB's private client deposit base and will introduce new activities to support international operations, such as corporate finance and project finance and additional treasury activities.

Assets rose by R1,73 billion to R5,60 billion, mainly due to the ATB acquisition. Assets under management increased by 11,1 percent to R10,1 billion.

Certain under-performing areas were substantially rationalised. The group has moved out of residential property management.

Investec is well-capitalised, with a risk-weighted capital-to-assets ratio of 14,3 percent, compared with the eight percent required by the Banks Act in 1995.

Protea sees fierce competition ahead

CT 12/5/93 (58)

Business Staff

PROTEA Assurance is anticipating low growth and fierce competition this year, according to chairman Denis Fletcher at its AGM yesterday.

Fletcher said that this was a result of shrinking consumer demand, which had continued to impact on the Life, Personal, Commercial and Corporate portfolios.

"At the same time crime is a major problem for the country and for the industry in particular."

The group reported an attributable profit for the year to December of R12,9m — against the loss recorded in the previous financial year.

He said that the year "started badly" for losses with the destruction of Duncan Dock estimated at R4m.

"But fortunately the net result has been considerably reduced after recoveries from the reinsurers."

However Fletcher mentioned that "escalating reinsurance costs remained a negative feature of the first quarter of 1993".

On a positive note he added that weather related losses had been minimal even though the Cape had experienced the worst storm in many years recently.

HOUSE OF DELEGATES

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

1. Mr A RAJBANSI—Regional and Land Affairs. [Withdrawn.]

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Question standing over from Wednesday, 5 May 1993.

Loan to banking group

*3. Mr M F CASSIM asked the Minister of Finance:

(1) Whether a loan of approximately R1 billion was made available through (a) any State structures or (b) the Reserve Bank to a certain banking group, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (i) when, (ii) why, (iii) for what purpose was the loan required and (iv) what is the name of the banking group concerned;

(2) whether he will make a statement on the matter? D207E

The DEPUTY MINISTER OF FINANCE:

(1) (a) No.

(b) In terms of section 33 of the South African Reserve Bank Act 1989, (Act No 90 of 1989), details of business conducted between the Reserve Bank and banks is confidential and cannot be disclosed to third parties. As lender of last resort the Reserve Bank provides assistance to banks on a regular basis. The normal banking business code, however, also applies to such transactions, namely that no details may be disclosed.

(2) No.

New questions:

Resettling of persons on State-financed land

*1. Mr A RAJBANSI asked the Minister of Regional and Land Affairs:

(1) Whether he or his Department has taken steps, or is contemplating taking steps, with a view to enabling State Departments to make use of State-financed land owned by municipalities for the purpose of resettling persons who were displaced or dispossessed in terms of the Group Areas Act; if not, why not; if so, (a) what steps and (b) which Departments are involved;

(2) whether he will make a statement on the matter? D212E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

(1) The question is not clear.

(a) I would nevertheless like to inform you that it is intended to amend the Abolition of Racially Based Land Measures Act, 1991, to enable the Advisory Commission on Land Allocation also to identify certain land owned by certain local authorities and which land has, for example, been acquired in terms of the Group Areas Act, 1966 by the application of the provisions thereof or in terms of the Communities Development Act, 1966 (Act 3/1966), and which at the date of the commencement of the proposed amendment bill had not yet been disposed of or alienated in terms of a law or in any other manner for a specific purpose. After the identification of the land it will be dealt with in terms of the procedures and directions of the Act. If circumstances permit, the proposed amendment should still be tabled during the current session of Parliament.

(b) The Department of Regional and Land Affairs in consultation with all relevant departments.

(2) The Deputy Minister of Land Affairs has already issued a statement on 7 April 1993 in this regard and also discussed the issue during his budget vote held on 30 April 1993.

Mr A RAJBANSI: Mr Chairman, ~~arising~~ out of the hon the Minister's reply, is he aware of the fact that the statement of the hon the Deputy Minister does not satisfy the cries of the people? Secondly, he mentioned the Group Areas Act and the Community Development Act. Is he aware that many of the resettlement schemes were established in terms of the Housing Act?

The MINISTER: Mr Chairman, I am not aware that the public is not satisfied with the statement made by the hon the Deputy Minister. The people in the communities the hon member represents should draw that to our attention and raise the issue with my colleague, the hon the Deputy Minister. With regard to the second question, obviously I am aware that that is the case. This is a very sensitive situation. I should like to invite the hon member, if he has any particular problem, to discuss it with the hon the Deputy Minister to whom this responsibility has been delegated.

Mr A RAJBANSI: We have done that.

The MINISTER: If the hon member is not satisfied, he can come to me. I shall listen to his problems in that regard.

Purchase of textbooks

*2. Mr A RAJBANSI asked the Minister of State Expenditure:

(1) Whether, with reference to the reply to Question No 2 on 21 April 1993, he will furnish reasons as to why schools under the control of the Administration: House of Assembly, including those administered by the provincial administrations, are not obliged to purchase textbooks on the same basis, i e in accordance with the provisions of the State Tender Board Act, 1968 (Act No 86 of 1968), as applies to schools under the control of the Administrations of the House of Delegates and the House of Representatives and the Department of Education and Training; if not, why not; if so, what are the reasons;

(2) whether he intends ~~investigating~~ the matter; if not, why not; if so, when;

(3) whether any instances of publishing firms being allowed to compete with retailers in supplying textbooks to Indian schools have been brought to his or his Department's notice; if so, what are the relevant details;

(4) whether schools under the control of the Administration: House of Assembly are required to also consider Indian bookshops when allocating orders for the purchase of textbooks; if not, why not; if so, what are the relevant details? D213E

The MINISTER OF STATE EXPENDITURE:

(1) As already mentioned on 21 April 1993, at least 94% of all the schools under control of the Administration: House of Assembly are State-sponsored schools (Model C schools) including those administered by the provincial administrations. These schools received a subsidy only from the State for the salaries of the personnel on their approved fixed establishment. The purchasing of school textbooks by the schools is financed from school funds paid by the parents directly. Therefore the State Tender Board Act, 1968 (Act No 86 of 1968) does not apply to the purchases of these schoolbooks.

The remaining approximately 6%, known as public schools, purchase their books individually on a tender basis by virtue of the State Tender Board Act, 1968 and standing powers delegated to state departments by the State Tender Board. These schools invite tenders individually for the purchasing of textbooks. In so far as the tender procedure and administrative actions are concerned these schools are bound to comply with the directives as contained in the State Tender Board's General Conditions and Procedures (ST 36) as well as the User Manual: Directives to Departments in Respect of Procurement (ST 37) which rules that tender invitations are to be mailed to all potential tenderers.

Cont

Southern Life drops Aids ad

Staff Reporter

SOUTHERN LIFE has decided to drop its controversial advertising campaign for its new "Aids-free" life assurance policy. (58)

A company spokesman said it had been decided at a meeting of company executives on Monday night to drop the campaign but retain the policy.

CT 12/5/93

The campaign, which featured an advertisement with a stuntman precariously dangling on the wing of an upturned aircraft and the words: "You wouldn't want to subsidise his life insurance", drew sharp criticism from Aids organisations, and a complaint had been lodged with the Advertising Standards Authority.

Star 12/5/93

Franchising: Safe option for new businessman

58

A STRONG focus on franchising is guiding Nedbank's recently formed subsidiary, NedEnterprise to a growing share of new small business investment.

"We see a phenomenal demand for credit," says MD Neville Edwards.

Underpinning the bank's positive view of potential growth in South Africa of small business, and particularly of franchising, is the fact that while in the US, franchising accounts for 50 percent of retail sales, in South Africa it accounts for less than 5 percent.

Many different variables apply to the SA situation. However, franchising has become increasingly acceptable to initially sceptical black entrepreneurs and consumers, a factor which could rapidly open the way for the type of growth seen in the US.

"We have approved a list of franchisors who provide excellent ancillary training to the franchisee and not only offer the new businessman stability and an established concept but help with everything including research and development and marketing support.

"We look for approximately 30 percent of the required total investment to come from the applicant's own resources, for obvious reasons."

A close hands-on financial management advisory service is offered by the NedEnterprise team of Chartered Accountants skilled in auditing and analysing small business accounts. "We call for monthly management accounts, not to police the businessman, but to provide a service that is close enough and quick enough to really offer assistance."

NedEnterprise, formed just 19 months ago, has moved rapidly towards taking a development initiative in the small business arena by forging links with similar organisations. The company co-sponsored a successful international franchising conference in SA recently attended by 16 international master licensors interested in expanding into the SA market.

Among statements of the company's mission is to "contribute to the upliftment of entrepreneurs and small business enterprises which will result in new job creation, the advancement of skills and wealth generation". It also sees its role as "fostering a positive attitude towards small business".

Discounts boost home ownership

Sowetan 13/5/93

HOME OWNERSHIP has been boosted by a Government decision to grant tenants of houses under the National Sales Campaign discounts to a maximum of R7 500 on the purchase of their homes.

Apart from bringing home ownership within the reach of many deserving families, this step will contribute significantly to stabilising needy communities, alleviating rent boycotts and reducing the debts of local authorities.

58

But the discount scheme has given rise to

■ There's a bone of contention over this worthwhile move:

"serious dissatisfaction" among participants in the Sales Campaign who paid cash for their homes. Some of these people now want compensation. Problems are also being encountered in trying to establish the names of tenants-occupiers and the addresses of hired units.

These issues are being investigated by the Committee for Housing Officers and will, if necessary, be submitted to the Cabinet ~~for re~~consideration.

According to the authorities the provision of sufficiently developed land for informal housing is the only real solution to illegal squatting.

"The administration is doing everything in its power to effect this."

The rationale is that development can best be promoted within existing towns with strong administrations. Having more people settled within these boundaries will also allow more efficient use of infrastructure.

Compass finds right direction

PETER GALLI

PROPERTY loan stock company Compass Property Holdings has posted a 21,6% rise in profit before extraordinary items to R648 000 in the year to end-March, from R533 000 previously. B/DAY

However, if the surplus on the sale of investment properties of R1,09m in 1992 is taken into account, profit after extraordinary items fell 60% in the period under review to R648 000 from R1,62m previously.

Debenture interest payments rose 10,2% to 57c (51,7c) a share, while dividends a share rose 27,3% to 7c (5,5%). 13/5/93

Operating profit before interest gained 11,8% to R32,91m from R29,48m which, after interest payable, saw a profit of R701 000 (R533 000).

The only tax payable was the secondary tax on companies of R53 000 (nil), giving a profit before extraordinary items of R648 000 (R533 000). About R32 000 in profit was retained from R49 000 previously.

Compass debentures reflected the JSE's most active trade yesterday as 2,04-million worth R6,13m were traded in six deals. They were traded 30c off at 300c, a new annual low.

The share was untraded yesterday at its 150c ruling price, reflecting a buyer at 125c and a seller at 150c. The share hit a May 5 1993 high of 200c from a June 11 low of 50c.

Sankorp to announce plans today

Metropolitan may be sold to policyholders

BDAY 13/5/93

(58)

LINDA ENSOR

CAPE TOWN — Sankorp is to make an announcement today on its plans for Metropolitan Life, which market sources say will involve a significant step towards black empowerment.

It is considered likely that Sanlam/Sankorp will reduce or even sell off its entire 49% stake in Metropolitan Life to the life assurer's policyholders, the majority of whom are black.

The move will in effect place ownership of Metropolitan Life, which has total assets of more than R4,8bn, in black hands, making it one of the few black-owned companies listed on the JSE. With Metropolitan Life's current market capitalisation of R1,5bn, the Sanlam/Sankorp stake is worth about R718m.

The announcement today follows the news that Gencor is to unbundle its non-mining assets by distributing its shares in its subsidiary companies — namely Genbel, Engen, Malbak and Sappi — to its shareholders. The stake of Sankorp and Rembrandt in the mining house will be reduced from its present direct 50% to an effective 30% or more.

Market sources say it is not possible to unbundle Metropolitan Life as it is not part of a pyramid structure, nor does it have underlying subsidiaries.

Adding substance to their belief in the likelihood of a sale of shares to policyholders is the fact that in the 1991 financial year Sanlam/Sankorp reduced its direct interest in Metropolitan Life from about 72% to about 49% to improve the marketability of its shares.

The reduction of its stake was achieved through its placing of 10-million of its shares with a spread of investors, including financial institutions, fund managers, policyholders and Metropolitan staff. This was followed by a rights issue which raised about R186m.

Market commentators say black ownership would give a significant boost to Metropolitan's marketing efforts. The life assurer focuses on the middle- to upper-income black market. It has a strong presence in the public sector and quasi-government institutions, including educational and health institutions, the police and defence forces and the TBVC states.

At its September 1992 year-end Metropolitan had assets of R4,8bn, having grown 20,7% since the R1,9bn of 1987. Its 1992 total premium income was R816m. The life assurer was one of the Top 100 Companies in 1991 and 1992.

Police take steps to protect farmers

13/5/93

STEPHANE BOTHMA and GERALD REILLY

THE SAP would take immediate steps to improve the security of people living on farms and smallholdings and, where possible, policemen would be placed on farms of vulnerable elderly people, police commissioner Gen Johan van der Merwe said yesterday.

The move followed several recent murders which apparently had political motive, he said.

But SA Agricultual Union (SAAU) president Boet Fourie warned that if the police security measures were not effective it would be difficult to stop retaliatory action on the part of farming communities.

The SAAU has called on President F W de Klerk urgently to reintroduce the death penalty and to use the full power of the state to combat murder and lawlessness, particularly on the platteland.

The appeal came after discussions yesterday between the SAAU's general council and Van der Merwe and other police generals.

Van der Merwe said the police had, for some time, been busy with comprehensive steps to improve the security of those living on farms who were regarded as being particularly vulnerable.

Manpower in the affected areas would be increased as soon as possible and, where the manpower position allowed it, policemen would be placed on the farms of the elderly people concerned, he said.

Patrols would be intensified and Van der Merwe appealed to all residents in affected areas to protect themselves.

Police spokesman Capt Nina Barkhuizen said "every member of the force that can be spared" would be used to protect people living in "sensitive areas".

She said police reservists would also be used in affected areas, which included the Free State/Transkei border where several attacks had taken place recently.

All trained police reservists in the eastern Transvaal had been called up for service following recent attacks on elderly people in the area, regional commissioner Maj-Gen Chris Smith announced.

Since the death of SACP leader Chris Hani on April 10 there have been nine attacks on old people in the region, and during 1992 there were 67 attacks.

Roadblocks, patrols and police visits to farms have been stepped up.

After the SAAU discussions with police top brass yesterday, Fourie said where necessary unrest areas would have to be proclaimed and curfews introduced.

On the controversial issue of labour legislation for the agricultural industry, Fourie said the SAAU had decided it would in future negotiate with government only on a basis of a single amended Act.

The SAAU, he said, rejected the possibility of extending the principles of the Wage Act to agriculture.

This view would be passed on urgently to Manpower Minister Leon Wessels.

Fourie said the general council reaffirmed that unity and co-operation within organised agriculture was imperative. It pledged itself to establishing an "unstoppable" united front in the interests of the farming community.

☐ Sapa reports that Lettie Opperman, 62, was shot dead in her bed on her White River smallholding by two burglars early yesterday. Her husband was wounded.

Security firms invaluable, says ANC

13/5/93

ADRIAN HADLAND

PRETORIA — Private security companies would be an invaluable resource for SA but the industry needed to be better regulated, ANC security head Joseph Nhlanhla said yesterday.

Speaking at a conference on security in SA at Pretoria University, Nhlanhla said the industry should consider introducing its own code of conduct to prevent intervention by the state.

In order for the private security companies, which currently employed 300 000 personnel, to "assume a positive role in the unfolding situation," adequate conditions of employment, training and compensation would have to be standardised.

It was also vital that the industry ensured its members were politically neutral, Nhlanhla said.

Brig Gert Jonker of the Correctional Services Department told the conference, organised by the Institute for Strategic Studies, that communities had to assume more responsibility for the rehabilitation of criminals.

13/5/93

Structures such as correctional boards and local parole boards should be used by the community to combat crime at a grassroots level, Jonker said.

Representatives from the SAP and the Namibian police also presented papers.

Transvaal Rural Action Committ... new SABC board at a public h...

No insurance for mediators

13/5/93

Political Staff

NO INSURANCE company had been willing to provide cover for members and staff of the 11 regional peace committees, the national peace accord reported yesterday.

The 78 staff members also did not receive fringe benefits, the internal peace institutions directorate said in its 1993 report, tabled in Parliament.

However, internal peace institutions executive director T D Rudman praised regional and local committees for their role in combating violence and intimidation at grassroots level.

"The object envisaged, which has in fact been achieved, was that the regional and local committees would, by negotiating with the parties involved, resolve disputes that cause or could cause public violence and intimidation, that they would consult with the authorities concerned, especially on planned public action of a contentious nature in order to prevent conflict and to monitor the implementation of agreements that may result."

The directorate was consulting donors and the insurance industry on launching a special fund for those who might become victims of violence.

Bank 'not key to economic change'

B/DAY 13/5/93.

SUMA GQUBULE

RESERVE Bank governor Chris Stals said yesterday that continuing depressed conditions had put pressure on the Bank to change its policies and restimulate the economy.

Stals told the Enterprise magazine investment forum in Johannesburg the Bank believed such policies would be of no avail because the present economic conditions were caused by political and economic factors over which it had no control.

To add more money to an economy where there was little consumer or business confidence would lead only to financial instability.

The Bank wanted to maintain financial discipline. Monetary policy had become a holding operation, with the main objective to consolidate successes of the past few years and prepare for future economic growth.

Stals said money supply and bank credit extension provided no reason for concern. The weakest link was the balance of payments, particularly the low level of foreign exchange reserves caused by persistent large net capital outflows.

Gold and foreign exchange reserves had declined by R6bn over the seven months to March 1993. This limited the scope for monetary authorities to relax the present restrictive policy approach.

It was clear the country needed greater political and social stability before sustainable economic growth would become possible. Monetary policy would be pushing on a string if it were to try to restimulate the economy before such stability was established, Stals said.

The Bank believed a restraint on the rate of growth in money supply would automatically lead to more stable conditions in other financial disciplines.

Financial stability required a money supply growth that would accommodate real growth in the economy and a rising liquidity preference of a growing number of South Africans.

Financial stability would also require expansion in credit extension in line with the objectives for the money supply, real interest rates, a stable exchange rate, well-functioning capital and foreign exchange markets and efficient banking institutions.

Monetary policy would be making its contribution towards maximum economic growth in the country if these objectives could be achieved.

Overall financial stability was an indispensable precondition for growth.

Insurance denied to peace staff

58

CT 13/5/93

By BARRY STREEK
Political Staff

NO insurance company had been willing to provide cover for the members and staff of the 11 regional peace committees, the National Peace Accord reported yesterday.

The 78 staff members of these committees also did not receive any fringe benefits, the Directorate of Internal Peace Institutions said in its 1993 report, which was tabled in Parliament yesterday.

The directorate was taking up the matter with donors and the insurance industry with a view to a special fund for members and personnel who might become victims of violence.

The absence of fringe benefits had resulted in regular calls on the secretariat and directorate to provide a transport allowance and life insurance.

The executive director of Internal Peace Institutions, Mr T D Rudman, praised the regional and local committees for their role in combating violence and intimidation at grassroots level.

The committees had performed the vitally important function of facilitators in keeping discussion alive in disputes, negotiating with the parties involved, consulting the authorities concerned and monitoring the implementation of resulting agreements.

Mr Rudman said the facilitating function was by its nature a very sensitive one. Great care had to be taken in appointing a facilitator.

Unpredictable

Mr Rudman said he was assisted by 22 officers in the peace secretariat, who worked in inherently demanding and time-consuming circumstances.

"The nature of the process of dispute resolution and conciliation is such that the day-to-day activities of the directorate are characterised by matters unpredictable and urgent — the virtually impossible usually has to be achieved in crisis situations and at all times of the day or night," he said.

No cover for peace officials in townships

58

ARGT 13/5/93

Political Correspondent

NO insurance company has been willing to provide cover for peace officials who negotiate agreements and defuse tensions in conflict-riven townships, parliament has been told.

Talks are now underway to investigate forming a special fund for members of the conflict-resolution committees and peace consultants who may become victims of violence.

Mr Theo Rudman, executive director of the government-funded Directorate of Internal Peace Institutions, says in his first report that the committees are "called upon to combat violence and intimidation at grassroots level" and that staff often found themselves not only ideologically, but often physically, caught between the conflicting parties.

AFDB pins hopes on SA's return

Star 13/6/93

ABIDJAN — South Africa's entry into the continent's economic and political institutions will have a crucial impact on Africa's economic development, says African Development Bank (AFDB) president Babacar N'diaye.

(58)

In the AFDB's African Development Report just released, he says the emergence of a democratic order in SA is "momentous for the country itself, for the sub-region and for the continent as a whole".

A part of the report focusing on SA emphasises the clout the country will give the continent's role in global economic affairs.

It says: "An enlarged and unified African market composed of SA and other African countries would significantly enhance Africa's bargaining power in trade negotiations, especially within Gatt and Unctad (the UN Conference on Trade and Development)."

Because of the size of the SA economy — the continent's largest — the report sees the country accelerating the process of setting up economic, financial and business links to create the proposed Pan-African Economic Community.

The report also outlines the AFDB's sphere in a post-apartheid SA, saying the lending agency could mobilise external financial resources and technical assistance for the country's development.

Although SA is a relatively high per capita income country, the bank aims to target its interventions in those areas where it can help to redress income and social inequalities.

The AFDB says economic growth in Africa, excluding SA, remained lacklustre last year as real gross domestic product eased to 1,9 from 2,6 percent in 1991.

The bank expects growth to improve this year. — Sapa.

Star 13/5/93

Black business coup

Own Correspondent

A group of prominent black businessmen has scored a major coup, paying R140 million for a 10 percent shareholding in Metropolitan Life from Sanlam.

The consortium includes Soweto community leader and businessman Dr Nthato Motlana, former PAC deputy president Dikgang Moseneke, former KaNgwane Chief Minister Enos Mabuza, economist Don Mkhwanazi and National African Federated Chamber of Commerce president Archie Nkonyeni.

The move could be the start of a black takeover of JSE-listed Metropolitan, which has assets of about R5 billion.

Speculation is rife that Sanlam, which holds 49 percent of Metropolitan through investment arm Sankorp, could also offer its remaining 39 percent stake to the mainly black policyholders.

Sources close to the company believe the move is part of the unbundling process which includes the breaking up of mining arm Gencor into five companies.

But Anglo American has reiterated that it has no plans to follow suit as its existing structure "has served shareholders and the national interest well".

● See Page 14

Black group buys Met Life

Sowetan 13/5/93

WAY FORWARD Part of unbundling includes breaking down Sankorp mining arm Gencor:

By Mzimkulu Malunga

A GROUP OF black business people scored a major coup this week when they acquired a R140 million shareholding stake in a leading life assurance company controlled by Sanlam.

In the second-largest development since the acquisition of National Sorghum Breweries, a group of black business people have bought a 10 percent stake in Metropolitan Life.

The deal, to be announced today, involves more than R140 million.

Although Sankorp, which owns Metropolitan Life, were tight-lipped about the matter yesterday, sources close to the company believe the move is part of the unbundling process, which includes breaking down its mining arm, Gencor, into five companies.

Metropolitan has assets of around R2 billion.

Blacks who form part of the deal include Soweto community leader and businessman Dr Nthato Motlana, former Pan Africanist Congress deputy president Mr Dikgang Moseneke, former KaNgwane chief minister Enos Mabuza, economist Mr Don Mkhwanazi and National African Federated Chambers of Commerce president Mr Archie Nkonyeni.

Sources say they received a loan from the Industrial Development Corporation to acquire a stake in Metropolitan.

Economic observers say unbundling moves by the likes of Sankorp will be viewed in a positive light by the broad liberation movement, which advocates the breaking down of monopolies.

Many believe this is the beginning of a black takeover of Metropolitan.

Boland Bank ups profit 12%

CT 14/5/93

By ARI JACOBSON

BOLAND BANK, hampered by bad debts, increased taxed profits by 12% to R24,1m (R21,5m) for the year to March.

The final dividend has been increased by 4c or 13,7% to 33c a share taking the total div for the year to 56c (52c) a share.

Commenting yesterday, MD Gert Liebenberg said the economic environment had shown a further weakening, which resulted in a limited asset growth for the bank.

"A sharp increase in liquidations and insolvencies exerted pressure on profits. But, owing to declining interest rates and a decrease in compulsory investments in liquid assets, net interest income showed a satisfactory improvement."

The inclusion of VAT for the full financial year compared to only six months of the previous financial year pushed up operating expenditure.

Following the rights issue in March, the group's capital ratio is safely within the required limits — at 8% of the risk-weighted assets.

Black business scoops Metpol

(58)

CT 14/5/93

By MAGGIE ROWLEY
Deputy Business Editor

IN WHAT could be a "black Sanlam in the making", a newly formed black company, Metlife Investment Holdings (Methold), has gained effective control of Metropolitan Life in an ultimate R500m deal being financed by the IDC.

Methold will be controlled by a board of directors consisting mainly of black businessmen and will be the leading participant in a voting pool agreement with Sankorp.

This voting pool agreement will provide for the exercise of control over Metpol.

In terms of the transaction, Sankorp, which together with its holding company, Sanlam holds a 50% stake in Metpol, is to dispose of 10% of its shares to Methold for R137m with Methold having options on a further 20%.

As of today the Metpol board was reconstituted with Methold chairman, Dr Nthato Motlana as chairman of Metboard, and Attie du Plessis, an executive director of Sankorp, as deputy chairman.

Marius Smith, MD of Metpol, will retain his position and also serve on the Methold board.

Motlana said he believed huge growth opportunities lay ahead for Methold, which would probably go for a listing of its own down the line.

"I think this could be the beginning of a black-controlled Sanlam in the making."

"We believe there are unrealised investment opportunities out there that fulfil both pertinent investment criteria and social responsibility concerns. We hope that Metpol through the Life Offices Association will be able to mobilise the other life offices in similar ventures to take away the competitive risk."

Motlana said that if it had not been for the tragic death of Chris Hani this announcement would have been made much earlier and was in no way linked to Sankorp's announcement earlier this week of the unbundling of Gencor.

Marinus Daling, CE of Sankorp, said at a media conference in Johannesburg yesterday that the move was to enhance black economic empowerment. Through the transaction Metpol will become the first company on the JSE to be predominantly controlled by blacks.

Finance approved

In terms of the deal, Sankorp has disposed of a total of 6 745 496 shares at R20 per share, the average price at which Metpol traded in the three months prior to the date of approval of finance by the IDC.

Sanlam is to maintain its 10% stake in Metpol.

If Methold choses to exercise its options this will also be done on a market related basis. As the share price had since increased the total deal would be in the order of about R500m, said Daling.

To finance the deal, the IDC will provide Methold with R137m in exchange for 137 million Renounceable Letters of Allocation. The IDC will in turn dispose of RLA's in Methold to as wide a base of black participants as possible — particularly Metpol policyholders — in terms of a prospectus to be issued within the month.

Daling said shares in Methold would be issued at roughly R1 a share.

An upper limit of 10% has been set so as to enable black pension funds and companies to take a stake in Methold.

Although Methold will initially hold only a 10% stake in Metpol, its holdings and Sankorp's current 30% stake is the basis for a voting pool agreement between these parties.

If the initial share issue is over subscribed, Methold will be able to exercise its options immediately.

Under the agreement Methold will be able to nominate six of the 15 non executives directors and Sankorp, which will hold about 10% of Metpol equity after all options have been exercised, will nominate three.

Daling said negotiations with the Methold directors had been going on since last year when they had initially approached Sankorp to acquire the ailing Checkers.

"We could not turn Checkers around and did not think it the ideal vehicle for black economic empowerment. If it failed it would have done the absolute opposite.

"The long-term insurance industry on the other hand is particularly well placed for black economic empowerment, especially in the case of Metpol where about 85% of the policyholders are black. As the industry is in the business of mobilising savings it is not a one-off effort but will have momentum," he said.

The market adopted a wait and see attitude on the JSE late yesterday with the Metpol share price closing unchanged at R21,75.

● New appointments to the Methold board are Dr N H Motlana, Dr E J Mabuza, D D B Nkhwanazi, Adv E D Moseneke, A S Nkonyeni, and Franklin Sonn.

INVESTEC FM 14/5/93 (58)

Showing banking muscle

Strictly speaking, the 1993 financial year was a difficult period for Investec. Trade finance division Reichmans underperformed, residential property management proved unprofitable and was disposed of, leading to about 70 retrenchments and the group spent US$25m acquiring London-based Allied Trust Bank.

Against this, the 63% increase in attributable earnings and 24% growth in EPS appear almost obscenely good. The rises were driven by a 63% leap in interest income and a 30% climb in non-margin income, reflecting the underlying strength of the banking and treasury operations.

These results, with healthy escalation in the share price and ratings which are now stronger than those of most commercial banks, should remove any doubt about Investec being a significant player in the financial

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services market. The only person who seems to think there might be doubts is MD Stephen Koseff, who says: "Contrary to what earlier images may have suggested, we have positioned ourselves as a merchant bank, not a bank that lends only to doctors and dentists."

The acquisition of Allied Trust Bank from Barclays Plc has bolstered the international activities and helped push offshore income to 41% of attributable earnings.

Reichmans did not contribute to earnings this year (1992: 10%). The market suspected it might have made a loss but Koseff says it broke even. Reichmans contributed to the jump in bad and doubtful provisions, up 57% to R30m.

Return on shareholders' funds, usually emphasised by merchant banks, slipped from 1992's 19,9% to 18,8%. That remains a fair return and, with the 29% increase in the dividend payout, should keep shareholders happy. But Investec's asset growth over recent years has been largely through acquisitions, funded partly by share issues. Investors might like to see stronger organic growth in future. Executive chairman Bas Kardol says organic growth has outstripped growth through acquisition over the long term and will continue this year if property interests perform.

That aside, the share has performed strongly over the year. Considering its performance against others in the sector, it is probably not overpriced at its current R29.

The *FM* often criticises the smaller banks for poor disclosure; so Investec's move towards better reporting by including a breakdown of interest received and paid, as well as operating expenses, is welcome. Now if we can please see the tax line, advances and deposits separated from "other accounts," contingency reserves etc . . . *Shaun Harris*

CAPITAL HUNGRY

Year to March 31	1992	1993
Total income (Rm)	185,0	269,8
Advances (Rbn)	2,59	3,34
Deposits (Rbn)	3,42	4,94
Attributable (Rm)	33,2	54,0
Earnings (c)	152	188
Dividends (c)	70	90

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SAGE/ABSA

Difficult decisions

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Sage Group's re-acquisition of 49% of Amalgamated Insurance Holdings (AIH), from Amalgamated Banks of SA (Absa) for R190m makes sense for both parties — Sage wants to consolidate its interests into a single listed entity, refocus on core businesses and strengthen its balance sheet by the disposal of "certain" investments.

Absa, on the other hand, appears to have lost some interest in its insurance investments and isn't particularly keen on companies over which it doesn't exercise full control (*Fox* April 9).

For Sage, it appears the deal is beneficial, especially if account is taken of the original sale of 49% of AIH, as well as its 10% interest in Allied, to Absa early in 1991 for 29,5m shares with a market value then of about R227m. Those shares are now worth about R251m, so even if sold on the market at a discount Sage would still walk away with a tidy profit after paying Absa its R190m.

Of course, it's only speculation that Sage will sell its holding in Absa to fund the deal. Group financial director Eric Langlands says Sage has not yet disclosed which assets it will sell — that will depend on where it will get best value, and the group has until the end of June to decide.

However, it may not be an easy choice. Sage is far more focused than it was previously, and there's some speculation as to which of its "non-core" businesses it will now sell.

Its shares in Absa might be the best bet, despite now trading at R8,80, well below the year's high of R10,45.

The deal will return full ownership of Sage Life to the group, a life assurer which reported a disclosed surplus of R22,6m at its year-end in March last year. It also includes Investors Mutual Funds, with a profit of about R1,3m, and a useful 11,5% holding in RMB Holdings through AIH as well as the 14,7% held by Sage Life.

"We are very satisfied with the terms, especially as our marketing agreement on the reciprocal business relationships between our clients, and those of Absa and Allied, remain in place," Langlands says.

The market seems to like the idea — Sage's share price has gained 70c to R7 since the deal was first announced on April 5.

Shaun Harris

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NEDCOR

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Conservative treatment

There seems to be something of a tortoise-and-hare race going on between the share ratings of Nedcor and First National Bank. Comparisons between banks can be mislead-

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ing but inevitable when two of the big four publish interim results close together.

What is emerging is that both Nedcor and FNB are closing in on Standard Bank Investment Corp, and pulling away from Amalgamated Banks of SA in the process. The struggle between Nedcor and FNB is going to be close, based on latest results released by the former.

Analysts expect Nedcor's share, now on a historical yield of 2,7% and p:e of 11,4, to be rerated close to FNB's 2,5% and 12,1 over the next three months, and believe Nedcor's share price could well climb from its present R24,50 to R28 by about September.

It's at the operating level that the tortoise-and-hare comparison is clearest. FNB, after making some offshore acquisitions, grew pre-tax income by 22%. Nedcor's pre-tax growth, 13% up to R401m, has been slower, but maybe surer.

A few features in the accounts show Nedcor's conservatism — deferred tax benefits arising from the new corporate tax rate will be taken below the line at year-end; a hefty provision, possibly even an overprovision, of R120m is being made against debtors, in-

CORE GROWTH

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Net income (Rm)	192	216	234
Advances (Rbn)	33,2	34,7	37,1
Deposits (Rbn)	38,6	40,7	43,3
Earnings (c)	102	113	121
Dividends (c)	21	45	25

cluding the Perm's book; and cash is being retained by offering shareholders capitalisation shares.

Chairman John Maree puts the results in context when he says they should be seen as part of a long view on where the bank is going. Clearly, Nedcor has sharpened its strategic focus, knows where it wants to go and has its own timetable for getting there.

Margins have been squeezed under lower interest rates and volumes, but CE Chris Liebenberg says the closing gap between interest income and expense is distorted. "In a departure from our normal accounting practice, we only accounted for certain long-term transactions conducted last year on a cost recovery basis," he says. That's deferred some interest. Liebenberg adds that since the end of March margins have firmed a bit.

The 22% growth in nonmargin income (interest income: 11%) to R574m is a healthy trend, and with the bank reporting volumes below expectations, which must mean less fee income, one can only assume

cont'd.

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that income from treasury operations was buoyant.

Liebenberg singles out UAL Merchant Bank (R26m), Finansbank (R7m), and the turned-around Syfrets Group (R9m) as the operations behind the strong growth in other income.

Syfrets and the Perm's underperforming assets will continue to receive attention, but the position of both is not nearly as serious as the market expected before year-end results were published.

Liebenberg warns that the 19% growth in EPS should not be taken as a literal indication of where year-end earnings might be. "We are going into a tough period. It's difficult to predict the second half in a year of electioneering, political uncertainty and economic decline."

But his cautious view that full-year results are expected to show an increase in real terms fits in with Nedcor's conservative style. Movements in the share price and ratings over the next couple of months will probably show that the market is more optimistic.

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LIFE ASSURANCE FM 14/5/93

Getting the sums right

Life assurance and unit trust salesmen may need a new sales pitch. For the past six years, they have been using a modest 15% to indicate how investment in their products will grow the assets of their clients. Suddenly, that figure has become immodest.

With inflation down to around 10% and the investment yields earned by life offices also deflated, the "Benefit Illustrations Agreement" reached by life offices could, in its present form, lead to unreasonable expectations on the part of savers. A committee of the Life Offices Association is looking into the problem. (58)

Before the agreement was adopted, a life intermediary could quote any projection. Many used the most favourable at a time when some life company investment departments were showing growth rates well over 20%. So the association introduced a convention, which became binding also on unit trust sales offices, to illustrate savings benefits at 15% and 12% — the two being chosen to demonstrate the differences in the eventual payout. That did not inhibit agents from mentioning the actual growth rates achieved by their principals.

Sage Life MD Bruce Ilsley thinks the 15% level of illustrative benefits needs to be looked at. If inflation were to remain in single figures for a long period, 15% could be an unrealistic expectation and insurance clients could be disappointed. However, he says, most contracts are for long periods and if inflation climbs to higher levels again, a 15% projection could still be realistic.

But Southern Life director of individual life Chris Liddle points out the 15% or 12% convention is not a guarantee. It simply allows agents and brokers to illustrate what happens if that growth is achieved. Where life policies do include guarantees, these are usually set at 3%-4% compounded annually.

Liddle is concerned that SA could resume its old inflation pattern; so tinkering with the assumptions on which a long-term product is sold would be counter-productive and discourage savings.

Liberty Life vice-chairman Dorian Wharton-Hood says the projected rate should be revised from time to time. Yet, he emphasises, "clients should not buy on illustrative values. These figures are supplied simply to show what happens in a what-if situation. They are not estimates of future expectations." ■

CAPITAL ADEQUACY

Risk rules

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The Basle-based committee of banking regulators has proposed new standards of capital adequacy for banks — based on market rather than credit risk. This means banks that trade bonds, equities and currencies would have to hold more capital — a development which is expected to blow some froth off the foreign exchange and derivatives markets.

"The underlying principle is a good one," says Standard Bank's Henry Shaw. "But the problem for regulators is to determine market risk. This may be easier in the wide and deep market of US and Europe than in SA where the market is thinly traded and volatility is high. It may be better to delay the introduction of this standard in SA until it has been in place a while overseas and we can draw on their experience."

The new rules are expected to have less impact on banks than the earlier Basle guidelines, which arguably encouraged banks internationally to buy government bonds rather than lend to companies.

Depending on the level of market risk on its books, the proposals might lift the average international bank's capital requirement one percentage point, from the current 8% of risk-weighted assets. Most (including the major SA banks) already exceed that target, so liquidity in securities markets where banks play a leading role should not suffer.

However, on the question of credit risk, there may be an easing of regulations. There is the expectation that banks will be allowed to net off credit exposures to each other. Such a relaxation of the 1988 rules would free capital, especially for banks active in derivative trading, because volumes are far greater than trade in underlying instruments.

Bankers will doubtless still grumble that

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the regulations do not take into account the sophisticated hedging strategies they put in place to guard against market movements.

More importantly, the Basle proposals are tougher in some respects than last year's EC directive on capital adequacy. How Basle will be reconciled with Brussels, and whether tough-minded regulators such as the US Securities & Exchange Commission are prepared to relax their harsher rules, remain open questions. Without harmony among regulators, capital will simply flow to where regulation is most relaxed. ■

Boland Bank reports 12% increase

BDM 14/5/93

(58)

DUMA GQUBULE

CAPE-based Boland Bank today reported a 12% increase in attributable profit to R24,1m (R21,5m) for the year ended March.

Earnings increased by a similar amount to 179,2c (159,9c) a share from which a dividend of 33c (29c) a share was declared.

Boland Bank said its capital adequacy ratio amounted to more than 8% following the successful completion of its rights issue at end-March.

The company said the economic environment had weakened further during the period under review, resulting in limited asset growth for the bank.

Total income rose 15,2% to R216,8m (R188,1m) on the back of a 16,7% increase in net interest income to R133,2m (R115,1m) and a 14,5% improvement in other income to R83,6m (R73m).

Provisions for bad and doubtful debt and tax, lumped together on the same line, rose 12% to R55,9m (R49,9m) resulting in a 14,5% increase in operating profit to R21,75m (R19m).

But the bank said the increase in bad and doubtful debt, arising from a sharp increase in liquidations and insolvencies, had exerted continued pressure on profit.

Operating expenses were up 16,7% to R139,1m (R119,2m) and net income before provisions was 12,7% higher at R77,7m (R68,9m).

Net income had shown a satisfactory improvement because of declining interest rates and a decrease in compulsory investments in liquid assets.

The company said the inclusion of value added tax for a full year, compared with only six months for the previous year, had influenced the extent of the increase in operating expenditure.

There was a lower contribution from associates of R2,35m (R2,5m) and attributable earnings came to R24,1m (R21,5m).

Wide praise for Metpol sale plans

BIDAY 14/5/93 (58)

LINDA ENSOR

SANKORP's plans to sell 10% of its 40% stake in Metropolitan Life (Metpol) to a black-owned company, Metlife Investment Holdings (Methold), for R135m has won widespread support among black and white businessmen and a broad range of political and trade union leaders.

The move was described yesterday as the first step towards the creation of a black-owned insurance giant which would mobilise savings and assist with capital formation in the black community.

Metpol management and staff also strongly supported the development, Metpol CE Marius Smith told a news conference yesterday. He believed the move would have advantages for Metpol in boosting its marketing efforts in the black community, enhancing its ability to attract qualified black staff and securing its independence from parent Sanlam.

The deal, which took effect from May 1, was concluded at R20 a share. It would be financed by the Industrial Development Corporation (IDC), which would provide R137m to Methold in exchange for 137-million renounceable letters of allocation.

The letters of allocation would be sold by the IDC to Metpol policyholders, black pension and provident funds and the public on a ratio of 20 shares for every one Metpol share, giving an effective price of R1 a share. A prospectus would be issued within the next month and the IDC would underwrite the issue, IDC senior GM Jan de Bruyn said. A 10% limit would be placed on individual or institutional shareholding.

Methold would have a five-year call option to purchase an additional 20% of Sankorp's stake at prevailing share prices, a transaction which could be worth about R350m. Should the IDC issue be oversubscribed, Methold could exercise its call option sooner.

Methold, chaired by Soweto-based political leader Nthato Motlana, would exercise effective control of Metpol from the outset in terms of a voting pool agreement reached with Sankorp. The agreement allows Methold to nominate six of the 15 non-executive directors on the Metpol board, while Sankorp would nominate three. Motlana would also be Metpol chairman and Sankorp executive director Attie du Plessis would be deputy chairman.

Motlana said it was possible that Methold itself would be listed and used as a vehicle to acquire other companies.

Smith stressed that the existing management would be retained, Metpol's listing would continue and that Sankorp would

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Metpol

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continue to be involved with the life assurer at board level.

Sankorp CE Marinus Daling explained that the sale resulted from Sankorp's wish to make a meaningful contribution to black economic empowerment. "It is imperative that a larger part of the SA population be given the opportunity to participate meaningfully in the economy and the SA economy is unlikely to develop successfully in future without this development."

But he added that the deal had been structured on strictly business terms.

Methold's deputy chairman is Enos Mabuza and its other directors are advocate Dikgang Moseneke, Black Management Forum director Don Mkhwanase, Nafcoc president Archie Nkonyeni and Peninsula Technikon rector Franklin Sonn. The Metpol board would also consist of Smith and two IDC representives, De Bruyn and finance manager Gert Gouws.

Sanlam's 10% stake in Metpol would remain unchanged.

Higher tax bill cuts Ovcon earnings 23%

6109M 14/5/93 (23)

LINDA ENSOR

CAPE TOWN — A sharply higher tax bill was largely responsible for building and civil engineering group Ovcon suffering a 23% drop in earnings to 36,1c (46,8c) a share in the year to end-March.

The total dividend however was maintained at 12,5c a share after the declaration of a final dividend of 8,5c.

Turnover rose 10,8% to R147,8m (R133,4m) but a slippage in margins saw the operating profit up by 6,5% to R5,3m (R5m).

Lower interest charges helped push pre-tax profits up 12,9%.

The final utilisation of assessed tax losses resulted in a sharp increase in the tax rate with the result that after-tax profits dived to R3,2m (R4,2m).

MD Jan Kaminsky said the group had performed exceptionally well considering the difficult economic circumstances.

Major projects completed over the past year and others nearing completion included the Victoria & Alfred retail complex (R90m), the Harbour Island marina and residential complex (R30m), Paarl Reservoir (R8,5m), Helderberg Retirement Village frail care and sports club facilities (R9m) and a milk powder factory in Estcourt (R7m).

At year-end Ovcon had cash resources of R15,3m which Kaminski said would be used for investment by Ovcon as a minority partner in projects that would generate construction work for the group.

Interest bearing debt was cut by nearly 50% to R2,3m.

Kaminsky noted that the group's order book was sound but pointed out that profit margins in the industry were thin at present.

He warned that low contract prices currently being offered could not be sustained for much longer.

New work included a major renovation to the old Garlicks building in Cape Town (R25m), renovations and extensions to the SA Library in Cape Town, (R19m), a grandstand at Newlands cricket ground (R20m), expansion of SA Breweries' Newlands brewery (R10m) and the Bluff shopping centre in Durban (R22m).

Kaminski said that Ovcon was actively seeking work outside SA which would generate better returns. An office had been opened recently in Abu Dhabi and it had already won a contract worth R7m.

Dividend dip for Metboard

PETER GALLI (58)

METBOARD Property Fund (Metprop) has posted a 5,23% fall in total distributable income to R17,097m in the year to end-March from R18,04m previously.

This translates into a 5,23% dividend fall to 29c a unit from 30,6c previously. 6109M

Directors said net distributable income had fallen in the second six months of the financial year under review because of increased vacancies. However, the fund had managed to let a "substantial amount" of space that had stood vacant for some time.

A 17,2% rise in dividend income to R16,16m (R13,78m) was offset by a 69,1% plunge in interest income to R1,57m (R5,06m). The drop in interest income was because the fund had continued to invest in industrial property. It had bought four properties for a total of R10,15m during the year, while another R3,44m was spent on improving existing properties.

Metprop was untraded yesterday, reflecting a seller at 210c but no buyer. 14/5/93

It last traded on May 11 at 205c, almost midway between its annual high of 240c, reached a year ago, and its August 28 low of 180c.

Recession, clothing imports hurt Cutrite

6109M 14/5/93

MARCIA KLEIN

RECESSIONARY conditions and the adverse effect of duty-free imports saw clothing manufacturer Cutrite's earnings drop by 25% to 13,6c (18,1c) a share in the year to end-February.

MD Peter Edel said the results should be viewed against the background of a weakening in the demand for clothing caused by sociopolitical problems, consumer resistance, boycotts and industrial unrest.

Results were further affected by government's policy of allowing imports of new and second-hand clothing on a duty-free basis. About 93-million units had come into SA over the last year, Edel said. This had resulted in "a general decline in the level of the price of goods manufactured for customers", and necessitated a reduction in profit margins in order to maintain market share.

Turnover declined by 3,2% to R45,7m (R47,2m) and net income before finance costs and tax was 22,3% down at R5,2m from R6,7m.

Financial director Hymie Feinberg said Cutrite had focused on controlling stocks and increasing the rate of collections. The 22,6% reduction in finance costs resulted in a 22,3% decrease in net income before tax to R4,5m (R5,8m).

A high tax rate, which included the effects of secondary tax on companies, saw net attributable income drop by 25% to R2,2m from R3m previously. A 7% lower dividend of 6,5c (7c) a share was declared.

Edel said although the issue of imports had been resolved to some extent, companies had until March 1993 to order stock duty free. From next year, when these stocks would be depleted, the company should have more orders at better prices. This would mean Cutrite would get its legitimate markup and its factories could operate at capacity.

Cutrite expected an improvement in earnings in the coming year

Bank acts to prevent imbalance in market

BDM 14/5/93 (58)

THE Reserve Bank took steps yesterday to prevent a potential mismatch in the money market due to the maturity on Saturday of R2,3bn in government debt.

The Bank bought R2bn in paper assets from the money market in the form of a repurchase agreement to offset the maturity of government's R117 capital market bond.

The agreement put R2bn in the hands of the banks and cost the Bank 13,43% in interest.

Bank money and capital market GM Andre Kock said the Bank had evened out the flow "as best it could".

The maturity of the R117 means the market will be left short of liquid assets, a position which will be relieved only when the R145 bond, which matures in 1996, becomes liquid in two weeks time.

Banks need liquid assets in the form of short-dated government paper in order to fulfil their liquid asset requirements in terms of the Banks Act. They also use the liquid assets as collateral to borrow cash from the Bank

TIM MARSLAND

Kock said the Bank placed the R2bn repurchase agreement to match the outflow with the redemption of the R117 bond.

A statement from the Bank said of the repurchase agreement:

"This would alleviate a temporary shortfall in the money market pending the redemption on Saturday".

A money market dealer said banks could be under pressure to get sufficient liquid assets over the two week period. However, once the R145 became liquid, the market would be able to handle a shortage of about R4bn.

Some analysts have suggested that because of the Bank's new liquid asset requirements, the banks will not be able to handle a shortage of more than R3,5bn.

A dealer said the latest developments were unlikely to have much effect on short-term interest rates because of the static liquidity position.

HYPROP INVESTMENTS FM 14/5/93 58

Where fancy people shop

Activities: *Property loan stock company with investments in shopping centres, office buildings and parking.*
Control: *Momentum Life 37%.*
Chairman: *B T Jackson; MD: P J Behrmann.*
Capital structure: *30,6m ords. Market capitalisation: R199m.*
Share market: *Price: 650c. Yields: 10,5% on dividend; 10,6% on earnings; p:e ratio, 9,4. 12-month high, 700c; low, 630c. Trading volume last quarter, 223 000 shares.*

Year to Dec 31	'89	'90	'91	'92
Turnover (Rm)	17,0	21,6	23,8	24,0
Operating income (Rm)	11,3	13,6	16,3	17,6
Interest received (Rm)	3,4	5,4	6,1	3,9
Property invest (Rm)	118,4	133,0	146,4	152,6
Capital employed (Rm)	132,4	156,1	156,2	156,1
Return on property (%)	9,5	10,2	11,1	11,5
Return on capital (%)	11,5	12,6	13,9	13,4
Dividends and interest per cu (c)†	68,6	70,9	65,6	56,8

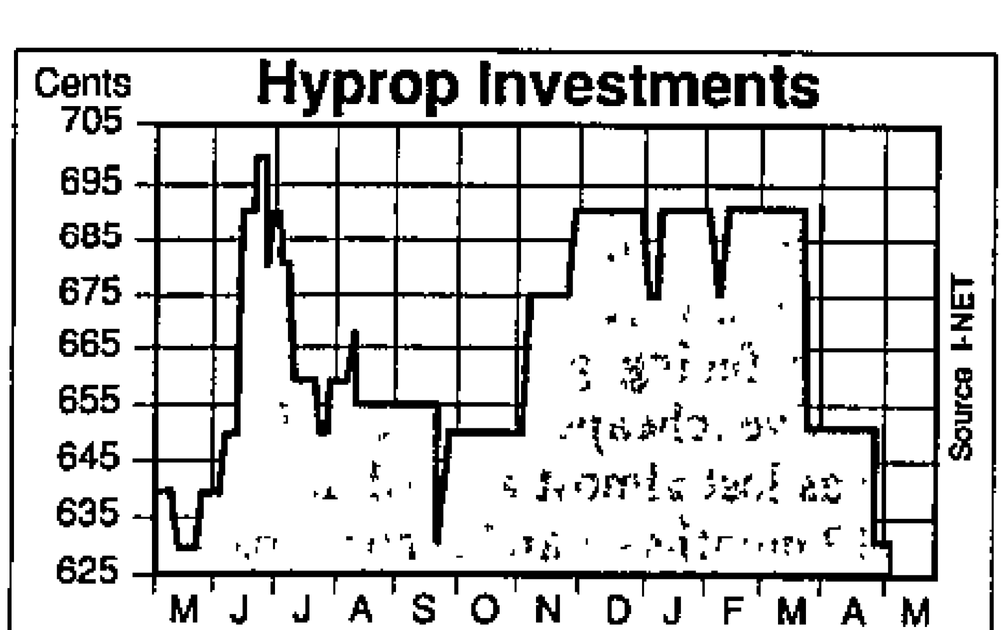
† Cu = Combined unit, comprising one ordinary share and one debenture.

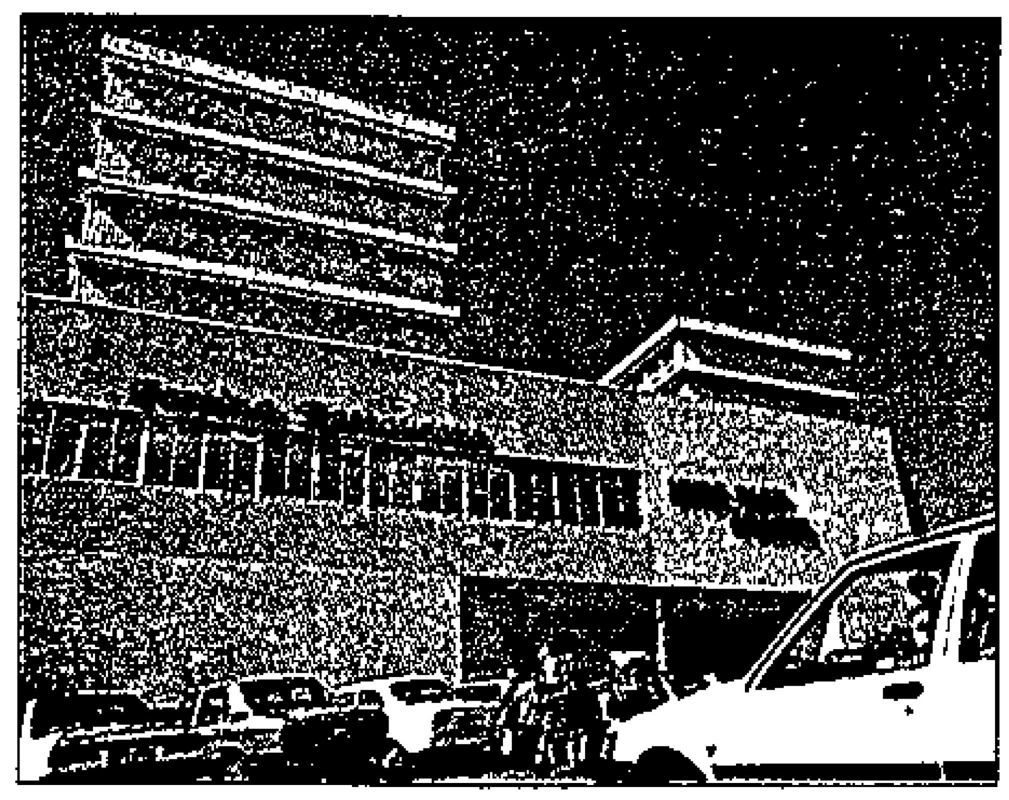
When the going gets tough, the tough go shopping. Some truth behind that defiant cry from the northern suburbs' shopping mall set comes through in Hyprop Investments' results. Despite recession and the depressed property market, quality shopping centres remain high-flying investments.

This was apparent when the *FM* reviewed 16 property trusts and loan stock companies this year (*Companies* January 15). Results from this property loan stock company confirm the value of a portfolio weighted in favour of retail property.

The underlying strength of the portfolio is flagship Hyde Park Corner shopping centre, that bastion of the shop-till-you-drop brigade. Operating income (net rentals received after expenses) grew a creditable 7,8%. Against a disappointing 0,6% drop in income from the oversupplied office component of its portfolio, which included R480 000 of the total R522 000 bad debt experience, retail interests grew by 11,2% and the contribution of Hyde Park by 15,1%.

Fortunately for Hyprop, it gets just over 60% of income from retail property, offices making up 35% and parking 5%. But recession continued to bite, with the first drop since the 1988 listing in what for a property loan stock company basically boils down to earnings: dividends and interest per combined unit.





Hyde Park . . . *for those born to shop*

Each combined unit comprises an ordinary share and a debenture bearing interest at a fixed multiple (in Hyprop's case 499) of the ordinary dividend.

Most of the 8,8c drop in earnings came from a 36,7% dip in interest income, equal to 6,5c per combined unit. This, says chairman Bryan Jackson, was due to the strategy of investing in the property portfolio, which returns less than cash investments in the money market, as well as declining money market rates and tight fiscal policy.

Capital investments reduced cash holdings by about a third to R14m, including R4,7m invested in Morningview Office Park. The development seems to hold potential in the medium to long term, but with occupancy of 67,1% seems the weak link in the portfolio. Jackson expects interest earnings to decline again this year because of the reduced cash holding, but notes it should be less severe, coming off a smaller base.

Overall occupancy levels are improving. Vacancies of 5,1% when interim results were published fell to 4,8% by year-end and have improved to 3,7%.

Hyprop will concentrate on retail interests this year. MD Peter Behrmann says investigations are under way to refurbish the East Rand Hypermarket shopping centre to "bring it in line with the new standards set by the adjoining East Rand Mall."

The big one, however, is planned extension of Hyde Park Corner, to increase retail space (now 15 576 m²) by 8 000 m². Hyprop plans to fund this through a rights issue, whose timing, with the level of vacancies, should largely determine performance for the year, says Jackson. In a shopping centre characterised by Saturday morning traffic jams in the parking lot and where customers queue just to get a table at a trendy coffee shop, expansion makes sense.

Hyprop's yield is below the property loan stock sector's 12,4%, though its p:e ratio is off the average 13,2. With its consistent performance and strong portfolio, it seems a reasonable buy at R6,50.

Shaun Harris

MARSHALLS

Soberly dull FM 14/5/93

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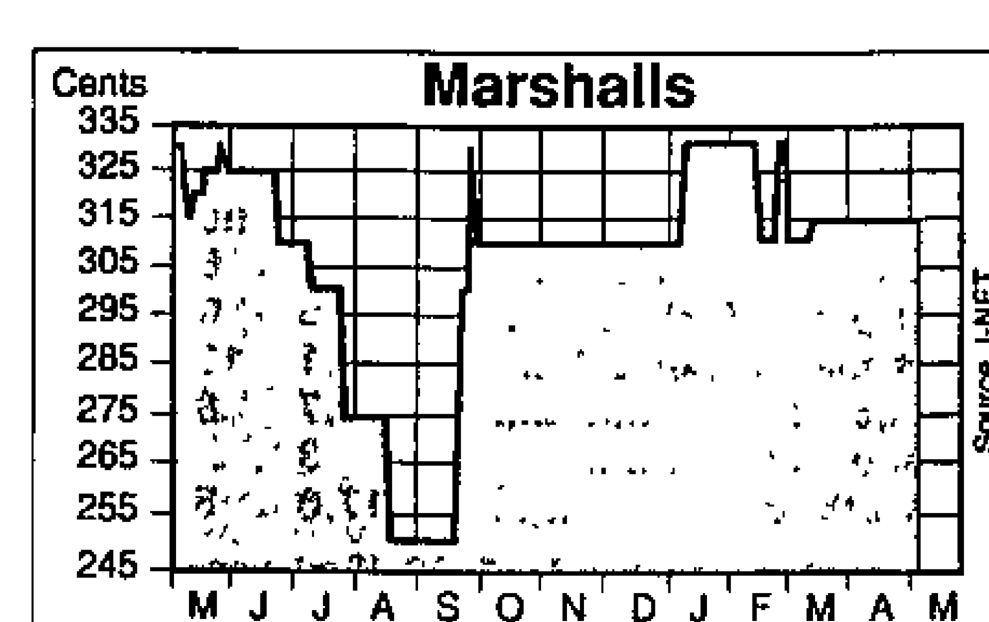
Chairman and MD: *D C Marshall.*
Capital structure: *8,5m ords. Market capitalisation: R26,8m.*
Share market: *Price: 315c. Yields: 7,6% on dividend; 11,9% on earnings; p:e ratio, 8,4; cover, 1,6. 12-month high, 330c; low, 300c. Trading volume last quarter, 7 558 shares.*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	1,8	0,8	1,06	0,76
LT debt (Rm)	5,4	7,7	7,5	11,2
Debt:equity ratio	0,06	0,08	0,12	0,12
Shareholders' interest	0,81	0,84	0,84	0,83
Int & leasing cover	—	10,7	6,1	7,1
Return on cap (%)	5,5	5,8	7,2	8,1
Turnover (Rm)	33,5	26,1	22,7	27,1
Pre-int profit (Rm)	3,5	4,4	6,1	7,5
Pre-int margin (%)	10,6	16,9	26,7	27,7
Earnings (c)	22,6	24,8	32,0	37,5
Dividends (c)	17,0	19,0	21,0	24,0
Net worth (c)	618	759	833	906

Marshalls' 17,3% increase in earnings came as a pleasant surprise. Seen in the context of declining rentals in the commercial property market — the largest contributor to trading profit — this was a result which will make shareholders appreciative.

Chairman and MD David Marshall says: "The rental business is relatively low risk: but since we're collecting over R1m a month we expect some duds." The property portfolio has achieved average occupancy of 94%, slightly up on the previous year.

Parking garage rentals, the other part of the rental business, continues to do well. All Marshalls' parking and commercial properties are in Durban, Pinetown and Cape Town. Together these businesses account for just under two-thirds of pre-tax income.



cont

CORPORATE GOVERNMENT (S8) FM 14/5/93.

Regulating the regulators

There's nothing quite like a good argument to settle who supports what. Even so, members of parliament, supposedly accustomed to the energetic airing and debate of deep-seated antagonisms, were taken aback at the vigour of the repartee when members of the Financial Services Board (FSB) and the Life Officers Association (LOA) gave evidence recently to the standing committee on finance.

What gave rise to this sharp clash was the innocuous sounding Financial Institutions Second Amendment Bill. At the heart of the dispute is the delegation of ministerial power. It has become a feature of SA in recent years for Ministers increasingly to arrogate their powers in favour of executives or regulators. One result has been a proliferation of individuals in positions of great authority who, it subsequently turns out, are neither accountable nor responsible for actions that are radical and far-reaching.

One casualty of the row which has erupted is the JSE's intended new class of member — derivative broking member, which the JSE announced some weeks ago it intended to introduce shortly. The delay which results from the need to re-draft the Bill will provide some relief for those in the financial community who hold that it's simply the beginning of what will be a wholesale takeover of the JSE by the naturally acquisitive financial institutions.

Irritated by the intransigence displayed by those giving evidence and reluctant to be drawn into the dispute as an arbitrator, the parliamentary committee has apparently kicked the Bill into touch. That will please the LOA and its strange bedfellows — those within the JSE who oppose moves to widen the broking constituency.

The antagonisms which find their expression in the argument about ministerial responsibility and power, come at a time when various crucial aspects of corporate governance and financial industry regulation are being closely examined.

One result of the Bill would have been to enhance the power of the FSB. Foul, cries the LOA, which points to the recent report of the Melamet Commission concerning the establishment of a super-regulatory body, the Financial & Investment Services Commission (Fisc). The Bill would effectively cut across the Melamet recommendations which haven't yet been considered by the Cabinet.

Compounding the confusion, as the LOA was quick to point out, is the JSE's own examination of its constitution and intended future method of operation, the Katz Committee, set up last year partly in response to pressure exerted by the parliamentary standing committee.

Members of parliament will be forgiven

Andersen ... *won't say when the committee will publish its findings*

for having been somewhat unnerved by the passionately stated arguments by both sides of what is traditionally a reserved and, theoretically at least, gentlemanly area of commercial activity. And they have decided, logically in the circumstances, that hurried action now could be detrimental to efforts to sort out the regulation of the financial services industry. The message to the industry appears to be to get its house in order before asking parliament for enabling legislation.

And that will include waiting for the recommendations of the JSE Research Committee. JSE executive president Roy Andersen says the bulk of the committee's work has been completed but he won't be drawn on when it will publish its findings.

Many aspects need to be resolved, not least among them such issues as dual capacity trading in a stock exchange paralysed by an endemic lack of liquidity and the introduction of negotiated commissions.

And there's no escaping another central issue: if ministerial power is to be converted in a new dispensation to self-regulation within the wider financial community — including how companies and institutions operate and are governed — then the matter of how to regulate the regulators becomes one of paramount importance. *David Gleason*

FM 14/5/93

NEDCOR

Conservative treatment

There seems to be something of a tortoise-and-hare race going on between the share ratings of Nedcor and First National Bank. Comparisons between banks can be mislead-

FM 14/5/93

COMMISSIONS FM 14/5/93

Deregulation wrangle 58

Debate over life assurance sales commissions has taken a new twist Some assurance executives believe it may even be necessary to consider scrapping the regulated commissions and introducing instead salary-plus packages for agents.

The impetus comes from the Competition Board which apparently sees the regulated system as one of the last bastions of anti-consumerism. But Old Mutual's Barry Crookes, who chairs the committee responsible for the commission issue, says regulation helps the consumer. When commissions in the UK were deregulated, he says, life assurers had to pay brokers up to double the original commissions to keep market share. In the end, that showed in premiums. The disclosure issue also made many brokers change their status to that of life office agents, for whom the rules are different.

When the Financial Services Board was formed two years ago, one of its first actions was to inquire from life assurance organisations whether there was a need to overhaul the commission structure, in which intermediaries receive their commission payments in the first two years. At that stage, the board's attitude was interrogative but not aggressive. It was apparently trying to find whether any of the principles of disclosure in recent UK financial services legislation would be appropriate to SA.

In the UK, intermediaries are now obliged to give detailed information to the client about the amounts they earn from a contract. And the client can then see, at the point of sale, that the intermediary is paid first and the client's policy only begins to attain value several years after the contract is signed.

Jurie Wessels, executive director of the Life Offices Association, says its Benefits Illustration Agreement committee has been given extended scope to debate issues of disclosure. It has been considering the practice of illustrating life policies by showing 15% growth annually (see page 41). Now it is looking at a broader range of issues.

Wessels

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Wessels says that, prompted by the Competition Board, Deputy Finance Minister Theo Alant asked the board for a report on disclosure practices. Other industry sources suggest that government's attitude towards commission earnings is now becoming aggressive.

Somehow, the inquiry has linked several issues not necessarily related. Wessels is adamant the question of illustrative benefits which, by convention, are shown at 15% and 12%, has nothing to do with any other disclosure problems. Illustrative benefits, he asserts, are just that — and no life office intermediary should suggest they are anything but a mechanism to show what difference a good investment performance produces. It has, he says, no connection to the commission disclosure issue.

Life offices have, in the past, tinkered with the regulated commission structure but never found a better formula. They argue that, as life policies are sold, not bought, intermediaries need an incentive to sell A better system than commissions has not been devised.

Assurance executives theorise that, if salesmen had to disclose how much they made on a deal, it could antagonise prospects and lead to a reduced level of retirement savings in the country.

But there is certainly no agreement through the industry at present that commissions can be deregulated and a salary-plus system introduced. However, Alant's request for a report is leading to far closer liaison than before between the life offices, the SA Insurance Brokers' Association and the Life Underwriters' Association of SA. ■

MONEY MARKET PRESSURES

FM 14/5/93

Money market participants were probably glad to see the back of April. After aggressive funding by the Public Investment Commissioner & Treasury, government deposits at the Reserve Bank rose R3,6bn. This reduced money market liquidity, with the average daily shortage for the month reaching R5,6bn and a record high of R6,8bn being recorded on April 15.

But May could turn out to be as frustrating. Government spending and a four-day repurchase agreement worth R500m on May 3 brought the shortage down to R1,9bn. Since then it has risen steadily, hitting R4,1bn on Monday. The Bank's André Kock says this is unexpectedly high. "But we've seen the reserves come under pressure in the last few days and a number of stock settlements coming through."

The redemption of the RSA 117 bond this Saturday will release R2,3bn on to the market. Banks will then find themselves flush with cash, but short of liquid assets, so the Bank may have to enter into open-market transactions in the period between the redemption and May 30, when the RSA 145 bond becomes a short-term instrument.

Banks have not suffered from the removal of the liquid bankers' acceptance as an instrument of cash accommodation. Acceptances have simply become part of their trading assets. Banks say that, with call rates low, there is still strong demand for the instruments.

The shift of government deposits, from the Reserve Bank to tax and loan accounts at commercial banks *(Economy April* 23), should smooth out volatility in the money market in coming months.

They will take the place of the account the State now holds with the Bank. All government funding and spending flows will thus remain in the banking sector.

Kock says this will only be introduced once the legal issues have been sorted out and the computer systems in place.

MARSHALLS (58)

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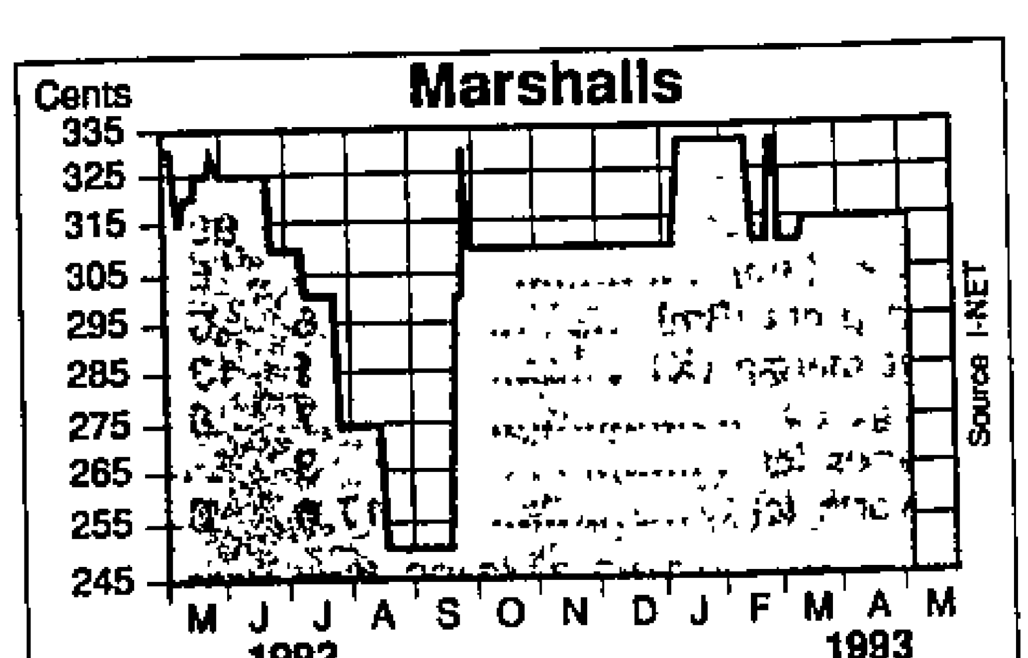

cont

COMPANIES FM 14/5/93

(58)

About five years ago, Marshalls started a confirming and indent financing division. The estimated contribution to pre-tax income from commissions, confirming fees and interest received from this division is about R1,9m; a rise of nearly 50% on the year, and equivalent to just under a third of group pre-tax income. Marshall doesn't expect similar increases for 1993.

Agricultural equipment, the smallest operating division, improved on its pre-tax loss in 1991 to make a small profit. From January 1 1992, Marshalls sold 40% of this business to management: the intention is to dispose of the remainder later.

Marshall takes a conservative view of 1993: "We would be happy to maintain earnings levels of last year." Recessionary pressures continue to squeeze commercial rentals which don't look as though they will improve for at least a year. For this reason, Marshall expects earnings to be flat for 1993 though dividend growth is not expected to be affected: that is probably dictated by the interests of 69% controlling shareholder, Marshalls Controlling Investments, and is unlikely to take account of the desires of minorities.

Not surprisingly, the shares are not often traded, which explains the two-thirds discount to NAV. The group is conservative and doesn't see the need to loosen up the shareholding structure, says Marshall. The dividend and earnings yields are 7,6 and 12,0 respectively; healthy for a conservative company.

The share price has traded within a narrow band for the last 12 months. On a rating of 8,4 times we would not expect much capital growth in the medium-to-short term.

A sober company, if somewhat boring.

Louise Randell

ANGER IN HOUT BAY

FM 14/5/93.

Absa subsidiary Bankorp Properties is holding a series of public meetings in an effort to resolve a row over its proposed development of a hillside property near Sandy Bay on the Atlantic coast. In the face of strong opposition to the development from Hout Bay residents this year, Bankorp put a six-month moratorium on the development and agreed to keep talking to opponents.

(58)

The proposal is that Bankorp ~~should~~ be allowed to develop 260 upmarket, single residential units and 76 cluster houses on a 50 ha site below the skyline on the Hout Bay side of the saddle between Karbonkelberg and Klein Leeukoppie, where Sun International's Sol Kerzner has his hideaway.

In return, the company will donate the remainder of the plot — 216 ha on the Sandy Bay side and including the famous beach — to the provincial administration for use as a nature reserve. The site was bought by Trust Bank more than 15 years ago.

Absa claims extensive investigations have shown that the development will not adversely affect the environment. The main benefit will be securing the future of Sandy Bay and its surroundings.

Learn & teach

corresponding to With a black-controlled board nonetheless existed.

Star 14/5/93

Boland Bank lifts profit

(58)

CAPE TOWN — Boland Bank has shown a 12 percent increase in profit, despite a rise in bad debts.

The group returned a profit of R24,1 million after tax and provision for doubtful debt (R21,5 million in 1992).

MD Gert Liebenberg says the economic environment showed a further weakening, resulting in limited asset growth for the bank.

"On the other hand, owing to declining interest rates and a decrease in compulsory investments in liquid assets, net interest income showed satisfactory improvement.

"However, the increase in bad and doubtful debt arising from a sharp increase in liquidations and insolvencies continued to put pressure on profits," Liebenberg says.

He adds that the rights issue in March had strengthened the capital ratio to eight percent of risk-weighted assets.

The total dividend has been lifted from 52c to 56c. — Sapa.

Star 14/5/93

Langeberg breaks ice of US boycott

~~186~~ ~~746~~

By Stephen Cranston

Canned fruit producer Langeberg had received its first orders from the US in eight years, MD Ray Brown said last night.

Speaking to a meeting of the Investment Analysts Society, Brown said that Langeberg had sold 75 percent of its crop, whereas at this time of year it had normally sold 90 percent.

Orders from America, and others from Scandinavia, however, promised to be the first of many.

Since the beginning of sanctions in the mid-Eighties, Langeberg had built up its market in the Far East from almost nothing to 29 percent of deciduous fruit, sales.

In rand terms sales to Japan increased in value in the six months to March.

The European market, however, accounted for 59 percent of Langeberg's deciduous fruit exports.

Greece had a bumper season and so export prices were down.

Brown said that Langeberg was supporting its exports with brand-building advertising in selected markets because South Africa "is no longer a dirty word".

Langeberg's next aim is to produce tomato products which compete with the best internationally.

It launched a canned Italian tomato product on the local market which was so popular that it was out of stock within three months.

A new tomato and other vegetable plant will be commissioned in Messina on Monday, which will offer better yields and lower expenses.

The pineapple division continues to make losses, but Langeberg plans to reduce this by reducing costs, improving quality and yields and by minimising production of concentrates where margins are negligible.

and further growth in export values.

"If the gold price continues its steady performance, this will undoubtedly benefit export earnings," he said.

Gouws warned, however, that confidence and the resultant boost in demand for goods and credit were still some way off.

"Slower wage and salary increases, higher unemployment figures and the hike in VAT will combine to slow demand over the next few months," he forecast, adding that second-quarter production could also be adversely affected by the April stay-aways.

"The factors are not yet in place that will give us a lift-off and the economy will continue to bump along its current lows for the remainder of the year," he said.

the Plessey board.

the gold price has risen by $25 or

physical gold was falling steeply.

and encourage investment in non-residential construction.

Metlife passes to black control

Star 14/5/93

By Stephen Cranston

Effective control of life assurer Metropolitan Life (Metlife) will pass from Sankorp to the black shareholders of Metlife Investment Holdings (Methold)

In a press briefing in Johannesburg yesterday, Sankorp CE Marinus Daling said Methold had bought a 10 percent holding in Metropolitan from Sankorp for R134,9 million.

This is equivalent to R20 a share, the average at which Metropolitan's shares have traded over the three months preceding the agreement.

Methold will have the right to acquire a further 20 percent in Metropolitan within five years, and Sankorp's remaining 30 percent will be combined in a voting pool with Methold's share.

Funded by IDC

Methold will be funded by the Industrial Development Corporation which has provided R137 million in exchange for 137 million renounceable letters of allocation.

Daling said Sankorp had decided to dispose of a portion of its holding for the sake of black economic empowerment.

"If we are to have strong economy, it is important that everyone participate and be in control of capital."

Metropolitan Life is the ideal vehicle for this empowerment as 85 percent of its policy-holders are black.

He said the deal had been structured on strict business principles. "History has already shown that paternalistically driven black economic empowerment tends to fail."

Signing the deal to establish Methold. Front from left: Jan de Bruyn, Marinus Daling, Dr Ntatho Motlana. Back: WS Pretorius, Attie du Plessis, Marius Smith.

Daling said the move was not connected with the unbundling of Sankorp-controlled Gencor. "Unbundling is about improving focus and removing pyramids. This is not what we are doing here."

He said Sankorp would look at further disposals to the black community, but believed the present issue represented a considerable amount of capital to be absorbed.

The R137 million offer is somewhat larger than the R40 million share offering in National Sorghum Breweries.

Methold shares will be sold to blacks only in units of one rand, with 20 shares corresponding to one Metropolitan share.

They will be sold primarily through Metropolitan's 3 000-strong sales force, which itself is 88 percent black.

Black-controlled businesses and funds will be able to buy shares, but nobody will be able to control more than 10 percent of Methold's shares.

Metropolitan MD Marius Smith said there would be marketing benefits from the deal.

It would be easier to sell policies to those who held an indirect stake in the company, and many people would wish to support a black-controlled business.

With a black-controlled board it would be easier to attract high-calibre black staff and it would be beneficial that Metropolitan was no longer controlled by Sanlam, which was now competing with it in the black market.

Methold chairman Nthato Motlana, who will become chairman of Metropolitan, said he hoped Metropolitan's investment policy would focus more on the black market and look at investment in low-cost housing.

Daling said while it was easy to identify investment opportunities in the First World sector, they were harder to find in the Third World sector, but that they nonetheless existed.

58

4/6

232

Star 14/5/93

Restructure for Meritex

CAPE TOWN — Meritex has announced a restructuring of its its manufacturing business after a net loss of R7,5 million in 1992/93.

"To maximise competitive ability, we have decided to focus on core competencies in-house and to source non-core activities externally," says financial director Dave O'Donovan.

184

The earnings a share loss for 1992/93 was 48c, while net asset value at year-end fell to 27c.

"Losses since the beginning of the current year have been reduced," says chairman Ed Gordon. — Sapa.

Star 14/5/93

Star 14/5/93

ticipated in the last general election in

Insurance coup

Sowetan 14/5/93

■ Motlana to be chairman of restructured board:

58

By Mzimkulu Malunga

BLACKS have taken effective control of Metropolitan Life.

It was announced yesterday that a group of six blacks have formed a company called Methold, which acquired a 10 percent shareholding of Metropolitan Life.

Methold is in a "voting pool" with the majority shareholder, Sankorp, meaning that the new company will form part of the decision-making process in Metropolitan.

Dr Nthato Motlana will be chairman of the restructured Metropolitan Life board.

Methold has been given an option to buy a further 10 percent of Metropolitan's shares in the next five years, a development which will bring the company on par with Sankorp. The latter currently holds 30 percent of Metropolitan.

Banks 'don't cater for majority needs'

(58) CT 15/5/93

Business Editor

THE banks, formed to meet the needs of white and corporate clients, "hardly address or understand the needs of the majority of the population," Trevor Manuel, head of the ANC's Economics Department, told an international housing conference in Cape Town yesterday.

"Undoubtedly the existing institutions will either have to restructure or be restructured.

"In addition, new institutions will have to be created and supported to provide (for) the needs of the majority," Manuel said.

Mike de Blanche, President of the Association of Mortgage Lenders and deputy CE of the Amalgamated Banks of SA, said there was a need to depoliticise the issue of housing.

"We cannot allow it to be a political football.

"Unrealistic demands or threats of legislation to force institutions into doing things that cannot be considered prudent should be avoided.

"Political posturing will not change the facts of the market.

"Attempts to force the financial institutions into doing things that are not prudent is tantamount to killing the goose that lays the golden egg."

Manuel said SA needed to build between 250 000 and 350 000 affordable housing units a year.

'Economy won't heal for rest of century'

SA is likely to suffer economic problems for the remainder of this century, with falling real incomes and rising unemployment, Ockie Stuart, director of the Stellenbosch Bureau for Economic Research, told the conference yesterday.

Although the building of residential housing could generate growth, there was unlikely to be sufficient finance to catch up with the backlog unless foreign help was available.

Stuart said the prospects for housing would be improved if the World Bank, in particular, made funds available for upliftment programmes in SA.

Closing gold prices

(In $ an ounce)

NEW YORK:
367,30/367,70

LONDON:
367,70/368,20

Fixing am: 366,00

Fixing pm: 368,20

ZURICH:
366,50/369,50

— Reuter

Banks 'failing the poor'

58 ARGT 15/5/93

BRUCE CAMERON
Business Staff

■ Banks are accused of neglecting low-income earners and paying too much attention to first world clients.

A STINGING indictment was made of South Africa's banks at an international housing conference in Cape Town for squeezing low income earners out of the formal banking system.

Mr B H Pieters, managing-director of the recently established Johannesburg-based Metropolitan Housing Finance Co-operative, told the World Housing Conference that access to credit and savings facilities had been an indispensable element of socio economic development worldwide.

But in South Africa access to finance was limited, costly and directed to sophisticated first world needs, while "every month new and increased service charges are being introduced by South Africa's major banks, forcing the closure of thousands of savings accounts and other facilities."

Mr Pieters warned that the "time for inertia and talk is over. What is required now is the development of innovative savings and financing products for the majority of South Africans."

In spite of this, banking for the poor was an enormous opportunity.

Mr Pieters doubted whether it was possible for a first-world bank to reposition itself to serve a broad market. An example was that banks were unable to offer housing loans below R30 000.

It was far more likely the major banks would jointly sponsor and support a specialist bank, such as the proposed Community Bank, to serve the needs of low income earners. This could be supported by savings and loans institutions.

The emphasis should be on providing easy to understand conditions with free savings and investment facilities.

A new system would have to be built from scratch as the black areas were mainly residential with very few services. But low-income clients did not require fancy banking halls. They would rather have access to the banking facility for longer hours, six days a week and be served by people who understood their needs and cared, Mr Pieters said.

ANC calls on banks to restructure

ARG 15/5/93 (58)

BRUCE CAMERON
Business Staff

THE African National Congress has bluntly warned South Africa's financial institutions to "restructure or be restructured" if it is to form a vital link in the upliftment of the poor.

The warning came in a speech made by Mr Trevor Manuel, head of the ANC department of economics, to the International Housing Conference in Cape Town this week.

But in an interview after the meeting Mr Manuel said the ANC would prefer to negotiate a change in attitude with the financial institutions rather than force them to help finance socially responsible projects, particularly housing.

Mr Manuel's warning follows increasing criticism of banks and building societies for increasing charges across the board while retaining high interest margins and effectively forcing thousands of people out of the formal banking system.

Mr Mike de Blanche, deputy chief-executive of Absa bank and president of the Mortgage Lenders Association, said in an interview it would be very difficult to restructure the banks which had been developed to deal with the formal sector of the economy.

□ TREVOR MANUEL: Prefer to negotiate

This was why the banking sector was supporting the development of the proposed Community Bank, which would be able to provide a wider and cheaper service.

Mr Manuel said the ANC was planning to initiate a series of conferences with the financial institutions including the Council of South African Banks (Cosab), the Life Offices Association (LOA) and the Institute of Retirement Funds.

He said the ANC hoped to reach consensus with the institutions and in so doing lay the basis for them to restructure themselves.

The Independent Development Unit — which was established by the Life Offices Association to help finance projects for the poor — had been offered by the LOA as an alternative to the re-introduction of prescribed investments.

The LOA had indicated that if this did not work they would not oppose prescribed investments so strongly.

He hoped a similar agreement could be reached with all financial institutions.

In his speech Mr Manuel said the banks and buildings societies were almost entirely structured to meet the needs of their white and corporate clients.

The situation was compounded because corporate clients were also the owners of banks. As a result lending practices discriminated against individuals and enterprises outside of the conglomerates.

"The formal banks hardly address or understand the needs of the majority of the population," said Mr Manuel.

ST Times (Buss) 16/5/93

Metpol steady on offer to blacks

By JULIE WALKER

METROPOLITAN Life (Metpol) shares were untraded on Friday after major holder Sankorp announced that 10% of its 40% holding in the life assurer would be sold to blacks.

The shares will be paid for by the Industrial Development Corporation in a kind of warehousing operation. The IDC will pay R20 a share to Sankorp, which will gross R137-million in the deal.

The 10% stake will be the assets of a company to be named Metlife Investment Holdings (Methold). Its R1 shares will be sold to blacks, as happened with National Sorghum Breweries.

Sankorp chairman Marinus Daling says Metpol is ideal as a vehicle for black economic empowerment. A total of 85% of Metpol's business and 94% of new business is in the black market.

Metpol already mobilises savings of blacks and is largely staffed by them.

Mr Daling says the deal was done at R20 a share because that was the price when negotiations began. Even though it was now 175c higher, Sankorp will accept R20.

He says paternalism in black economic empowerment tends to lead to failure.

Methold has an option to buy another 20% of Metpol from Sankorp in the next five years. Sankorp parent Sanlam has 10%. Sankorp will initially have 30%, to be pooled with Methold's voting power.

Metpol management, led by Marius Smith, will be retained, and more blacks trained to fill senior positions.

Methold will appoint six of the 15 non-executive directors of Metpol and Sankorp three.

Methold's chairman is Nthato Motlana and the deputy Enos Mabuza. Mr Smith will also serve the Methold board, as will the IDC's Jan de Bruyn and Gert Gouws. Dr Motlana becomes chairman of Metpol and Sankorp's Attie du Plessis the deputy.

116 ~~232~~ 29 ~~K12~~ 56

Sphere

Mr Smith says the move offers Metpol an outstanding marketing opportunity. Metpol insures the lives of perhaps 6-million South Africans.

The new directors bring their own sphere of influence — nine of the 16 will be black after the changes.

The deal ensures Metpol's future as an independent group away from a possible conflict of interest with the parent Sanlam group, which is likely to raise its own presence in the black life-assurance market.

Asked if Sanlam would apply the R137-million proceeds of the Metpol sale to black housing, a startled Mr Daling replied that it formed part of investment income in Sankorp and was pooled and apportioned as such.

The question raised smiles from Dr Motlana and lawyer Michael Katz.

R500m to bring electricity for all

S/Times (Buss) 16/5/93

By KEVIN DAVIE

ESKOM and the life assurers have struck a R500-million ground-breaking deal to part finance Eskom's R3-billion "electricty-for-all" drive.

The project — the assurers have agreed to a first tranche of R500-million — is the first by the Investment Development Unit of the Life Offices Association.

The IDU was set up to facilitate the flow of funds under the control of the life and pensions industry to socio-economic development.

The IDU has been investigating mechanisms to do this. A life-assurance source says Eskom involvement was the key to the scheme and the first tranche of R500-million.

The life business is expected to earn a market-related return on the 15-year bonds which Eskom will issue. The bonds are structured so that yields are low in the early years but improve with time.

"There is no capital risk, although there is a risk on the yield," says a source.

Eskom intends to bring electricity to at least a million people a year.

It is better placed than most to enter the high-risk area of socio-economic upliftment because the pre-paid meters it installs ensure that it gets paid.

Attempts to provide housing and other social services for blacks have, in contrast, largely been frustrated by rent, mortgage and service boycotts, high costs and poor quality and inefficient systems for collecting payment.

Two go

STELLENBOSCH-based Gilbey liquor group chief executive Peter Fleck and human resources director Anton Erasmus resigned at the same time this week to follow other interests.

Parent company International Distillers & Vintners president of the Africa region Howard Smith, says successors have not been appointed.

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ment and technical expertise.

SA Breweries says no single group has outright control of its shares and points to the threefold premium of the share price to net asset value.

"There is no value to unlock by unbundling SAB," says group financial director Selwyn MacFarlane. "We are a focused consumer group. Unbundling applies to conglomerates with interests which do not fit together, such as Gencor."

Rene de Wet, managing director of Pick 'n Pay, says unbundling would result in the Ackerman family's losing control.

"From a shareholder point of view there is a lot of value attached to the Ackerman control of the group."

Business leaders praise Gencor's decision to demerge its non-mining interests. Although Sankorp will retain effective control, the move is seen as an important step for shareholder democracy.

... agenda when he was Gencor chairman, says: "Gencor has an outstanding record as an entrepreneur. I welcome the announcement of plans to unbundle in the belief that it will result in five entrepreneurs."

Brian Kantor, professor of economics at the University of Cape Towns, says that although control of Gencor's operating subsidiaries will remain with Sanlam, shareholders will have a stronger influence on affairs.

"Now the operating companies will be controlled directly through Sanlam rather than through the intermediary of Gencor management which may not necessarily be a good thing.

"We need to persuade the ANC that tight control by shareholders is a good thing. They appear to have picked up the US view of anti-trust behaviour which is outdated and in-

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S/Times (Buss) 16/5/93

Breaking up (not so) hard to do

SOME Sanlam-controlled companies were unbundled this week while another was bundled in a set of moves which have changed corporate SA forever. Comment by **KEVIN DAVIE**

SA BUSINESS is characterised by an over-concentration of control in a few white hands while few blacks are shareholders.

There will be enormous pressure in a democratic South Africa for artificial barriers — such as pyramid controlling structures — to market entry to be dismantled and for have and have-not disparities to be dealt with as rapidly as possible.

Two deals — announced by companies in the Sanlam stable this week — have these objectives.

First Gencor said that its pyramid structure would disappear as soon as Finance Minister Derek Keys's unbundling legislation had been passed. Two companies would go, leaving five stand-alones in Genmin (to be renamed Gencor), Engen, Malbak, Sappi and Genbel.

The intention is to free control of these companies and unlock value for shareholders through improved share liquidity, management independence and competitiveness.

In the SA context this has come to be known as unbundling. A company increases its exposure to market forces by stripping away holding companies which may help thwart takeovers.

Only days later Metropolitan Life, also part of the Sanlam stable, said that a new company, Methold, would be set up with a 40% stake in Metropolitan.

A special voting arrangement will ensure that control passes from Sanlam's industrial holding arm, Sankorp, to Methold.

Metropolitan has assets of R4,8-billion. Methold will have mostly black directors and blacks will make up 10% of the shareholders with a five-year option to increase this to 30%. Metropolitan has good growth potential as a savings and investment vehicle for blacks.

So desirable ends have been achieved in one case through unbundling and in another through bundling. This suggests that the ends — improved competitiveness and wider ownership of the economy — are more important than the means.

Competition Board chairman Pierre Brooks takes a simple view on the unbundling issue. He says in the past there have been incentives to conglomeration. This needs to be changed so that the incentives favour de-conglomeration and the improved competitiveness which this will bring.

Much of corporate SA is at present impervious to takeovers because pyramidal control makes takeovers an unlikely possibility.

But attempts at big-stick solutions, such as enforced break-ups, could replace an unhappy situation with an even unhappier one. As Gencor and Metropolitan have shown this week, win-win solutions are possible without using big sticks.

Robbing the poor to pay the rich

Citizen 16/5/93.

UK banks profit from third world loans

BRITISH banks are offsetting huge losses on bad loans to British property companies by promising to squeeze an extra $350-million (about R1,1-billion) from third world countries.

When the big four London-based ranks announced their annual results in February and March, they reported bad debts of $9 000-million (about R28,5-billion) for 1992 alone.

This was because the banks had foolishly lent money to property speculators who built unneeded office blocks in London, and to fraudulent tycoons such as the late publisher Robert Maxwell.

Canary Wharf in London is Europe's tallest office building, but the $1 000-million (about R3,1-billion) development is almost empty. The banks will never get back the money they lent on that and dozens of other empty buildings.

Thus, poor countries are being forced to give extra money to British banks because they wasted so much foolishly.

In the late 1980s, the big banks "wrote off" many of their loans to developing countries. But pressure from the International Monetary Fund and World Bank means that poor countries are now being forced to pay these debts.

So the banks are "writing back" some loans; that is, they promise to collect money from the third world which they previously wrote off. This ensures that the banks (other than Barclays) remain in profit.

This is the second year in which the big banks have tightened the screws on the world's poor. Last year, the big four banks announced bad British debts of nearly $800-million (about R2,5-billion) for 1991, and they promised to collect an extra $635-million (about R2-billion) from poor countries.

National Westminster Banks' entire profit for 1991 came from developing countries. Barclays Bank promised to collect $175-million (about R554-million) from the future government in SA – cash it had said it would not take from the white apartheid government.

The London-based pressure group World Development Movement reported in March that new figures show that in 1991 British banks took $1 200-million (about R3,8-billion) more from the third world than they lent. In effect, one-third of British official aid for the year simply went to repay British banks. Donations by British charities like Oxfam that year amounted to only $375-million (about R1,1-billion).

The results reported by the banks in February and March cover 1992, and the picture is similar: another $9 000-million (About R28,5-billion) in British bad debts, and a promise to force poor countries to pay a further $350-million (about R1,1-billion). All the banks still paid dividends, including Barclays, which made a loss.

Nearly all of Lloyds Bank's dividend was paid from profits from third world lending. Lloyds reported that its "stronger operating profit (for. 1992) resulted from higher interest payments, including partial recovery of overdue interest" from poor countries.

To meet their interest payments many countries are forced to spend less on health and education. The UK charity Christian Aid says that one child dies almost every minute because of the economic hardship caused by debt repayments.

– Panos

Record lending slows

ST Times (Buss) 16/5/93

By DON ROBERTSON

INSTALMENT and credit banks wrote record business in the first three months of the year, but the Hani assassination has since hit the lending market. (58)

Nedfin Bank chief executive Christopher Beatty says his firm's book grew by R812-million in the three months to March to R34,6-billion, an increase of 2,67% on the previous quarter. Indications are, however, that business in the first month of the new quarter is down sharply.

Mr Beatty says the improvement was dramatic and compares with an actual decline of R633-million in the book's value in the first quarter of last year.

Lending by credit banks rose by R3,5-billion between March 1992 and March this year, an increase of 66% on the R2,1-billion growth of the previous year.

Mr Beatty says: "One would normally have been tempted to see the level of activity as the first hint that the corner might have been turned and that consumer confidence might be picking up.

"However, such hopeful assessments are obviously out of place following the April assassination of Chris Hani and the sharp drop in national morale since then. One is left to speculate on what might have been."

The rush to beat the increase in VAT in March was partly responsible for the improved business.

Motlana takes over at Metropolitan

CITPRESS 16/5/93

By ZB MOLEFE

LONG-TIME black economic empowerment apostle Nthato Motlana this week put action where his mouth is – he is in a group of black businessmen who have paid R140-million for shares in one of the country's leading insurance companies.

The landmark deal, financed to the tune of R137-million by the Industrial Development Corporation (IDC), could be the start of a black takeover of the Johannesburg Stock Exchange-listed insurance company Metropolitan Life.

In terms of the deal the Metropolitan board was reconstituted on Friday. Dr Motlana is chairman and his deputy is former KwaNgwane chief minister Enos Mabuza.

Other board members are Dikgang Moseneke, an advocate of the Supreme Court, and former PAC deputy president; Nafcoc president Archie Nkonyeni; Durban businessman and ANC corporate affairs advisor Don Mkhwanazi and Cape educationist Franklin Sonn.

Dr Motlana, a mover and shaker in the black economic empowerment process, told City Press: "It should not be forgotten that as late as 1990, when the ANC was unbanned, one of its major statements on black economic empowerment was that blacks had to get into mainstream business.

"When this opportunity came (to buy shares in Metropolitan), we were at the time looking for an insurance company where we could invest. We realised that an insurance company had the ability to mobilise black money."

■ See Page 6.

Assurers to back Eskom bond for development

BDAY 17/5/93

(58)

ANDREW KRUMM

LIFE assurers and other financial institutions would fund an Eskom bond issue of about R750m on the capital market today, sources said at the weekend.

The issue would be the first tranche of R3bn Eskom planned to raise over the next five years for electrification of impoverished areas, an Eskom spokesman said.

Life Offices Association (LOA) executive director Jurie Wessels said today's bond issue would mark the first time assurers would contribute overtly to development funding as a group, although they had been investing in development all along.

UAL senior manager Daan Wandrag, who was closely linked to structuring the bond issue, said life companies had agreed to fund R500m of the planned R750m first tranche. "And we are burning the midnight oil to finalise which other financial institutions will take up the R250m balance by Monday," he said.

Wandrag said a number of pension and provident funds had shown interest in the issue, but declined to disclose names, saying a list would be published soon.

Wessels said the assurance industry was pleased to be taking the lead in openly funding social and economic reconstruction. In the long run the entire private sector would have to address these needs.

"It is also important that Eskom is involved. As it is a large, reputable organisation with a good track record, our members were enthusiastic in their support for the issue," he added.

A source said the Eskom issue would likely be in the form of a 15-year bond. "Initially returns will be low, but will build to acceptable, market-related levels as the areas being electrified are developed."

Wandrag declined to say whether the LOA's part in the Eskom bond issue would spur similar organisations to do likewise, and so mobilise a spurt of institutional funds for development purposes.

Wandrag said UAL had previously assisted two R120m bond issues (CHIPS, and LIT) to fund Independent Development Trust projects through the capital market. This, taken with the Eskom bond issue, gave a measure of proof that institutions were willing to fund development at market-related returns.

LINDA ENSOR reports the Independent Development Unit established by the LOA last year was in the process of discussing financing of a housing project — estimated to involve R100m — with the New SA Housing Association, the unit's David Geary said at the weekend.

The project would involve development of 3 800 sites near Alexandra.

Newly appointed Metropolitan Life chairman Nthato Motlana is involved with the association, which is chaired by James Ngubeni. Ngubeni said that the LOA had agreed in principle to assist in a number of the association's low cost housing projects.

Geary said the negotiations were still at an early stage and the project might take some time to finalise. The IDU was awaiting the association's proposals outlining, inter alia, the quality of houses to be built.

New plan for low-income loans

R3bn at risk as banks face bond arrears

B/DAY 17/5/93. (58)

LINDA ENSOR

CAPE TOWN — Up to a third of black home loans are in arrears, with financial institutions facing potential problems on mortgage-based loans worth R3bn, the World Housing Congress was told at the weekend.

The congress also heard from lenders that increasing risks meant mortgage loans to low-income people were "not prudent", while the ANC said financial institutions would have to be restructured to meet the needs of the majority.

Metropolitan Housing Finance Co-operative Ltd (Metco) MD Ben Pieters estimated that slightly more than 200 000 mortgage-based loans for conventional housing had been granted to black families over the past seven years.

The loans totalled R9bn and about a third of them were in arrears.

As the economy moved deeper into recession, more black households were becoming poorer and moving down the scale, Pieters said. Fewer blacks enjoyed access to conventional credit and debt judgments continued to soar.

Because of the perceived risks involved, none of the major banks was attempting to trade with very low-income households and it was likely that they would jointly sponsor and support a specialist bank which would serve these people's needs.

Such a bank could be launched this year, Pieters said. The project had been developed over the past year under the auspices of the Community Banking Project.

"Consolidating all the black loans business, as well as a large proportion of the black savings and investment portfolios currently handled by the major banks, will probably be its strategic aim. Supported by the majors, it will be established with a substantial capital base and certainly be able to count on the infrastructural and administrative assistance of its sponsors."

Pieters said the proposed Mutual Banks Bill was too restrictive in areas of capital adequacy, liquidity and reserve requirements for it to incorporate community based savings and loans institutions. The intention was to convert Metco into a savings and loans institution.

Association of Mortgage Lenders president Mike de Blanche said risks of mortgage lending to low-income people had increased to such a level that it was not prudent to lend to them. A possible mechanism was being investigated by the National Housing Forum to gear funds made available by government while government acted as guarantor of last resort.

"The suggestion is that the available government finance is not directly applied to finance housing but is only used in cases where losses are experienced. It is important to note that both the borrower and mortgage lender have a stake in the property which will ensure that borrowers remain committed and lenders will apply the same care in their risk assessment."

Because the risk became more quantifiable and limited, more private sector funding could be channelled to low income end-user finance. Gearing of public funds also ensured that availability of funds was

To Page 2

Arrears

B/DAY 17/5/93. (58)

From Page 1

more sustainable and placed a lesser burden on public sector finance.

De Blanche said that due to political unrest and mass action, repossessed property became a non-performing asset. Mortgage lenders could not provide beneficial occupation to buyers of repossessed houses, recoup the outstanding mortgage amount or collect rent from occupiers.

"A further complication is that the mortgage lender is also liable for all assessment fees, and the basic and consumption charges for electricity and water whilst the property remains occupied."

He emphasised that formal mortgage lending institutions would like to restrict their activities to mortgage lending.

Reuter reports that ANC economics department head Trevor Manuel said financial institutions would have to be restructured to meet housing and other social needs of the majority of South Africans. Banks and building societies had been structured almost entirely to meet the needs of white and corporate clients.

Star 7/5/93

Financial community told to get house in order

58

By Bruce Cameron

CAPE TOWN — The African National Congress has bluntly warned South Africa's financial institutions to restructure or be restructured if it is to form a vital link in the upliftment of the poor.

The warning came in a speech made by Trevor Manuel, head of the ANC department of economics, to the World Housing Conference on Friday.

But in an interview after the meeting, Manuel said the ANC would prefer to negotiate a change in attitude with the financial institutions rather than force them to help finance socially responsible projects, particularly housing.

Manuel's warning follows increasing criticism of banks and building societies for raising charges across the board, while retaining high interest margins and effectively forcing thousands of people out of the formal banking system.

Mike de Blanche, deputy chief executive of Absa and president of the Mortgage Lenders' Association, said in an interview it would be very difficult to restructure banks because they had been developed to deal with the formal sector of the economy.

This was why the banking sector was supporting the development of the proposed Community Bank, which would be able to provide a wider and cheaper service.

Manuel said the ANC was planning to initiate a series of conferences with financial institutions, including the Council of SA Banks (Cosab), the Life Offices Association (LOA) and the Institute of Retirement Funds.

He said the ANC hoped to reach consensus with the institutions and in so doing lay the basis for them to restructure themselves.

The Independent Development Unit — which was established by the LOA to help finance projects for the poor — had been offered by the LOA as an alternative to the re-introduction of prescribed investments.

He hoped a similar agreement could be reached with all financial institutions.

The LOA had indicated that if this did not work, it would not oppose prescribed investments so strongly.

In his speech, Manuel said banks and buildings societies were almost entirely structured to meet the needs of their white and corporate clients.

The situation was compounded because corporate clients were also the owners of banks.

As a result, lending practices discriminated against individuals and enterprises outside the conglomerates.

"The formal banks hardly address or understand the needs of the majority of the population," said Manuel.

A stinging indictment was levelled at banks for squeezing low-income earners out of the formal system.

BH Pieters, managing director of the recently established Metropolitan Housing Finance Co-operative, told the conference that access to credit and savings facilities had been an indispensable element of socio-economic development worldwide.

But in South Africa access to finance was limited, costly and directed to sophisticated First World needs, while "every month new and increased service charges are being introduced by SA's major banks, forcing the closure of thousands of savings accounts and other facilities".

Pieters doubted whether it was possible for a First-World bank to reposition itself to serve a broad market. An example was that banks were unable to offer housing loans below R30 000.

Absa appoints new Cape MD

(58) S/Times (C/mo/vo)

GERALD JORDAAN ... ABSA's new boss in the Cape

ABSA BANK has appointed Mr Gerald Jordaan as its new Regional General Manager in the Western Cape. 16/5/93.

Mr Jordaan has a wide experience of banking in this country, both in Johannesburg and Cape Town, as well as the country areas.

But he earned his reputaion at the bank as a man who can take fast decisions and "get it right" while working in the hectic environment of Wall Street for two years, dealing mainly with the big brokers.

"I was on Wall Street at a very exciting time," he confided at a luncheon this week to celebrate his appointment.

"When I saw the size of the orders we were handling, I sometimes had to pinch myself that it was really happening."

An avid deep-sea fisherman, Mr Jordaan lives in Constantia Hills with his wife and two children.

As Absa's top man in the Cape, Mr Jordaan has 109 branches of the various Absa divions — United, Allied, Trust and Volkskas banks — reporting to him.

Star 7/5/93

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(58)

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Sage lifts surplus by 21% 58

JOHANNESBURG. — Bouyant growth in new business premiums bolstered insurance firm Sage Life's attributable surplus by 21,2% to R27,4m for the year ended March 1993 from a previous R22,6m.

In the face of tough recessionary business conditions, annualised new business premiums grew by 26%, with a 23% increase in individual recurring premiums and growth of almost a third in single premiums.

Overall total premiums increased 23% to R427m while costs edged up by 14% and policy payments were 22% higher. CT 18/5/93

The rise in the attributable surplus pushed earnings a share up 21% to 91,33c. — Sapa

Boardprop posts 8,6% rise in distribution

BDay 18/5/93 (58)

PETER GALLI

PROPERTY investment company Boardprop has posted an 8,6% rise in distribution to 28,14c a unit in the six months to end-March from 25,9c for the period a year ago.

This comprised 27,996c a unit in interest and a 0,147c dividend payment from a previous 25,775c and 0,129c respectively.

Boardprop is a listed variable loan stock company with a portfolio of R110m managed by the Board of Executors. While property income rose 17,5% to R4,8m (R4,09m), investment income fell 26,47% to R761 000 (R1,04m).

This translated into an 8,6% increase in income before debenture interest to R5,56m (R5,12m).

The company had a vacancy level of 8,17% or 55 692m² at the end of the period, but the directors said this had improved and they expected to maintain earnings.

Mercantile Bank

Biom 18/5/93 (58)

INSIDER Trading's May 7 report on various banks' exposure to the double discounting scams by Integrated Visual Communications (IVC) and Central Copier Systems (CCS) seems to have been based on a misinterpretation of information by Insider's informant.

Insider has since been told by Kaap-Vaal Trust, the liquidator of IVC and CCS, that it is not correct that Mercantile Bank is exposed to a potential loss of R12m. Mercantile MD Derek Cohen has also told Insider that if his bank has any exposure, it is less than R200 000 on a single discounted deal.

Mercantile normally handles such financing transactions on a direct basis with the client as opposed to a discounted basis.

Sage reports a 21,2% increase

BDAY 18/5/93 ANDREW KRUMM

SAGE Life yesterday reported a 21,2% increase in earnings to R27,4m for the year to end March 1993, from R22,6m in the previous period.

Earnings a share rose by the same proportion to 91,33c a share.

Directors said in spite of the harsh socioeconomic climate, new business remained buoyant, with annualised new premiums rising 25,7% to R217,7m (1992: R173,2m).

"New business features were a 23,4% increase in individual recurring premiums and a 29,7% increase in single premiums."

Premium income rose more than 22% to R427m in March (R348,6m).

Investment income increased marginally to R159m from R155,5m. However, directors maintained that "substantial investment-only single premium business was attracted by the employee benefit division".

"Payments to Sage Life policyholders increased by 22,3% during the year to R270,5m, equivalent to more than R1m per working day."

Total assets, based on market values of the underlying portfolios, rose to R2,575bn from R2,211bn in 1992.

Instalment credit grows

TIM MARSLAND

INSTALMENT credit grew 2,67% to R34,6bn in the three months to end-March partly due to a flurry of buying to beat the VAT increase, Nedfin Bank said yesterday.

Nedfin CE Christopher Beatty said that according to Reserve Bank figures, total instalment credit grew R812m in the three months.

The new car sector accounted for about 70% of the financing activity.

"Some vehicle replacement decisions could hardly be delayed any longer. Nedfin figures show that the average age of vehicles in the 'national car park' is now of the order of more than eight years."

He said that normally, one would have been tempted to see the level of activity as the first hint that consumer confidence had picked up. BDAY

However, the assassination of SACP leader Chris Hani in April could have put a damper on sentiment. 18/5/93

"Initial indications for the first month of the new quarter are that business is sharply down," he said.

"Soundings in our sector indicate that all banks wrote record business in the first three months of the year."

Commercial paper market 'will take off with economy'

(AA) 58

BDAY 18/5/93.

TIM MARSLAND

THE commercial paper market would take off once the economy began to show signs of recovery, Banks deputy registrar Christo Wiese said yesterday.

Wiese told an SPL Treasury Services conference the growth of the formal commercial paper (corporate debt) market was limited during 1992. This was because of the requirement that banks had to endorse the paper, as well as the recession which reduced the need for short term financing.

Commercial paper, which includes debentures, was formalised in January last year. In line with international practice, the commercial paper market is aimed at the short-term (but not overnight) financing needs of companies.

Wiese said these were companies that had "an excellant reputation and standing in the financial community".

SA Breweries and Iscor have already issued commercial paper and Telkom is looking at the market.

He said new guidelines on the paper issued earlier this year clearly differentiated, in terms of regulatory intensity, between the issue of commercial paper on a wholesale (issued by corporates with a net asset value of R100m or more in R1m units) or a retail basis (endorsed by bank or listed on an exchange).

The new rules also placed emphasis on proper disclosure.

Wiese said it would not be possible to lift the ruling that only corporates with an NAV of R100m be allowed to issue unendorsed paper. There would be certain exceptions to this rule, but he did not elaborate.

However, he confirmed that the Bank was looking into amendments to the regulations.

A money market dealer said the corporate borrowing market was slow at present because corporates did not want to commit themselves to capital expenditure.

Top companies had been cutting back on their borrowings due to uncertainty on SA's future.

Eskom and LOA unveil funding plan which could unlock billions

BIDPM 18/5/93

PETER DELMAR

ESKOM and the Life Offices' Association (LOA) yesterday unveiled a R500m commitment to a new electrification funding instrument. The move could unlock billions in life investments for further development projects.

The new funding instrument, Electrification Participation Notes (EPNs), consists of two parts. The first is a 6% fixed-coupon Eskom bond on which interest is payable twice a year. This is linked to a warrant for a variable element based on 30% of turnover generated by Eskom's electrification drive.

Eskom guarantees a return of not less than 11,98%, or 80% of the E168 value on May 13, on EPNs. The upside potential of the notes is not capped. Final payment is set for May 2008.

The EPN will be listed within three months, after which it will be available to non-resident investors subject to exchange control approval. Eskom will not make a market in EPNs, but their listing will provide a degree of tradeability.

UAL Merchant Bank GM Leon Kirkinis told a news conference at Eskom's Megawatt Park headquarters an announcement on placing the balance of the first R750m tranche of EPNs would be made within days. UAL, which structured the new instrument, is believed to be negotiating with a number of pension funds on the outstanding R250m.

Eskom's programme to electrify a million households by 1998 is expected to cost R3,1bn. EPNs will be issued over the next few years as the need for finance arises.

LOA committee member Dorian Wharton-Hood said the EPN had been approved by all the LOA's member companies. "Every life assurer has come to the party," Wharton-Hood said, while declining to specify who had invested and how much.

He said the LOA had anticipated pressure on its members to invest in "socially responsible" developments and had discussed the electrification bonds with various parties, including the ANC, PAC, Inkatha and government. He described the EPN as a "unique" investment instrument, offering a balance between a low initial yield and the need to guarantee policyholders a reasonable return.

LOA chairman Neal Chapman said: "Clearly, the more than R200bn belonging to the millions of our policyholders and pension fund members has been seen by many as a major resource to be tapped but, at the same time, our industry needed to find a way of responding which did not put the nation's savings at risk or at a disadvantage. Our criteria are, and must continue to be, market-related yields, marketable instruments which are safe. Eskom needed a low initial yield and therefore an affordable initial cost and we needed the

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Eskom-LOA

☐ From Page 1

yield to increase over the 15-year term to give us a return over the period which is acceptable. This has been achieved."

Wharton-Hood said the EPN represented "a massive vote of confidence in the future of our country. It will contribute very significantly to a levelling of the playing fields, to improving the environment and the lives of our people."

BIDPM 18/5/93

LOA investment development unit chairman Barry Adams said the unit was evaluating a variety of projects in the field of housing and rural health care, all worth more than R20m. Adams said it was premature to speculate how much the LOA might have available to invest in this area.

Eskom finance and services director Mick Davis said electrification was a "fundamentally important programme for our country". Eskom was discussing with the Development Bank of Southern Africa, the World Bank, EC and other groups additional funding for electrification.

Investment boosts electricity for all plan

Staff Reporter Star 18/5/93

Affordable electricity for all South Africans was given a major boost yesterday when the Life Offices Association (LOA) committed R500 million into an Eskom investment scheme.

Eskom has estimated that its ambitious plan to electrify a million households by 1998 will cost about R3,1 billion.

To raise the funds, Eskom has floated Electrification Participation Notes which allow institutions to invest in its growth.

These are being released in instalments over the next five years, Eskom media liaison officer Peter Adams said.

The first R750 million tranche would be made available "within days", but the LOA has already committed itself to R500 million of that.

UAL Merchant Bank general manager Leon Kirkinis said his company was negotiating with several pension funds on the outstanding R250 million.

LOA committee member Dorian Wharton-Hood would not specify which LOA member companies had invested heavily in the project.

"Every life assurer has come to the party," was all he would say.

The EPN was a unique investment instrument which offered a low initial yield but guaranteed policyholders a reasonable return, Wharton-Hood added.

CITY

Financial institutions take 'socially responsible' route

58 ARG 18/5/93

□ Eskom, LOA to fund electrification of black townships

BRUCE CAMERON
Business Staff

FINANCIAL institutions have taken a first step to ward off the threat of a new government reintroducing measures to force life assurance companies, pension funds and banks to invest in socially responsible development projects.

The step came with confirmation by Eskom and the Life Offices Association (LOA) of the first tranche of R500 million of a possible R3,1 billion to fund the electrification of black townships.

The Eskom scheme, with guaranteed returns and security on investments for the life assurance industry, has met the demands of South Africa's life assurers.

LOA chairman Neal Chapman said the R200 billion belonging to policy-holders and pension-fund members was seen by many as a major resource to be tapped but at the same time "our industry needed to find a way of responding which did not put the nation's savings at risk or at a disadvantage".

The threat of the reintroduction of prescribed investments to fund development projects — particularly in housing, health and education — has remained, with ANC economics department chief Trevor Manuel repeating yesterday that retirement funds should use part of their investment to help develop the economy and get rid of imbalances.

It was either that or face the prospect of having prescribed asset requirements reinstated, Mr Manuel told the annual conference of the Institute of Retirement Funds at the Wild Coast.

In Cape Town last week, Mr Manuel warned banks to "restructure or be restructured" to enable them to play a part in development rather than remaining "bankers for the conglomerates".

Mr Manuel was partly backed at the conference by JSE president Roy Andersen, who called for the possible reintroduction of prescribed investments as part of a package to redress economic imbalances.

The Argus Correspondent reports that in a wide-ranging address on the challenges facing the JSE, Mr Andersen said the temptation to grasp at short-term solutions to stimulate the economy would be great.

"What South Africa requires is free-market policies with sustained long-term benefits and not premature and false kick-starts," he said.

Star 18/5/93

Probe planned of pension funds

By John Sherrocks

DURBAN — As many as 400 pension funds are being mismanaged, says Financial Services Board (FSB) chief executive Piet Badenhorst.

He told delegates to the annual conference of the Institute of Retirement Funds yesterday that the FSB would this year be investigating 100 funds. (58)

Badenhorst cited four key aspects of the recent Mouton Commission report classified as "pressing" with regard to legislation. They were: (200)

- Uniform tax treatment (requirements and incentives).
- Codifying the duties and responsibilities of trustees.
- Disclosure to members.
- Appointment of an ombudsman.

"To some extent we have been muddling forward. For this industry, it is dangerous. We need to agree on a pathway for the future," said Badenhorst.

While sufficient regulation existed, supervision of the duties and the responsibilities of trustees was inadequate.

"The trick is to find standards that are not so tough that the industry withers, but are firm enough to ensure that sensible requirements are met."

He identified trustees and principal officers, auditors, regulators, intermediaries, members and enforcement agencies as role players to be involved in supervision.

Property investment is given a fresh look

Star 18/5/93

By Meg Wilson

Although the mood of institutional portfolio managers remains cautious, there are signs that the major houses are once more on the hunt for investment opportuntities.

Sanlam Properties (SP) has announced its intention of investing R800 million in property this year, and R1 billion in 1994.

And Fedlife Assurance said it would finance R52,1 million of new developments in the next few months.

(58)

SP, which has just created two new full-service property investment regions, says that meeting its investment targets in this market will require it to be more proactive, more adventurous and less cautious.

Managing director Johan Treurnicht says: "Always bearing in mind that the company acts as a trustee for its policyholders' money, we will have to be prepared to take greater risks, and look at alternatives to our traditional approach of risk-free and guaranteed investment returns."

Meanwhile, Fedlife is to finance a R36 million office park development in Bryanston, the R12,3 million Rosebank Office Park now being built by Barrow Dewar Development and a R3,8 million new head office for the Heritage financial services group in Sandton.

The assurer has entered an agreement with a consortium of Bridgeport Properties, Sable Holdings and Abland on the Bryanston project.

Low-rise

To be known as The Oval, it will comprise six double-storey blocks with 8 700 sqm for offices.

The Barrow Dewar project, which Fedlife has bought, will provide 2800 sqm of office space in four low-rise blocks.

Construction of the Heritage building will be by Kirchmann Hurry Construction.

Star 18/5/93

Lift for Sage Life

Bouyant growth in new business premiums bolstered Sage Life's attributable surplus to R27,4 million for the year to March (R22,6 million).

Annualised new business premiums grew 26 percent with a 23 percent increase in individual recurring premiums and growth of almost a third in single premiums.

Overall total premiums increased 23 percent to R427 million.

(58)

Costs edged up 14 percent. Policy payments were 22 percent higher. Earnings a share were up 21 percent at 91,33c. — Sapa.

Santam's earnings soar 78%

58

CT 19/5/93

Business Editor

A HIGHER under-writing profit was the main reason for a hefty 78% rise in earnings by short term insurer Santam to 78c (45,1c) a share in the six months to March.

The interim dividend is 17,6% higher at 20c (17c), in line with company policy of increasing dividends by between 15% and 20% a year.

The directors explain that they base their dividend decision on investment income rather than under-writing results which, they point out, can fluctuate widely.

The under-writing surplus rose to R32,6m compared with R15m in the corresponding period last year. Investment income was R51,6m (R43,7m). Pre-tax profit was R78m (R44,3m).

Gross premium income rose by 10,4% to R625,2m (R566,2m). Net premium income was 9,6% higher at R553,5m (R504,8m).

The company's total assets rose to R1,2bn (R1bn) and shareholders' funds are R635,3m (R467,7m).

Net asset value per share at the end of March was 879c compared with 651c in March last year and 787c in September.

Describing the results as "very satisfactory", MD Jurie Geldenhuys said: "Santam is less exposed in the industrial and commercial insurance markets, which are the sectors of the insurance industry where losses are being made.

"That is one reason for our satisfactory results. Another is that we were not involved in any major fire or natural catastrophe losses while the care being exercised by our policyholders with regard to the protection of their possessions is now paying off."

Geldenhuys said he expected "a hardening in business insurance premiums as a result of pressure coming from re-insurers."

COMPANIES

Sankorp revamp almost complete

B/DAY 19/5/93. (58)

MATTHEW CURTIN

SANKORP has all but completed its radical four-year restructuring programme with only the group's electronic interests still to be tidied up, CE Marinus Daling said yesterday.

In the process, the group has restructured its industrial interests, exchanging absolute control for effective control of several companies through the Gencor unbundling, and taken a key step towards empowering the black community by disposing of a stake in Metropolitan Life (Metpol) to a black-owned company.

Daling said the decision to proceed with the unbundling of Gencor's non-mining interests and the sale of a 10% stake in Metpol to Metlife Investment Holdings were final moves in the reorganisation of Sankorp's industrial portfolio.

The group's decision to reduce its stake in electronics group Datakor was part of plans to restructure Sankorp's electronics investments, which included other interests in Plessey, SPL Tek and a minority holding in Siemens (SA). Sankorp still had "work to do" on this front.

Daling said Sankorp nevertheless retained a key role in looking after Sanlam's industrial interests. "There is a large flow of capital from Sanlam to its operating interests which cannot be left to look after itself," he said. Sankorp would continue to monitor and add value to those funds, a job which was impossible to do on an ad hoc basis, and required a hands-on approach from the Sankorp team.

He noted that three years ago there were at least four diversified conglomerates in the Sankorp group. With the re-organisation of interests between Malbak, Murray & Roberts and Servgro — the former FederaleVolksbeleggings — and after the Gencor unbundling, the Sankorp portfolio would consist of:

- Gencor in mining and minerals;
- Engen in energy;
- Sappi in pulp and paper;
- Malbak as a consumer focused industrial group;
- M & R in construction and engineering;
- Sergro in the service sector;
- Sentrachem in chemicals;
- Absa in banking;
- Metropolitan Life in long-term insurance — aimed particularly at the lower income market — and Santam which is in short-term insurance;
- Automakers in the motor industry;
- Conshu in the footwear industry; and
- The group's various electronic interests.

Genbel, Gencor's investment arm, would become a Sankorp associated company in the unbundling exercise, opening up new opportunities "in the sense that it will play a similar role in the wider Sankorp group as it did within Gencor".

Sapa reports that investment analysis and information group McGregors chairman Robin McGregor welcomed the unbundling of Gencor, but said it did not rate the euphoria it had generated.

Santam's focus leads to growth

(58)

BDay 19/5/93

LINDA ENSOR

CAPE TOWN — Short-term insurer Santam's limited exposure to the loss-making industrial and commercial insurance markets translated into a strong underwriting surplus in the six months to end-March and a 72,9% growth in earnings a share.

A 17,6% higher dividend of 20c (17c) on earnings a share of 78c (45,1c) was declared, giving a dividend cover of 3,9 (2,7) times.

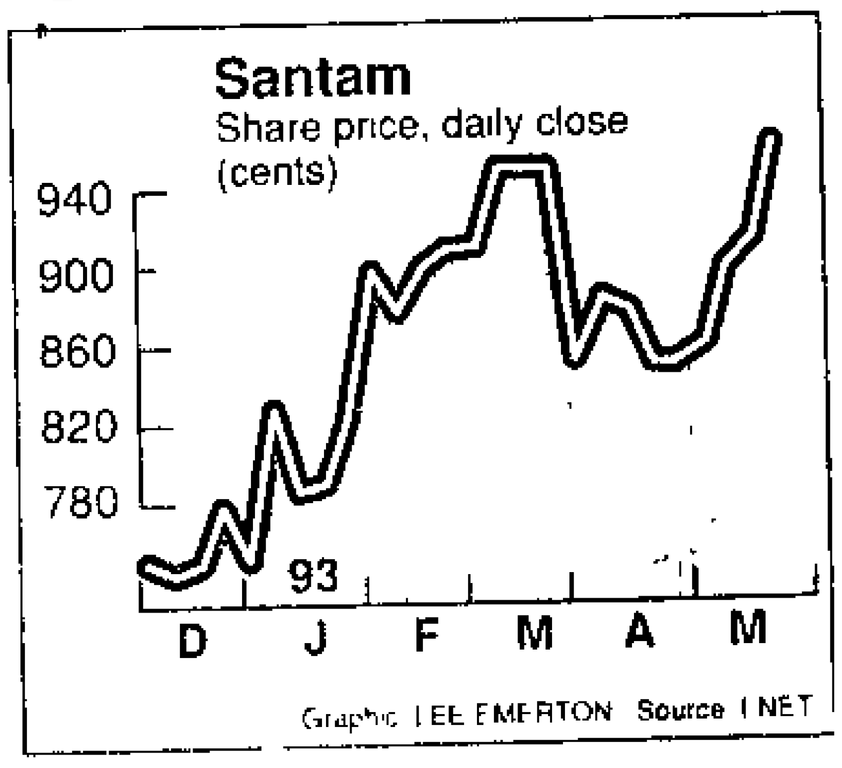
Gross premium income rose 10,4% to R625,2m (R566,2m) and net premium income by 9,6% to R553,5m (R504,8m). The underwriting surplus increased by 117,3% off a low base to R32,6m (R15m) while investment income grew 18% to R51,6m (R43,7m), resulting in a 74% rise in net attributable income to R56,4m (R32,4m).

Santam MD Jurie Geldenhuys said the results were very satisfactory.

"Santam is less exposed in the industrial and commercial insurance markets, which is the part of the insurance industry where losses are being made. Also, we were not involved in any major fire or natural catastrophe losses, while the care being exercised by our policyholders with regard to the protection of their possessions is now paying off," Geldenhuys said.

Santam's commercial and industrial portfolio represented about 20% of its total business. Geldenhuys explained that it was an unprofitable sphere of activity because of the historically low premium structure. Margins were so thin that a slight increase in claims resulted in losses.

Santam was considering increasing its premium rates in selected areas of its commercial and industrial portfolio. Geldenhuys expected business insurance premiums to harden in future as a consequence of pressure from reinsurers.



The profit margin on the personal lines portfolio was satisfactory though there were signs of a pending decline in underwriting profits. While the number of claims had not risen dramatically, inflation-fuelled increases in the value of claims had occurred. While still very high, the number of burglary and theft claims had only increased marginally.

Premium increases in the personal lines business had increased by an average of 6% during the six months while the growth in new business was less than 4%. Geldenhuys said the constraints on increasing gross premium income by means of premium increases meant that the focus in the next six months would be on increasing the number of policies on Santam's books.

Geldenhuys said he did not expect a higher rise in earnings a share in the second half.

Total assets increased to R1,2bn (R1,1bn) and net asset value a share to 878,7c (651,4c). Cash on hand and bank balances at end-March were R202m (R139m).

Good growth through 'deliberate control'

PETER GALLI

WENDY Machanik Properties has grown from a one-person operation three-and-a-half years ago to an agency that employs 45 brokers through the northern suburbs of Johannesburg, Randburg and Sandton.

"I have deliberately controlled the growth of the company to ensure that while we are well represented enough for people to feel confident about referring others to us, we are still small enough to offer a personal, hands-on service," says MD Wendy Machanik. 58

The overall control of the company has been placed with recently-appointed GM Stewart Penn. B/DAY 19/5/93.

Growth in other regions will probably be through franchise operations. A Cape franchise is under consideration.

The company is to open a letting agency and will expand to include Bruma, Bedfordview, Linksfield and Kensington.

No stones left unturned: Victoria Mxenge residents add their voices to their efforts

South 15/5 - 19/5/93

By Rehana Rossouw

THE WOMEN and men who belong to the Victoria Mxenge Housing Savings Scheme are anxious to represent their own lives to the outside world — to the policy makers, the politicians, the service organisations and all the inhabitants of Cape Town.

In a survey titled "What we need now is the land", residents explained who they were, how they ended up in Khayelitsha and what they contributed through their efforts to the well-being of Cape Town.

The survey was conducted by residents of Victoria Mxenge to assist in their campaign to find suitable land on which to build their homes.

"It is a way of saying that a decent place to live is a right too fundamental to be trivialised by begging, a right the men and women of Victoria Mxenge Savings Scheme have earned through their hard work, their courage and their unity," the document began.

"The story told shows quite clearly that the more than 100 families of Victoria Mxenge — spearheaded by the women — have the will, the capacity and the ability to plan, design and construct an entire settlement for themselves."

The survey was an attempt to end myths about Cape Town's "invisible" shack dwellers and portray them as humans with a past — and a future plan to build in the city.

From the outset, the survey was conducted and controlled by members of the Victoria Mxenge Housing Savings Scheme. It was felt that to negotiate effectively for land, residents needed a thorough knowledge of themselves.

Every member of the scheme filled in a one-page questionnaire designed by People's Dialogue on the basis of objectives the group identified.

A sample size of 60 questionnaires was selected randomly, with one being rejected because it was incomplete.

The sample found that 233 people lived in the 59 households, where the average age of the head of the household was 45 years.

'A decent place to live is a right too fundamental to be trivialised'

The striking feature of the demographics was that it portrayed the cramped conditions of squatter communities, where an average six people live in each house.

The average income of the respondents was R381,34 a month, with families in the group living on R68,11.

124 58 307 348

Households in which women were the sole breadwinners (51 percent of the sample) generated 14 percent less income than where men were breadwinners.

The single largest occupation was domestic work, with incomes at less than R200 a month not uncommon. Only four percent of the group were skilled workers.

Yet, when the annual income of the households were multiplied by the number of members of the scheme, the survey discovered that the people of Victoria Mxenge earned and spent more than R800 000 a year, therefore contributing significantly to Cape Town's economy.

The average length of stay at Victoria Mxenge was 6,4 years, which closely reflects the social history of migration in the Western Cape. Khayelitsha was first made available for settlement in 1983 and was boycotted at first.

The survey also demolished the myth that squatters in the Cape Peninsula were recent arrivals when it discovered that 93 percent of the members of Victoria Mxenge had lived in Cape Town long enough to have moved at least once from other areas in the Peninsula, on average six years ago.

The members of the Victoria Mxenge Savings Scheme have lived in the Peninsula, on average, for 15 years.

"The survey shows the overwhelming majority of the members of Victoria Mxenge previously lived in close proximity to the Philippi land — not in some parched bantustan reserve as the dominant myth misrepresents," the document said.

"Thus we can argue that the women of Victoria Mxenge, not unlike millions of other South Africans who suffered forced removals, have a legitimate claim to return to the area from which they were driven away.

"The people of Victoria Mxenge are fortunate. If the non-government organisations who sit on the Philippi Land Committee give their consent they will be one step closer to correcting a grave historical injustice," the document said.

This page was made possible by support from the Independent Development Trust

Delegates from informal settlements all over South Africa converged in Cape Town recently to discuss how best to tackle this country's housing crisis. They were joined by representatives of Asian countries which have shown the way in reducing homelessness. The predominant feeling was that squatters should not sit back and wait for a present or future government to provide houses. They should take the initiative in planning and funding their own housing schemes.

Reports by **JUSTIN PEARCE:**

A way out of poverty cycle

Sowetan 15/5 – 19/5/93

58

MOST banks won't give a loan to people who live in informal settlements — with no street address they can't provide the kind of security financial institutions demand.

This has kept many squatters trapped in a cycle of poverty, unable to break out of a hand-to-mouth existence and make any investment in their future.

It has been left to squatters themselves to rectify this situation, by means of savings schemes.

Mr Terence Ndanda, southern Cape regional-co-ordinator of People's Dialogue, oversees four different savings schemes in informal settlements in his area, which includes informal settlements in Mossel Bay, George and Knysna.

He explains how the schemes operate: "Each person puts in what he can under his own name, and receives a receipt for the amount."

The banks who refuse to deal with squatters are willing to talk to a high-profile organisation like the savings schemes.

"When places are allocated to build, the money can be collected to buy bricks and other materials."

Savings schemes have so far collected R17 000 nationally, Ndanda says.

He emphasises that it is important for people to start making their own plans for their future welfare now, rather than just sitting back and waiting for present or future governments to provide everything for them.

"People think if Mandela takes over the government tomorrow there will be houses for all, like it says in the Freedom Charter. The question of housing and land is one that is hardly discussed."

Santam sees earnings rise 74 percent

Star 19/5/93

By Stephen Cranston

A strong improvement in underwriting profit enabled Santam to report a 74 percent increase in earnings per share to 78c for the six months to March.

The dividend has been lifted 17,6 percent to 20c, in line with policy of raising dividends 15 to 25 percent a year.

(58)

The underwriting surplus more than doubled to R32,6 million and investment income rose 18 percent to R51,6 million.

MD Jurie Geldenhuys says: "Santam is less exposed in the industrial and commercial insurance markets, which is the part of the industry where losses are being made.

"We were not involved in any major fire or natural catastrophe losses and the care being exercised by policyholders with regard to the protection of their possessions is paying off."

He says the unsatisfactory position in the commercial and industrial market has been addressed and expects a hardening in business premiums because of pressure from reinsurers.

Gross premium income rose 10,4 percent to R625,2 million and the net premium income 9,6 percent to R553,5 million.

Total assets are up from R1,065 billion to R1,232 billion and shareholders's funds up from R467,7 million to R635,3 million.

Institutions pre-empt prescribed investment

Star 19/5/93

By Bruce Cameron

CAPE TOWN — Financial institutions have taken a first step to ward off the threat of a new government reintroducing measures to force life assurance companies, pension funds and banks to invest in socially responsible development projects.

The step came with confirmation yesterday by Eskom and the Life Offices Association (LOA) of the first tranche of R500 million of a possible R3,1 billion to fund the electrification of black townships.

The Eskom scheme, with guaranteed returns and security on investments for the life assurance industry, has met the demands of the assurers.

LOA chairman Neal Chapman said the R200 billion belonging to policyholders and pension-fund members was seen by many as a major resource to be tapped.

But at the same time, "our industry needed to find a way of responding which did not put the nation's savings at risk or at a disadvantage".

Market-related

He said life assurers had a duty to achieve optimum long-term yields and to invest in instruments at an acceptable level of risk.

"Our criteria are and must continue to be market-related yields, marketable instruments which are safe.

"The new electrification coupon which was developed through co-operation of the LOA, Eskom and UAL Merchant Bank meets these criteria, Chapman said.

The threat of the reintroduction of prescribed investments to fund development projects — particularly in housing, health and education — has remained.

ANC economics department chief Trevor Manuel repeating this week that retirement funds should use part of their investment to help develop the economy and get rid of imbalances.

It was either that or face the prospect of having prescribed asset requirements reinstated, Manuel told the annual conference of the Institute of Retirement Funds at the Wild Coast.

However, the ANC has welcomed the life insurance industry's backing of Eskom's electrification programme.

58

Star 19/5/93

Sage Group lifts earnings 18 percent

By Stephen Cranston

The Sage Group has reported an 18,2 percent increase in earnings per share to 60,5c in the year to March, compared with the results of Sage Financial Services, the name by which the company was known before restructuring.

The group has not yet benefited from reduced borrowings and associated costs which will flow from the planned disposal of certain investments.

But it did benefit from the acquisition of Absa's holding in Amalgamated Insurance Holdings.

Distribution

Sage has reported a final ordinary dividend of 16c, lifting the total distribution for the year by 20 percent to 30c a share.

Over the past five financial years, Sage Group has achieved an annual compound growth rate of 26,5 percent in earnings per share and 19,3 percent in dividends per share.

The results follow those of Sage Life, the major core activity in the group.

Sage Life increased disclosed earnings by 21,2 percent.

Annualised new premiums, including single premiums, rose 25,7 percent to R217,7 million for the year.

'R1bn to spend' at Sanlam Properties

(58) CT 20/5/93

By MAGGIE ROWLEY
Property Editor

SANLAM Properties has earmarked more than R1bn for investment in commercial, retail and industrial properties in the financial year starting October.

Fanie Lategaan, GM, investments said R850m allocated for investment in the current year was expected to be fully allocated by end-September.

"We have deals totalling R250m on the table at the moment which we are hopeful will be tied up by year end."

The total of R1,8bn in additional investments until end September 1994 would ensure Sanlam's position as the country's largest institutional property company with assets of more than R9bn.

He said the property division was restructuring to put it in a better position to identify opportunities for investment.

"To allocate all this money we will have to more adventurous.

"Always bearing in mind that Sanlam acts as trustees for its policy holders' money we will have to look at alternatives to our traditional approach of risk free and guaranteed investment returns," he said.

As part of the restructuring SP has created two new full-service property investment regions, one in Durban for Natal and Eastern Cape and the other in Randburg for the West Rand, Western Transvaal and the OFS. This brings the number of its property investment regions to five.

Among new deals being pursued was the country's first Power Centre — a shopping centre comprising major retailers operating on high volumes, low margins.

The first such centre estimated in the region of about R80m was being planned in Roodepoort in the Transvaal, but SP was also investigating otherportunities including the Cape.

Sanlam was also looking at the financing of new export processing zones — one in each of Cape Town, Port Elizabeth, East London and two in Johannesburg.

In addition, SP was keen to invest in the redevelopment and upgrading of the country's airports, which too was dependent on new legislation regarding privatisation.

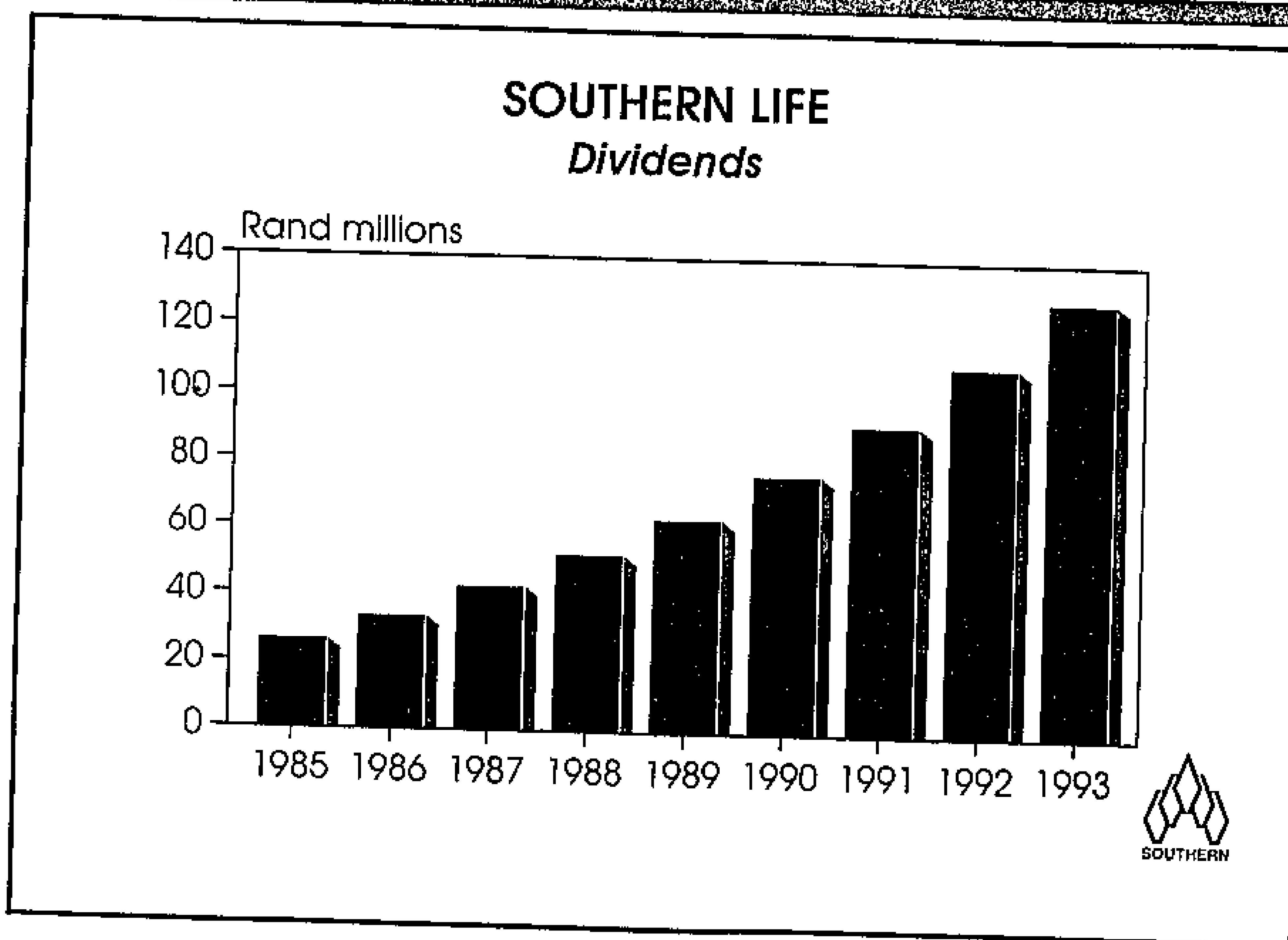
He said a small percentage of the budget was allocated on a revolving basis to "spec" projects which entailed a certain amount of risk, such as new office blocks for which there were little or no pre-lettings.

A third area of investment opportunity was in shopping centres in black areas.

Southern Life lifts earnings 19,2%

(58) CT 20/5/93

By AUDREY D'ANGELO
Business Editor



SOUTHERN Life has lifted disclosed earnings by 19,2% to R196m (R165m) for the year to March, comfortably outstripping inflation.

The final dividend is 45,5c a share, giving a total pay-out of 77,5c for the year. But the insurer offers shareholders the option of receiving 50% of the final dividend in the form of shares.

This, chairman Neal Chapman points out, will limit the amount the company has to pay out in the new 15% tax on dividends in addition to increasing shareholders' funds.

"Our two major shareholders, Anglo American Corporation and First National Bank, have elected to increase their holdings in the Southern by accepting shares for the full 50% of their dividends."

Chapman said the share offer meant shareholders would be acquiring further equity at "a modest discount". Details of the offer would be released on June 4.

Southern's total income grew by 21% to R3,7bn (R3bn). Premium income passed the R2bn barrier for the first time to reach R2,6m (R1,9m). But investment income showed slight growth at R1bn, because interest rates were lower and dividends received did not rise much.

New business produced R1,2bn (R821m) — despite the fact that more than R36m in applications for life cover were declined because tests showed the applicants were HIV positive.

Single premiums produced R828m and recurring premium business R434m. Operating costs rose by 12,7%.

The tax bill rose by R30m to R78m. Of this, R15m was due to higher indirect taxes and levies and the introduction of the dual tax system for business.


Neal Chapman


Jan Calitz

Chapman said shareholders could expect both earnings and dividends to grow.

MD Jan Calitz said Southern Life would continue to develop new services and products.

HIV applicants

● More than 1% of the people applying to Southern Life for life assurance policies in the past year were found to be HIV-positive — an increase of 80%, Calitz said yesterday.

Forecasting that the life insurance industry faced a sharp increase in Aids-related claims, he said: "In addition to our strict underwriting procedures, special reserves of some R250m have been created to cover the costs of Aids-related death claims for policy holders who were not HIV-positive when taking out life cover."

The industry increasingly faced a situation where policy holders were subsidising HIV-infected clients.

This was why Southern Life had introduced its Exclusive Life policy involving periodic HIV testing.

"It is anticipated that other life offices will follow suit to protect themselves from the financial impact which Aids will otherwise have on company profits or policy holder returns."

Discussing the need for more health care products he said Southern Life's thrust into the health care market was spearheaded by its subsidiary Affiliated Medical Administrators, whose core business was the provision of cost-effective health services.

Southern Life had also acquired 50% of the Medicor group and 10 private hospitals.

Its new Med-Help health insurance products, designed to bridge the gap between medical aid benefits and the actual cost of treatment, now accounted for more than 10% of individual recurring income.

Star 20/5/93

Southern lives up to expectations

By Stephen Cranston

In line with expectations, Southern Life increased earnings per share by 19,2 percent to R196 million in the year to March.

A final dividend has been declared of 45,5c, making a total of 77,5c for the year. The dividend cover has been maintained at 1,5 times.

But Southern's GM (investments) Carel de Ridder says that the 1,5 percent increase in investment income to R1,09 billion reflects the downturn.

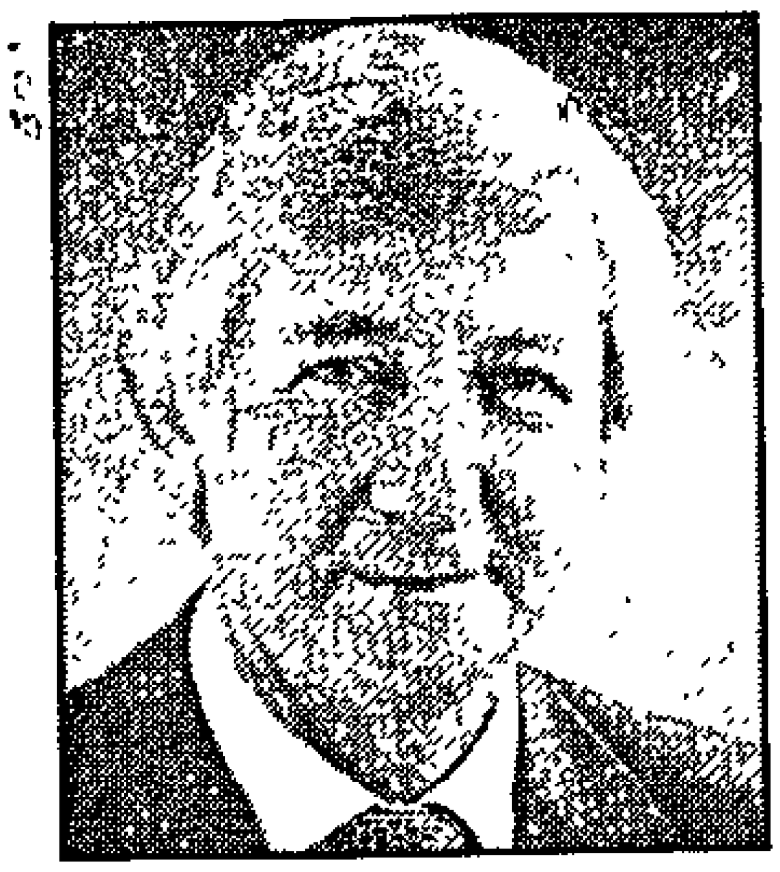
Investment income was affected by lower interest rates and only a marginal increase in dividends on share investments.

Property investments contended with rising vacancies and tougher rent negotiations.

De Ridder is hopeful that investment income will look healthier this years, particularly as 10 percent of equity investment is in gold shares.

Premium income, however, increased by 30,8 percent to R2,613 billion and single-premium income almost doubled from R430 million to R828 million.

There was a much slower increase in the more important recurring premium income, which was up from R391 million to R434 million.



Neal Chapman . . . cost containment efforts are proving successful

Chairman Neal Chapman says the increase in operating costs was restricted to 12,7 percent, which he says is an indication that cost containment efforts are proving successful.

Southern's tax bill increased by R30 million to R78 million, of which R15 million was attributable to higher indirect taxes and levies and the introduction of the dual tax system.

MD Jan Calitz says the life insurance industry can expect a sharp increase in Aids-related claims.

Already more than one percent of applicants for life insurance to Southern Life are found to be HIV-positive.

Southern has declined more than R36 million in life cover and the HIV infection rate has shown an 80 percent increase over the past year.

Special reserves of R250 million for Aids-related cases have been set up and Southern is receiving "good market response" to its Exclusive Life policy, which is more competitively priced than other products.

This involves testing for HIV every five years up to the age of 40, and when HIV is found to be positive, the sum insured is reduced to 10 percent of its original level.

Southern Life has moved strongly into the healthcare field and its Med-Help products account for 10 percent of new individual recurring premium income.

This is expected to peak at around 15 percent.

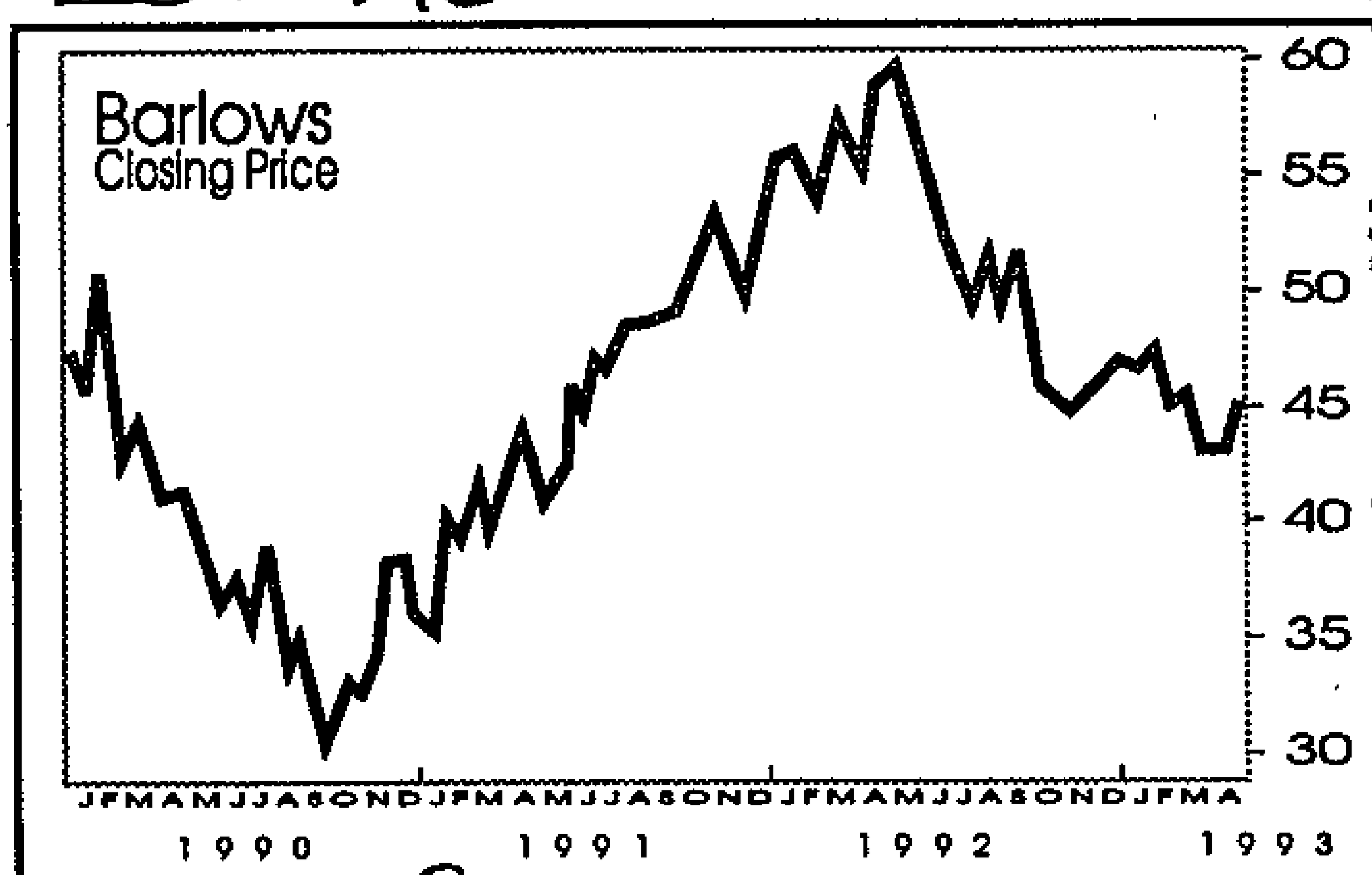
Calitz says the changes to the Medical Schemes Act offer considerable scope for innovation.

Southern is in a good position to offer managed healthcare products as it owns the second-largest medical scheme administrator Affiliated Medical Administrators and it acquired 50 percent of Medicor with ten private hospitals.

Market takes pessimistic view of outlook for Barlow

Star 20/5/93

By Stephen Cranston



There was some cheer in the recent spate of results from Barlow Rand's subsidiaries, which has driven up its share price from R41 to R44.

But it is unlikely to be enough to offset the poor performers or — more seriously — the wholly owned operations, which are particularly prone to cyclical downturns.

In the last annual report chairman Warren Clewlow predicted that it would be difficult to show any growth in earnings during the year.

He now looks over-optimistic as analysts expect at best a five percent earnings decline, and at worst a 10 percent dip.

There is no doubt that the performance would be much worse if it had kept Middelburg Steel and not cleaned out Rand Mines over the last two years.

In today's environment the performance was not exceptionally poor, yet Barlow Rand's P/E of 10,1 and dividend yield of 3,9 percent are at a considerable discount to the industrial index, with a P/E of 15 and a 2,5 percent dividend yield.

This partly reflects diversity and lack of focus. The focus is shifting towards consumer goods, which provide about 40 percent of earnings, but it still has important interests in commodities and capital goods.

Investor preference is certainly for more focused operations.

And there is concern that Barlows remains over-centralised, with the important decisions taken at Barlow Park, a long way from the coalface.

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Among the highlights, electronics group Reunert increased its earnings by 26 percent to R46,3 million, and the good news is that as this is held directly rather than through intermediate holding companies, 78 percent is attributable to shareholders.

Unfortunately, the shareholding structure is such that the holdings in most of its other jewels are under 40 percent.

There has been a 23 percent hike from packaging group Nampak (38 percent held), which has had considerable success managing costs and working capital; Romatex has added 42 percent, though admittedly off a low base.

In contrast, the wholly owned subsidiaries are the least attractive parts of the business.

Last year, the three ugly sisters were tube manufacturer and steel merchanting group Robor, Barlows Electronics and building materials subisidiary Federated-Blaikie, which had a R54 million combined total lower contribution to earnings.

Results from businesses in similar fields such as Gentech, Iscor and Boumat indicate that prospects are not exciting for these industries.

An unexpected drag on results was the poor performance of British subsidiary J Bibby, which saw its earnings plummet by almost three-quarters.

Its acquisition of the Spanish Caterpillar tractor dealer Finanzauto looked an ideal move in view of Barlow Rand's success with its Caterpillar franchise here over the last 65 years.

But the group is laden with debt and Spanish interest rates are high, so it made a loss.

J Bibby was responsible for 12 percent of the Barlows bottom line last year, but will contribute about three percent at the interim.

The food interests, which have provided steady earnings growth year in and year out have finally been hit by an economic downtrun, which has shown that they are not recession-proof.

LOW-COST HOUSING FM 21/5/93. (58)

The guarantees banks need

Disparate though their efforts may be, the Building Industries Federation of SA (Bifsa), the National Housing Forum and the Association of Mortage Lenders, jointly with the SA National Civics Organisation (Sanco), want to find ways of encouraging private-sector finance back into low-cost housing.

Since the call for bond boycotts in July 1992, the banks have drastically cut their lending in high-risk areas.

The recent accord reached between the association and Sanco provides hopeful signs that mortgage lending in these areas will return to normal soon. This would make finance for lower-income housing available on a greater scale.

Where Bifsa's emphasis (*Property* May 14) is on using government money to help lever private-sector finance into low-cost housing, based on a formula now being devised by Federated Insurance and Investec Bank, which will provide insurance cover and guarantees on monies advanced, mortgage lenders and Sanco are — seemingly — placing the emphasis elsewhere. Their first concern is to reduce the risk of nonpayment. Any overlaps will be apparent only once the schemes are on the table.

About two months ago they approached the SA Special Risks Insurance Association (Sasria) to devise an unemployment and disability scheme whereby full (100%) cover would be provided to borrowers to guarantee monthly mortgage repayments for a prescribed period — perhaps for six to 12 months. The details are still being worked out but the idea is that a compulsory insurance premium will be levied on all home loans.

This, in effect, would permit the retention of the borrower's home without incurring further debt while giving him or her time to find another job.

Mortgage lenders now receive guarantees of up to 30% for loan balances between R12 500 and R43 000 where the valuation of the property is less than R47 500 under the Home Loan Guarantee Scheme (established in 1989). The scheme applies in all lending areas. Vacant land is excluded.

The scheme consists of two policies where the bank is the insured party, not the client. The ultimate beneficiary however is the client as banks have been able to reduce their risk to 65% of the value of the property. It requires a minimum 5% cash deposit from the buyer or collateral from another source such as an employer. A further 15% is provided to make up the shortfall on the required 20% deposit.

The first policy provides the bank with a further maximum 15% cover based on the value of the property. This policy is therefore called a deposit replacement policy and is optional, though most banks take it up. It covers the bank for a period of four years and is nonrenewable. Payment is by means of a once-off premium of 8,5% of the insurance cover, which the bank recovers from the client at the time of registration of the loan.

The second policy is a compulsory one which offers a maximum 15% risk reduction on the loan based on the value of the property. It provides cover for a five-year period and is also payable by a once-off premium of 8,5% of the insurance cover and is likewise recoverable. Mortgage lenders may exclude 10% of their loans from this policy.

According to the association, this 30% cover is not sufficient if the property cannot be repossessed as is now the case of most defaults on township houses. In cases like these, they believe 100% cover is necessary. As this type of insurance would be prohibitive and impractical, they argue that the existing insurance scheme should be enhanced or replaced by instalment (unemployment and sickness) insurance to give owners a reasonable opportunity to get back on their feet.

Absa assistant GM Pieter Marais expects it will take Sasria another six months to finalise the details of such a scheme. "If this scheme is broadened to provide cover for all mortgagees it could enhance the affordability of such protection. It could also provide cover for skilled and high-income earners who are increasingly subjected to unemployment risks. While some insurance companies offer such insurance, it is found that the premiums are high and effectively limit the availability of cover to high-income earners only and not where the need is greatest."

Absa's Peter Marais . . . *stable family life is the key*

Bifsa's view is that six months is too long to wait to tackle the urgent need for an assault on the low-income housing market. While it believes that such insurance cover addresses a significant part of the problem, it is not going to be an affordable proposition for most prospective homeowners. Government subsidies will be required to reduce the premiums.

It also believes insurance cover will not by itself be sufficient to address the high risk of private-sector investment in this area and further government guarantees and/or subsidies will be necessary to encourage the provision of bond finance on a major scale. ■

BANK OF LISBON FM 21/5/93.

Tin of sardines?

(58)

Figures in the saga surrounding the transaction between Bank of Lisbon ex-MD Duval Marques and the late Marino Chiavelli simply don't add up. The inventory of Chiavelli's estate shows he left R100 000 in SA. According to papers before the court last week, when Marques was arraigned for matters relating to alleged exchange control irregularities, the bank was exposed to Chiavelli for around R21m and US$100 000 was inexplicably in Marques's account in Switzerland.

Marques (59) retired last week and Tony Pereira is caretaking. Two overseas directors were due to arrive midweek after which there will probably be clarity on the management succession.

The bank has a capital base of about R40m so any potential write-offs in the multimillion-rand range would be harmful. Bank sources are emphatic that there will not be any large write-offs, that the security for Chiavelli's debts — though offshore — is sound and that there is no connection between the Chiavelli book and the Marques case. Nor, by Monday, had there been any sign of unusual levels of withdrawals.

The bank seems to have been prompt in reporting the Swiss bank irregularity. A Bank of Lisbon GM accompanied Marques overseas where it was verified that no drawings had been made from the account. The GM then applied to the Reserve Bank for the money to be remitted to SA.

It is possible the Marques affair and Chia-

FM 21/5/93.

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velli's estate are unrelated. The real curiosity is that Chiavelli's estate is so small. The R100 000 represents jewellery and personal effects. Summer Place, the palatial home he occupied in Johannesburg's northern suburbs, is not mentioned. The inventory is signed by Patrizio Chiavelli, Via 25 aprile 14 Bresso Milano Italy. Section 102(1)(b) of the Administration of Estates Act, 1965, provides that any person who wilfully makes any false inventory under the Act is liable to a fine of R1 000 or jail not exceeding five years.

A full investigation into the finances of the mysterious Chiavelli — and the strange influence he exerted over government — is overdue.

Bryan Deans

BOND MARKET FM 21/5/93

Synthetic dollars (58)

An innovative financial instrument has been placed with selected investors by FirstCorp. It is the Dollar Equivalent Bond Issue 1998, dubbed the Debi 1998. "We are putting investors into a rand denominated instrument which essentially replicates a five-year US Treasury fixed-rate note," says Steven Buck, senior manager in the bank's structured finance division. "Foreign currency

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transactions have been an important part of our business for a long time and we have used that expertise to develop this instrument."

The five-year R350m private placement is being made by the bank on its own behalf. Minimum subscription is for multiples with a nominal value of R1m.

The bonds have a fixed interest rate of 5,04% a year, payable in rands, set at the yield to maturity of the US five-year fixed-rate note, prevailing on May 7 1993. The rate is nearly 10 percentage points lower than the 14,9% on the SA Breweries fixed-interest seven-year bond, floated by Standard Merchant Bank in December last year. The attraction for investors with a bearish view of the rand is that the notional dollar principal, created synthetically at issue, will be repaid to investors in rands in 1998, at a rate linked to the prevailing spot dollar/rand exchange rate.

"It is the purest form of rand hedge," says Buck, "as it excludes commodity or commercial risk — other than FirstCorp credit risk, as with any other corporate issuer. It is appropriate for investors who see significant event risk for the rand over the medium term.

"This is not a capital raising exercise for FirstCorp. The proceeds are essentially used to set up a fully hedged transaction which guarantees the payment of interest and principle to the investor."

FirstCorp's profit will come from managing the hedging programme.

"The idea has been around for a while," says Buck. "But, as far as we know, we are the first to deliver a dollar-indexed bond to selected SA investors." ■

MONEY MARKET FM 21/5/93.

Pips squeaking

Rates shot up in the money (58) at the start of the week. Biggest jump was in three-month instruments, with the rate on banker's acceptances rising from 12,10% on Friday, to 12,3% early on Monday, and on three-month certificates of deposit from 12,45% to 12,6%. While rates on certificates of deposit were stable over six months, nine- and 12-month rates rose from 12,3% to 12,4%.

This followed a fall in the market shortage in preceding days: from R4bn on Thursday, R3,4bn on Friday and R3,3bn on Saturday. It also followed an inflow of cash on Saturday, as about R2bn worth of government stock (R117) matured.

It seems the inflow was countered by a shortage of liquid assets, as the R117 left the system. Since bankers' acceptances lost their liquid asset status, banks have been left with only government paper to use as collateral at the Reserve Bank when they are short of funds. This includes 91-day Treasury bills, Land Bank bills and liquid goverment stock which can be discounted at 13%, and RSA's and Land Bank paper, longer than 91 days but under three years, at 14%.

To protect deposits at a time when liquidity was low, banks were obliged to push up the rates they are prepared to pay investors.

With no pressure coming from foreign exchange reserves now the gold price is rising, the market suspects the Bank is conducting a heavy fund-raising programme for government. "We see the big jumps come through the system on Thursday, which is settlement day for stock, so it must be government funding."

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It was hoped relief would come when about R5bn in government funds was transferred from the Bank to tax and loan accounts at commercial banks. But there are still legal and technical points to be clarified.

Unless interim relief measures are found, rates may be under pressure for a while. ■

'Broad consensus' on financial regulation

BIDAY 21/5/93

(58)

LINDA ENSOR

CAPE TOWN — There was broad consensus on the need for a holistic approach to the regulation of the financial services sector, but differences existed over what services should be included in the overarching regulatory structure, special finance adviser Japie Jacobs said yesterday.

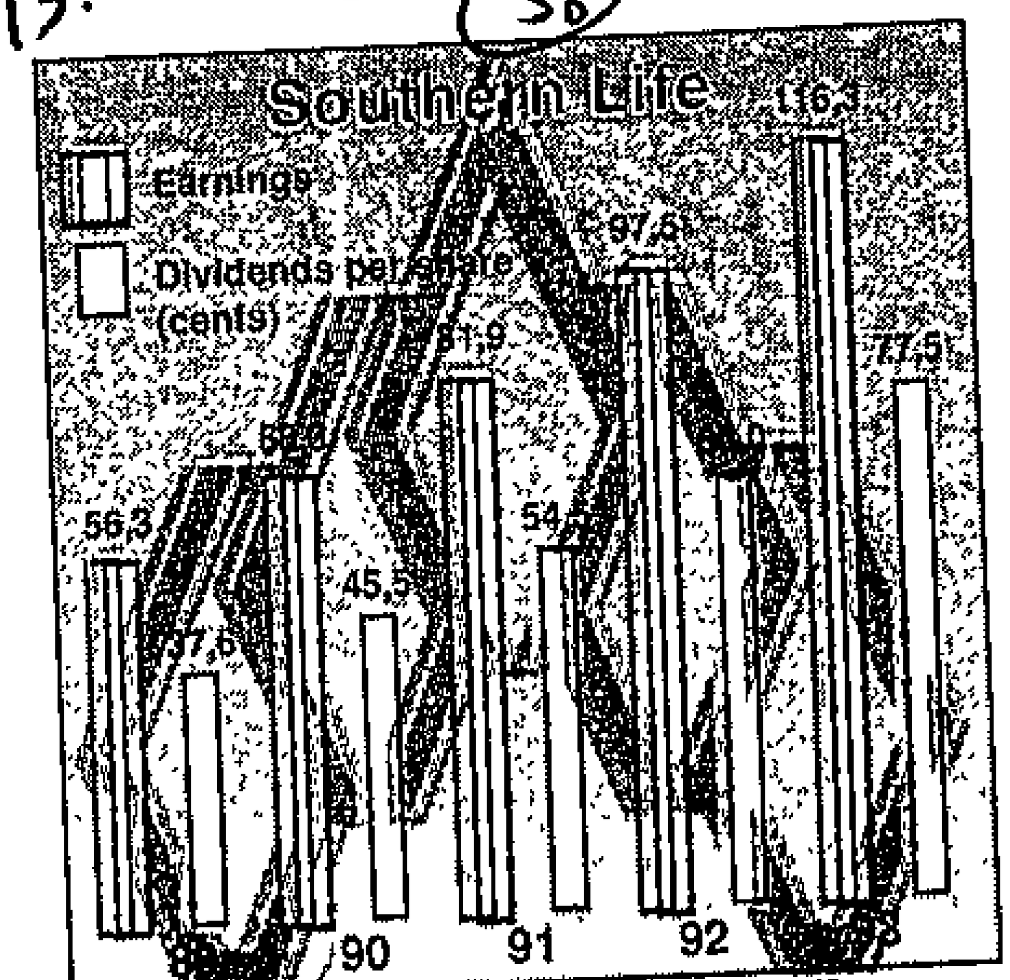
Jacobs, who serves as vice-chairman of the Financial Services Board until end-June, said he had studied the submissions made by the industry on the recommendations of the Melamet committee of inquiry into a holistic approach to regulation.

His report would be submitted to Finance Minister Derek Keys shortly. Jacobs said it might be necessary to change some of the committee's recommendations in the light of the comment received.

Southern Life sees 19,2% earnings rise

B\DAY 21/5/93. (58)

ANDREW KRUMM



Graphics RUBY GAY MARTIN Source SOUTHERN LIFE

DRIVEN by rapid growth in new business, Southern Life has reported a 19,2% increase in disclosed earnings to R196m for the year to end-March 1993 from R165m in the comparable period in 1992.

Southern Life chairman Neal Chapman said a final dividend of 45,5c a share had been declared, bringing the distribution for the year to 77,5c a share (1992: 65c).

However, shareholders had been offered Southern shares in lieu of half the final dividend to limit the secondary tax on companies payable, he said.

Unrestrained by the recession, new business grew 53,7% to R1,26bn (R821m) with good contributions from investment and annuity business.

MD Jan Calitz said total income rose 21% to R3,70bn (R3,07bn), with premium income breaking through the R2bn barrier to reach R2,61bn (R1,998bn). However, investment income grew only marginally to R1,09bn (R1,07bn). Calitz attributed the low growth in investment revenue to the spate of interest rate cuts during the year, and slow growth in dividend income. Timing differences in dividend payouts had also affected investment growth.

At the year-end Southern's R18,29bn investment portfolio was 55% invested in equities, 10% invested in the money market, 15% in fixed-interest stocks, 15% in the property market, and 5% in other investments.

Calitz said operating costs increased by a "restricted" 12,7% during the year, as management contained staff growth way below budget, and productivity increased.

The assurer's tax bill was sharply higher at R78m (R48m), of which R15m was attributable to higher indirect taxes and levies, and the introduction of the dual tax system. To ameliorate the effects of the new tax, shareholders have been given the

☐ To Page 2

Southern B/DAY 21/5/93 (58)

☐ From Page 1

option of receiving 50% of their final dividend in the form of Southern shares. "This will provide us with additional shareholders' funds as well as limit the amount payable under the recently introduced 15% tax on dividends," Chapman said.

Major shareholders Anglo American Corporation and First National Bank, which together own 75% of Southern Life, had elected to accept the offer, details of which would be made available on June 4.

Calitz said Southern had paid out more than R2bn in benefits during the year, 9% up on 1992. He added that the proportion of policy lapses and surrenders to policy sales had decreased during 1993, but did not specify by how much.

Investment GM Paul Beachy-Head said although the returns on certain Southern investment products had not been good in 1993, these had been isolated.

Calitz said Southern would continue to develop new products and service avenues in 1993/94. Although the abolition of the Sixth Schedule would allow the development of new investment-only products, Southern would first concentrate on introducing its Exclusive Life policy to the market. This product, which involved periodic HIV testing, was expected to replace an older product and eventually contribute about 25% of new individual business.

Southern would integrate its health care interests — including a 50% stake in Medikor, wholly owned AMA and certain group and health insurance products — during the year to achieve economies of scale, Calitz said.

FM 21/5/93. (58)

METROPOLITAN LIFE

Power to the people

Sankorp's sale of 10% of Metropolitan Life (Metpol) to new black-controlled holding company Metlife Investment Holdings (Methold) is seen as a watershed, coming hard on the heels of Sanlam sibling Gencor's announcement of a major unbundling.

The R137m transaction involving 6,7m Metpol shares has been financed by the IDC. During the next five years (which can be extended to seven), Methold has the option to acquire a further 20% from Sankorp.

The price of R20 a share is the average at which Metpol traded in the three months before the deal. IDC funding will be redeemed as Methold shares are marketed and issued to policyholders and blacks.

Methold chairman is community leader Nthato Motlana and deputy chairman Enos Mabuza. Other directors are Pretoria SC Dikgang Moseneke, Black Management Forum director Don Mkhwanase, Nafcoc president Archie Nkonyeni and Franklin Sonn, rector of the Peninsula Technikon. Metpol's Marius Smith and the IDC's senior GM Jan de Bruyn and finance manager Gert Gouws are also on the board.

At the core of the deal is a voting pool agreement which governs the 40% of Metpol held between Sankorp and Methold. Methold may nominate six of the 15 non-executive directors, and Sankorp, which will hold about 10% of Metpol's equity after all options are exercised, three. Sankorp is to retain a significant shareholding in Metpol and will still participate in policy decisions.

The voting pool agreement is unusual in that a minority 10% is wagging the 30% majority. However, since the 10% holders have a call on another 20%, the position may be reversed later. The agreement legislates for the final position now and control passes immediately. It was structured this way, says Sankorp's Marinus Daling, because phased black economic empowerment could have been seen as tokenism.

Motlana, Smith and Daling are emphatic the deal is based on sound business principles. When Metpol was listed in 1986, its issue price was 350c. Sankorp is thus realising a capital gain of 39,7% compound a year

The distribution of Methold shares to blacks will be delegated to Metpol. Not only do its 3 400 black sales staff have the opportunity to re-approach policyholders, of whom an effective 93% are black (1991 figures), there is also the remaining population to canvass with the new product.

Methold's prospectus is expected to show that about 140m R1 shares will be issued in minimum lots of 100.

Smith says the scheme will extend Metpol's shareholder base, enhancing policy sales.

One area of doubt involves the acceptance of Methold shares by the market at a time of acute economic hardship. Daling is quick to point out that National Sorghum Breweries had little trouble in raising R40m.

Daling is reluctant to disclose details of the voting pool agreement. But if it would help other organisations achieve black empowerment, perhaps he should. *Gerald Hirshon*

LOW-COST HOUSING FM 21/5/93. (58)

The guarantees banks need

Disparate though their efforts may be, the Building Industries Federation of SA (Bifsa), the National Housing Forum and the Association of Mortage Lenders, jointly with the SA National Civics Organisation (Sanco), want to find ways of encouraging private-sector finance back into low-cost housing.

Since the call for bond boycotts in July 1992, the banks have drastically cut their lending in high-risk areas.

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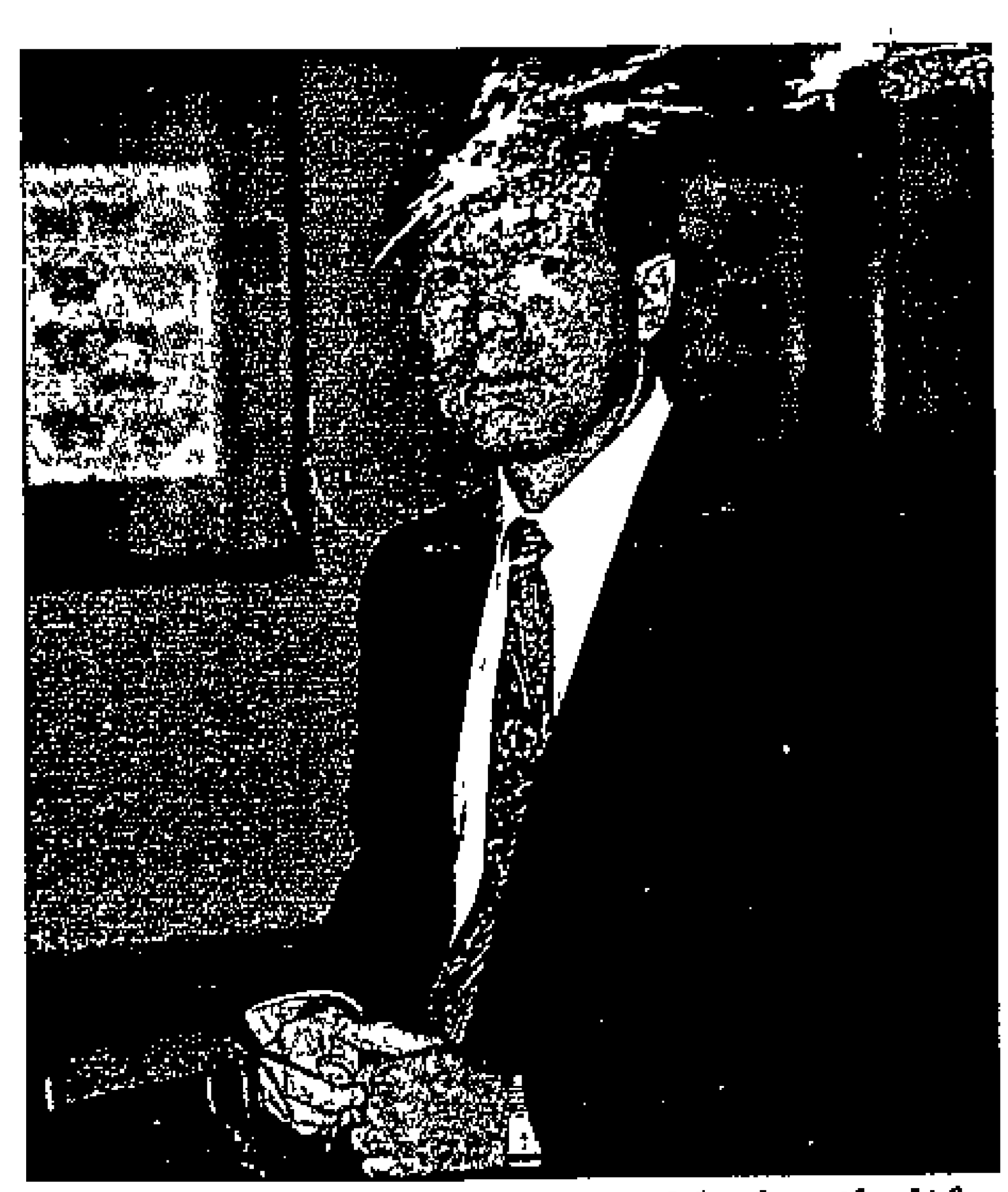

Absa's Peter Marais . . . *stable family life is the key*

Bifsa's view is that six months is too long to wait to tackle the urgent need for an assault on the low-income housing market. While it believes that such insurance cover addresses a significant part of the problem, it is not going to be an affordable proposition for most prospective homeowners. Government subsidies will be required to reduce the premiums.

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RATE REBATES FM 21/5/93

The council's conundrum

A move to increase Cape Town's residential property rates rebate — in the face of a pending rates increase averaging 80% across the city — has been temporarily blocked by the city council.

Councillors voted ~~14-13~~ last week to increase the residential rebate from 26% to 35%. But Leon Markovitz, a councillor opposed to the increase, subsequently won majority support for a notice that he will move for the decision to be rescinded at the council's next meeting.

Markovitz, who represents ~~a CBD~~ ward, believes increasing the residential rebate will place an additional rates burden on owners of commercial property. The increased rates are the result of a new valuation roll. They are due to come into force on July 1 (*Property* April 23).

Many residential ratepayers, particularly in the more affluent suburbs, have reacted with horror at the prospect of having to pay substantially higher rates — even though the rates they are now paying are based on a grossly undervalued property valuation roll that has been in force for 10 years.

At a meeting of ratepayers in the Atlantic suburbs last week, Cape Town treasurer Eddie Landsberg said rates in Clifton would increase on average by 147%-163% depending on what rebate was agreed to by council. In neighbouring Sea Point the average increase would be 51%-69%.

Markovitz argued that Cape Town's relatively high rates on commercial properties had discouraged business investment in the city. If an even bigger burden were placed on the business community there would be a strong possibility that many businesses would relocate to areas on Cape Town's northern border, such as Bellville, Parow and

House prices bounce back

(58) (126)

W/Mail 21/5 - 27/5/93.

Weekly Mail Reporter

THE buyer's market in housing looks as if it has come to an end — or the beginning of the end.

House prices should rise this year by one to two percent on average, adjusted for inflation, predicts the banking group Absa.

In its latest *Quarterly Housing Review* for the first quarter of 1993, Absa says that with the exception of luxury dwellings, the housing market has generally performed reasonably well during the recession.

"Especially during the past two quarters there have been relatively strong price increases, which conflicts somewhat with the prevailing economic and political climate."

The average price of a medium-sized house rose by 0,6 percent year-on-year in the first quarter of 1993 — the first real increase since the third quarter of 1990, notes the *Review*.

Building cost increases continue to accelerate, after reaching a six-year low of 6,4 percent in the second quarter of last year.

The latest year-on-year increase of 14,1 percent is about five percentage points higher than the overall inflation rate.

The *Review* reckons lower mortgage rates expected in the next 12 months, with an average increase in building costs of around 12 to 15 percent, will combine to push house prices up.

Meanwhile, houses are becoming more affordable. The monthly repayment on an 80 percent bond on a medium-sized house over a period of 20 years is now R1 655 as opposed to R1 758 a year ago.

Although house prices are higher than they were a year ago, the lower mortgage rate has led to the declining trend in the monthly repayment.

The ratio of house prices and monthly repayments to gross remuneration levels is tending ever lower, notes the *Review*.

NEWS FEATURE *Problems aggravated by refusal to grant bonds for properties in the townships*

Homes become a burden

Sowetan 21/5/93

■ PRICE BARRIER *Owners who want to move from Soweto can't find buyers:*

By Joshua Raboroko

EXPENSIVE HOMES IN Soweto's elite "suburbs" are proving to be a burden for their owners who cannot unload them as they try to escape to the safety of Johannesburg's northern suburbs.

They cannot find buyers who can afford to pay the price it cost them to build the houses

Their problem is further aggravated by the fact that home loan institutions are unwilling to grant financing for properties in the townships

Building societies and banks cite boycotts and the recession for their refusal to grant bonds

The asking price for elite Soweto homes is around R200 000 and this puts them out of reach of first-time home buyers, while those with the sufficient money to buy in this bracket also want to move elsewhere

They have a wide choice of homes for sale all over the PWV

Closeness to schools and established facilities, such as tarred roads, uninterrupted water and power supplies and safety, are reasons given for moving to the white suburbs

Soweto suburbs affected by the exodus are Diepkloof Extension, Protea and the once popular Selection Park, which was established on the site of the old Pimville slum area

Upper income bracket

Many blacks in the upper income bracket have moved to suburbs after selling their homes "for a song because I had no option", says one homeowner

Unisa lecturer Mr Phil Mtimkulu, who lives in Diepkloof Extention, said his house was worth more than R180 000 but he cannot get a buyer because "buyers believe the price is too high"

He said most people wanting to sell their property in Diepkloof faced the same problem "People think we are expensive. The homes are costly," he said

Most of the houses in Diepkloof sell for between R180 000 and R300 000 and this makes it difficult for new home buyers to venture into up-market home-ownership, estate agents say.

Afri Home's Mr Pitso Mabena said: "The truth of the matter is that financial institutions do not lend money to blacks, not even to high-profile blacks, in the townships because of violence and the soaring crime rate."

Most blacks save their money in white-owned institutions but when they ask for housing loans, they are often refused, he said.

"Black estate agents have serious problems with getting bonds for their clients Many have burnt their fingers in this industry." Mabena said

Selling price reduced

"Financial institutions often have quantity surveyors who tend to reduce the price a seller demands and this is causing problems," Mabena said

Estate agents say it is becoming difficult for them to sell houses in Diepkloof — the situation is equally bad in the other two areas — because financial institutions fear bond boycotts

Up to a third of black home loans are in arrears, with financial institutions facing potential problems on mortgage-based loans worth R3 billion, an international conference was told in Cape Town last week.

The conference also heard from lenders that increasing risks meant mortgage loans to low-income people were "not prudent", while the ANC said financial institutions would have to be restructured to meet the needs of the majority

Metropolitan Housing Finance Co-operative Ltd managing director Mr Ben Pieters estimated that slightly more than 200 000 bonds had been granted for houses to blacks over the past seven years.

The loans totalled R9 billion and about a third of them were in arrears, he said

The economy had moved deeper into recession and more black households were becoming poorer and moving down the scale.

Mabena said· "The situation of black housing is in chaos because of the red-lining in some areas,"

Another estate agent, Mr Joe Mohale,

...ed to the Camdon Group, people who had enough not keen to buy homes in ... of

Those who could afford to spend this amount also wanted to settle in white suburbs

"It is true that some houses seem to be overpriced but it is only because the owners have spent thousands of rands improving them (58)

"One problem seems to be that the yards are small compared to those in white suburbs," he said.

Camdon managing director Mr Scott MaRae said some areas were fashionable and more expensive

> "The truth of the matter is that financial institutions do not loan money even to high-profile blacks"

Finance under fire over rates

BRUCE CAMERON (58)
Business Staff

ARGT 22/5/93

THE Reserve Bank and Department of Finance have come under fire for sending mixed signals to the financial markets, causing uncertainty about interest rates.

Over the past three weeks the money market, which is the prime indicator for interest directions, has fluctuated wildly, causing confusion in the markets.

The prime cause seems to have been a miscalculation in the Department of Finance, which took more than was needed out of the system in April, borrowing R8,5 billion for the month. This amounted to one-third of total borrowing requirements of the government for the 1993/94 budget year.

The Department of Finance activity pushed the money market shortage to a year high of R6,3 billion at the end of April, placing upward pressure on interest rates. But the department started putting money back into the system and by this week the shortage had recovered to R2,8 billion, relieving the pressure.

A Finance spokesman confirmed that the department had borrowed "somewhat more than needed."

Nedbank chief economist Mr Edward Osborn said there was confusion in the markets about what had been intended by the sudden shortage and recovery.

'Insulting' Aids advert withdrawn

(42) (58) ARG 22/5/93

ANDREA WEISS
Weekend Argus Health Reporter

SOUTHERN Life has withdrawn a controversial Aids advertisement but the company plans to launch a new campaign to advertise the product which offers lower premiums for HIV-free clients.

The advertisement featured a "sky rider" standing upside down on an aircraft wing with the accompanying text: "You wouldn't subsidise *his* life assurance". Radio advertisements were also aired.

Dr Stewart Harris, administrator of the Aids Foundation, said the campaign had caused "great distress and offence" because of the tone of the advertisements.

Members attending the foundation's annual meeting said it portrayed people with HIV as a risk group who acquired the condition through frivolous and voluntary conduct.

Dr Stewart said the meeting represented a broad spectrum of opinion including Cape Town Medical Officer of Health Dr Michael Popkiss, the managing director of a medical supply company, a representative of the pharmaceutical industry and pharmaceutical society and doctors.

Mr Jeffrey Taylor of Atice, the city council's Aids project, said: "We are extremely distressed that Southern Life saw fit to place people with HIV and Aids in such a demeaning light, implying that they deliberately caught HIV in their love lives. What about people who are unwittingly infected by their partners?"

Southern Life said the company had decided to withdraw the advertisements because it had offended people concerned with Aids "be they people with Aids, those infected with the virus, their families or individuals involved in Aids education".

"This was obviously unintentional and as we did not want to cause harm to anyone, we withdrew the ad. As we have a strong belief in the Exclusive Life product, we will be developing a new campaign in the near future."

According to Mr Chris Liddle of Southern Life, the policy will protect healthy policy holders from "cross subsidising" HIV-infected clients and avoid drastic premium rate increases.

R250-m treasure chest

Weekend Argus Reporter

SOUTHERN Life Association Limited had a special reserve of about R250 million to cover the cost of Aids-related death claims of policyholders who were not HIV positive when taking out life cover.

In the company's annual report, managing director Mr Jan Calitz said with the rate of HIV infection increasing "very rapidly" the life assurance industry could expect a sharp increase in Aids-related claims.

"Already more than one percent of applicants for life assurance to Southern Life are found to be HIV positive. The infection rate has shown an 80 percent increase over the past year and we have declined more than R36 million in applications for life cover."

He added that the industry increasingly faced a situation where healthy policyholders were subsidising HIV-infected clients and without "decisive action" they could face increased premiums.

Reserve set aside for looming claims flood

Star 22/5/93

58

OWN CORRESPONDENT

CAPE TOWN — Southern Life Association has a special reserve of about R250 million to cover the cost of Aids-related death claims of policyholders who were not HIV positive when taking out life cover.

In the company's annual report, managing director Jan Calitz says that with the rate of HIV infection increasing very rapidly, the life assurance industry could expect a sharp increase in Aids-related claims.

"Already more than 1 percent of applicants for life assurance to Southern Life are found to be HIV positive. The infection rate has shown an 80 percent increase over the past year, and we have declined more than R36 million in applications for life cover."

The industry faces a situation where healthy policyholders are subsidising HIV-infected clients, and without decisive action, existing policyholders will have to face dramatically increased premium rates or reduced benefits in future years, he says.

Watch those ethics, assurers are told

SANLAM mananging director Desmond Smith has urged the life assurance sector to address the ethical conduct of its salesmen. Citing the Masterbond and Supreme debacles which, he said, the industry could not afford, Smith told delegates to the Insurance Institute of SA conference in Durban this week it seemed that assurance was moving away from conducting its business on the principle of "utmost good faith"

"We are now in danger of moving to a basis of 'let the buyer beware'."

Major financial institutions, particularly building societies and assurance firms, had been harshly criticised by the public for the part their agents played in facilitating investment of millions of rands of private individuals' money in Masterbond and Supreme.

Masterbond was liquidated late in 1991, placing at risk about R500 million of public money tied up in a myriad property ventures. About 7 000 investors, ranging from widows to pension funds, stood to lose up to R236 million when Supreme was wound up last year.

(58)

Two senior directors from each of the businesses had made court appearances in connection with allegations of fraud.

Star 20/5/93

Smith said life assurers had to be "proactive" in demonstrating their social responsibility. He cited this week's joint announcement by Eskom and the Life Offices Association of a R500 million electrification programme, as well as last week's announced decision by Sanlam's Sankorp to sell a controlling stake in Metropolitan Life to a company owned by a consortium of black business people.

Rest will follow us on AIDS, says Southern

S/Times (Buss) 23/5/93

(58)

RESULTS from life assurers are predictable. So I won't dwell on yet another 19% increase in disclosed earnings and dividends from Southern Life for the year to March 1993.

What is interesting is the belief by Southern's executives that other life offices will copy its risk-reduced AIDS-free policy, Exclusive Life.

Director Chris Liddell believes they will have to.

"Years ago, there was one rate for everybody from most life offices. Then they gave women cheaper rates because they live longer. Then they got on to smokers. A company that charged rates of, say, 100 for everybody lost all its non-smokers to one which offered 95 to non-smokers and 105 to smokers.

"That company was left with all the smokers, carrying a bigger risk. It was forced to follow suit and we believe the pattern will hold for AIDS."

Southern's advertising campaign has come under fire, but Mr Liddell says brokers with whom Southern has done no business for years are now phoning with clients specifying Exclusive Life.

One reason behind its introduction is the fact that in the past year Southern declined to cover 348 lives — turning away R36-million of business — because 1,01% of applicants were HIV positive.

Southern has set aside a reserve of R250-million to cover the cost of AIDS-related claims of policyholders who tested negative when cover was obtained.

Southern has over several years decreased its stake in thriving African Life from 100% to 77% and is looking for ways to extend membership — already wide — across the black community.

It sees no need to respond to Sanlam's disposal to blacks of 10% of its black-based life group Metpol.

Southern's net premium income jumped by almost a third to R2,6-billion. But investment income crept up to R1-billion.

The income statement is brief — next line gives taxed surplus of R196-million, or 116,3c a share, although the news release refers to a R78-million total tax bill.

Southern's major shareholders Anglo American Corporation and First National Bank will take 50% of the dividend in scrip, details to be announced in June. The share price is R26, down from the February high of R28,50 but well up from the 12-month low of R18,75 last July.

MONEY

Some deliver, others fail on your savings

ST Times (Buss) 23/5/93

By CHERILYN IRETON

THE mixed success of professional investment managers last year underscores the need for vigilance when entrusting your savings to them.

A ranking of the performance of independent investment managers in 1992, compiled by consulting actuaries Alexander Forbes Shepley & Fitchett, shows widely divergent returns on a single amount invested for the calendar year.

Fairheads, Syfrets Managed Assets and Rand Merchant Bank earned returns of more than 17% for their investors.

Allan Gray, which had nearly R6-billion in its care, managed only a 1,2% return against the 12% average.

Alexander Forbes director John Hayward says investment performance should be measured over a long time.

"But there is no point in waiting 20 years to establish that investment results have been unsatisfactory."

The turnover of investment managers is high in South Africa.

The concentration of investment in a handful of the most marketable shares listed on the Johannesburg Stock Exchange has a profound influence on performance.

This is shown by the 37% decline in the De Beers share price, which hurt the smaller portfolios administered by AFC Investments, Foord & Meintjies, Security Portfolio Managers and Southern Asset Management.

Volatile

Fairheads and Syfrets on the other hand, picked a winner by investing 8% and 5% of their respective funds in Trencor, which rose 82,5% on the year.

Allan Gray did not disclose details of its shareholdings.

Mr Hayward says research abroad has shown that only 10% of the difference in pension fund returns stems from selection of shares.

About 90% of the divergence can be traced to the relative holdings of asset classes, such as foreign and domestic shares, property, fixed interest and cash.

Factor

"Since our institutions are prevented from investing in foreign shares, their equity assets are concentrated on 20 or 30 of the most marketable local shares.

"It is this undue concentration on a few counters which promotes their volatility and makes the relative weightings of the institutional holdings an all-important factor in the overall performance," says Mr Hayward.

Insurers underwriting managed fund contracts did not have nearly the same degree of success as the independents.

Liberty Life was the top performer among the large insurers, achieving a 11,4% return.

Momentum's decision to write off 8% of its fixed properties last year was a factor behind its negative return of (0,2%).

Southern's SHOP portfolio was the top performer among the class of portfolios with assets of under R775-million. It achieved a 15,1% return, thanks mainly to a 6% holding in Dimension Data, which achieved a 127% return over the year.

Over three years, non-insurers Rand Merchant Bank and Syfrets Managed Assets come out top with returns of 22,7% year. Allan Gray trails with 11,5%.

If all fund managers are measured over five years, Syfrets is first with 25,8% and Standard Merchant Bank a close second AA Life has the lowest return — 9,7%.

In the eight-year analysis Syfrets is again tops with 28% and AA Life lowest at 17%

Comparative inflation rates are 9,6% for one year, 13,5% for three years and 13,6% for five.

Long

Mr Hayward says these factors affected investment returns in 1992·

● World stock markets were relatively weak because of continuing recession. The JSE all-share index fell 5,3% and the industrial index was up 4,6%. Disillusionment about precious metals resulted in a 29,4% decline in the all-gold index and the mining financial index was 16,8% lower. The financial index appreciated by 22,5%

● Interest rates at the long end of the market fell sharply. The yield on the Eskom 168 opened the year at 16,2% and ended at 14,8%

● The gold price fell to a seven-year low and closed at $333,15 from $351,70 at the start The rand price of gold rose from R968,93 to R1 016,44 because of the rand's depreciation against the dollar

● The property market was bedevilled by the poor state of the economy The market was characterised by poor tenant demand, rationalisation of space use, rising vacancies and a decline in real rental growth The property market achieved a return of about 14% during the year The return of the JSE property trust index, including capital and income growth, was 6,6%.

Portfolio managers

Annual investment (%) return on single payment for period invested 31 Dec 1992

YEAR	1	3	5	8
AFC Investments	10,8	16,7		
Allan Gray	1,2	11,5	18,8	22,7
BOE	9,1	14,8	20,1	23,3
Fairheads	17,7	21,2	21,3	
Foord & Meintjies	11,4	14,2	20,4	23,4
LIBAM	14,4	18,4	23,4	
RMB	17,4	22,7		
Securities Portfolio Managers	6,3	16,8		
Southern Asset Management	11,4	16,1	19,1	
SMB	16,1	21,0	25,2	25,0
Syfrets Managed Assets	17,5	22,7	25,8	28,0
UAL	10	15,8	21,9	22,6
Average	12	17,7	21,8	24,2
Commercial Union	11,2	15,3	20,2	23,2
Liberty Life	11,4	16,9	21,5	21,0
Momentum	(0,2)	9,6	15,5	19,3
Old Mutual (Multifund)	3,0	10,1	17,7	19,8
Sanlam(Focus)	7,3	14,9	20,2	22,4
Sanlam 100 plus	6,0	13,2	18,8	21,3
Sanlam 200 plus	6,1	14,7	20,5	26,6
Southern(Managegrowth)	3,9	10,7	18,0	19,2
Average	6,1	13,2	19,1	21,6
AA Life	0,7	4,6	9,7	17,0
Fedlife	10,3	14,6	17,1	19,4
Metropolitan	10,4	18,7	21,9	22,2
Norwich Life	4,5	11,9	15,4	18,4
Old Mutual (Omnifund)	3,0	9,9	15,2	19,1
Sage Life	11,2	17,9	21,0	22,6
Southern (SHOP)	15,1	16,9		
Standard General	13,5	15,2	18,3	20,8
Average	8,6	13,7	16,9	19,9

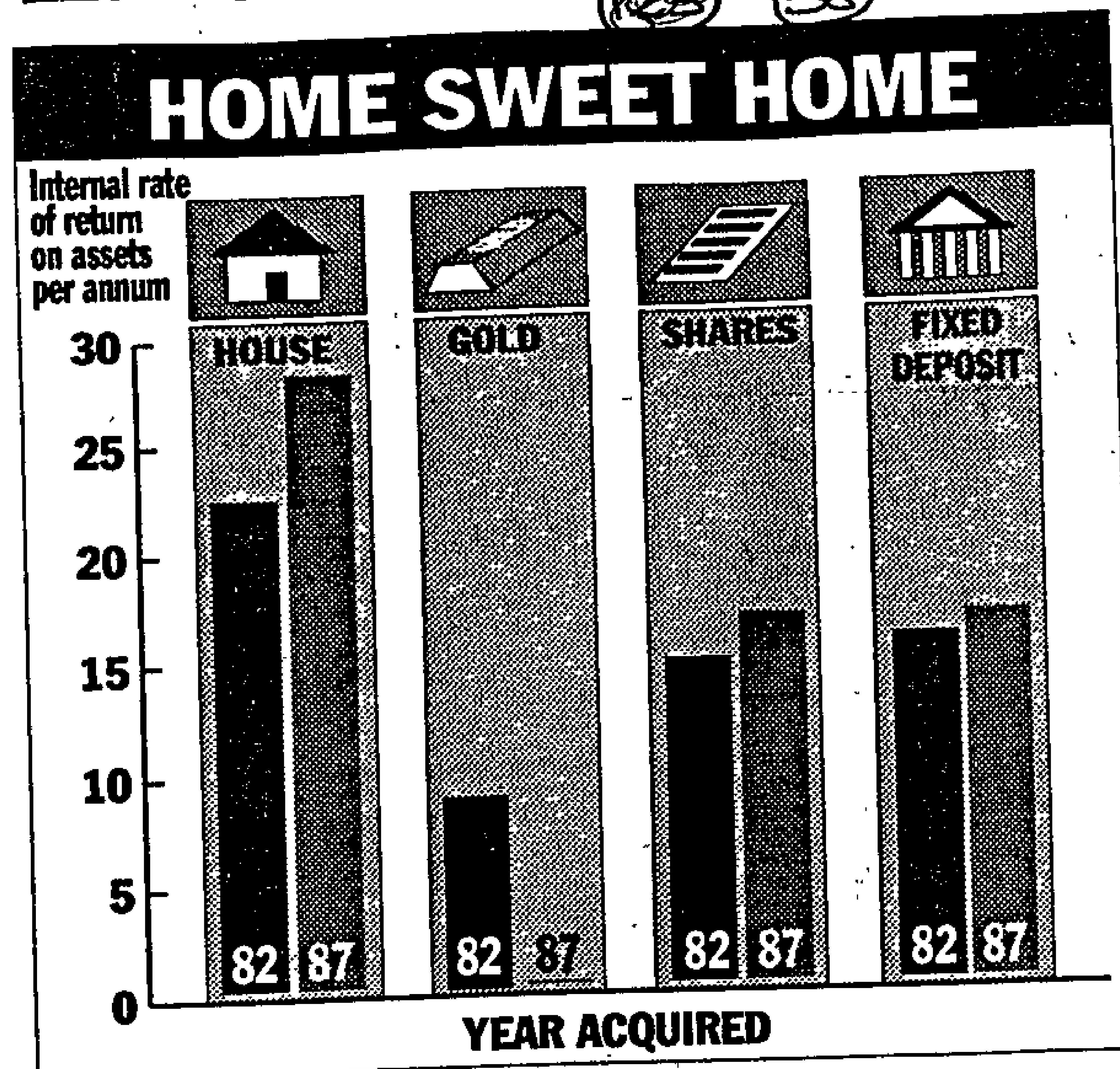
Graphic: [illegible]EMERTON
Source: [illegible]ANDER FORBES

Bricks and mortar at top of the investment league

S Times (Buss) 23/5/93

(123) (58)

By TERRY BETTY



AN investment in a home is as safe as a house. An Absa housing review shows that bricks and mortar far outperform shares, fixed deposits and gold.

An investor who spent R100 000 on a house in 1987 received a 29% internal rate of return a year.

Equities yielded 18%, fixed deposits 15% and gold -0,5%.

This may seem to contradict the fact that average house prices have fallen by 21% since 1986 in real terms.

But the low average annual nominal growth of about 9% in areas such as Johannesburg, the Northern Cape and Free State was offset by near-11% increases on the West Rand and in the Eastern Cape.

Absa senior economist Christo Luus says the increase in house prices does not give the whole picture.

"The annual internal rate of return, which takes into account capital appreciation and income yield, is more representative of how the various investments performed."

Interest

The income yield on a property is the amount the investor receives for letting it. In calculating this, Absa has used an average rental.

Mr Luus compares the internal rate of return on the four investments if they were made in three different years.

If an investor bought a house in 1977, the average internal rate of return would have been 25% a year. If the investment was made in 1982, it would have been nearly 22%.

But houses tend to show the best return irrespective of the year in which they were bought.

Mr Luus attributes this to the fact that gold yields only capital appreciation and no income.

Money on fixed deposit shows no capital growth, only an income yield, which is not very high.

The comparison is based on the assumption that people with money are looking for investments. The exercise does not take into account those who borrow money to buy a house.

Mr Luus says that if looked at on a comparative basis, the cost of borrowing is the same for all the investments. Interest charged on borrowings may be written off against income.

The comparison also does not take into account the effect of tax on the various investments.

Mr Luus says buying a house has a further advantage. If the property is bonded, payment of more than the required instalments is tantamount to a tax-free gain.

As with all investments, higher returns go hand in hand with greater risk.

These include the chance that a house may stand empty for a few months and provide no income. The investor could buy a house in the wrong area and be unable to let it.

The property owner has to collect rent and deal with tenants. There is a possibility tenants will neglect or damage the property.

Mr Luus says a house is a fairly illiquid asset. It is generally more difficult to sell than gold or shares.

IS IT TIME TO TAKE STOCK?

C/Press 23/5/93

58

By JENNIFER GRIFFIN

DESPITE the economic strides made in recent years by SA's black middle class, few blacks have become direct participants on the Johannesburg Stock Exchange by either investing their money or listing their companies.

At present no companies owned by black South Africans are listed on the JSE, though there are some obvious candidates which could benefit by going public.

"Black people have tended to shy away from the JSE. In effect we would have been putting money into companies that we would not ever control," said Dr Sam Motsuenyane, a non-executive director of the African Bank, which opted not to become a listed company.

Black-owned companies that have been listed in the past attacted mostly white shareholders, since whites still comprise the wealthiest sector of SA society. The directors of black-owned businesses worry that if they list their company on the JSE then they may be gobbled up by larger, white-run companies and lose effective control over their businesses.

JSE president Roy Anderson says that it is possible to structure a listing so that control remains in the black community. By not being listed on the JSE, black businesses risk limiting their growth to a size where they cannot compete with their white counterparts.

Recent moves by Metropolitan Life (Metpol), one of the country's largest insurance brokers, and Gencor, a holding company with mining, paper and oil subsidiaries, could lead to more blacks investing their money in JSE stocks and directly involving themselves in the stock exchange.

Metpol, whose client base is 85 percent black, has decided to give blacks an opportunity to buy a portion of the insurance company. Its major holder, Sankorp – a subsidiary of Sanlam, another large insurance broker – has decided to take 10 percent of its 40 percent stake in Metpol and sell it to a black-owned company, MetLife Investment Holdings.

The deal, worth R135-million, will be underwritten by the Industrial Development Corporation, a government-funded organisation that supports industrial projects within SA.

IDC will provide R137-million to Methold in exchange for 137 million renouncable letters of allocation. The R1 shares will then be sold to Metpol policy holders, black pension and provident funds, and the public. Under the agreement, nine of the 16 directors of Metpol will be black.

The move is being hailed by black and white businessmen, including political leaders and trade union activists, as a first step towards the creation of a large black-owned insurance company which will in turn mobilise savings and assist with capital formation in the black community.

"The black people must respond. They must take advantage of any opportunity that comes their way," said Dr Motsuenyane, former head of the National African Federated Chamber of Commerce and Industry, which has called for quotas to make companies more representative. Nafcoc suggests that 40 percent of the shares sold by companies on the JSE be owned by blacks by the year 2000.

In a related move Gencor has become one of the first conglomerates in SA to unbundle its subsidiary holdings, which should lead to greater liquidity and more investors getting involved on the stock exchange, according to Anderson.

"Part of the problem with black involvement in the JSE is that so much of the power is in the hands of giant corporations," said Dr Azar Jammine, chief economist at Econometrix, a private economic consultancy.

Fewer than a dozen families control more than R100-billion of JSE wealth even though many own less than 10 percent of the shares in operating companies. Six major groups control 80 percent of the JSE shares.

The pyramid structure that has evolved beneath most of SA's big conglomerates has entrenched the power of certain families, such as the Oppenheimers and the Ackermans. As a result, hostile takeovers are virtually unheard of in SA, though Competition Board chairman Pierre Brooks says such takeovers keep companies answerable to shareholders.

A pyramid can be formed by placing 50 percent plus one share in a holding company and selling less than half the holding company to others. The process is repeated until a pyramid of often unrelated companies form beneath a parent corporation. The practice is common in SA though it is banned by most foreign stock exchanges.

"This is certainly a positive move. We have this huge dominance of the corporate sector by a limited few – particularly mining houses and insurance companies," said Ed Osborn, chief economist for Nedbank.

Typically, these conglomerates have received most of the flow of finance within SA. The insurance companies have used those funds to continue to acquire and control other companies, according to Osborn.

"The conglomerate is standing between the investor and the operating unit," said Osborn. "Each of these units must stand on its own."

The weak Rand has caused companies to use their assets to acquire other South African companies rather than diversifying overseas. This tendency had led to the concentration of power in the hands of a few big conglomerates.

"Conglomerates are unpopular with the investment fraternity because they are removed from the investor," said Osborn. "The investor places his confidence in the management of the conglomerate, rather than judging each individual company on its own merit."

DR SAM MOTSUENYANE . . . "Black people have tended to shy away from the JSE."

The ANC plans to introduce strict anti-trust legislation which may enforce unbundling once a new government is in place. Most analysts think that Gencor, whose former chairman is current Finance Minister Derek Keys, has decided to unbundle its non-mining subsidiaries for political reasons. By being the first to unbundle, it should be protected from possible nationalisation by a new government.

Metpol move could signal a new trend

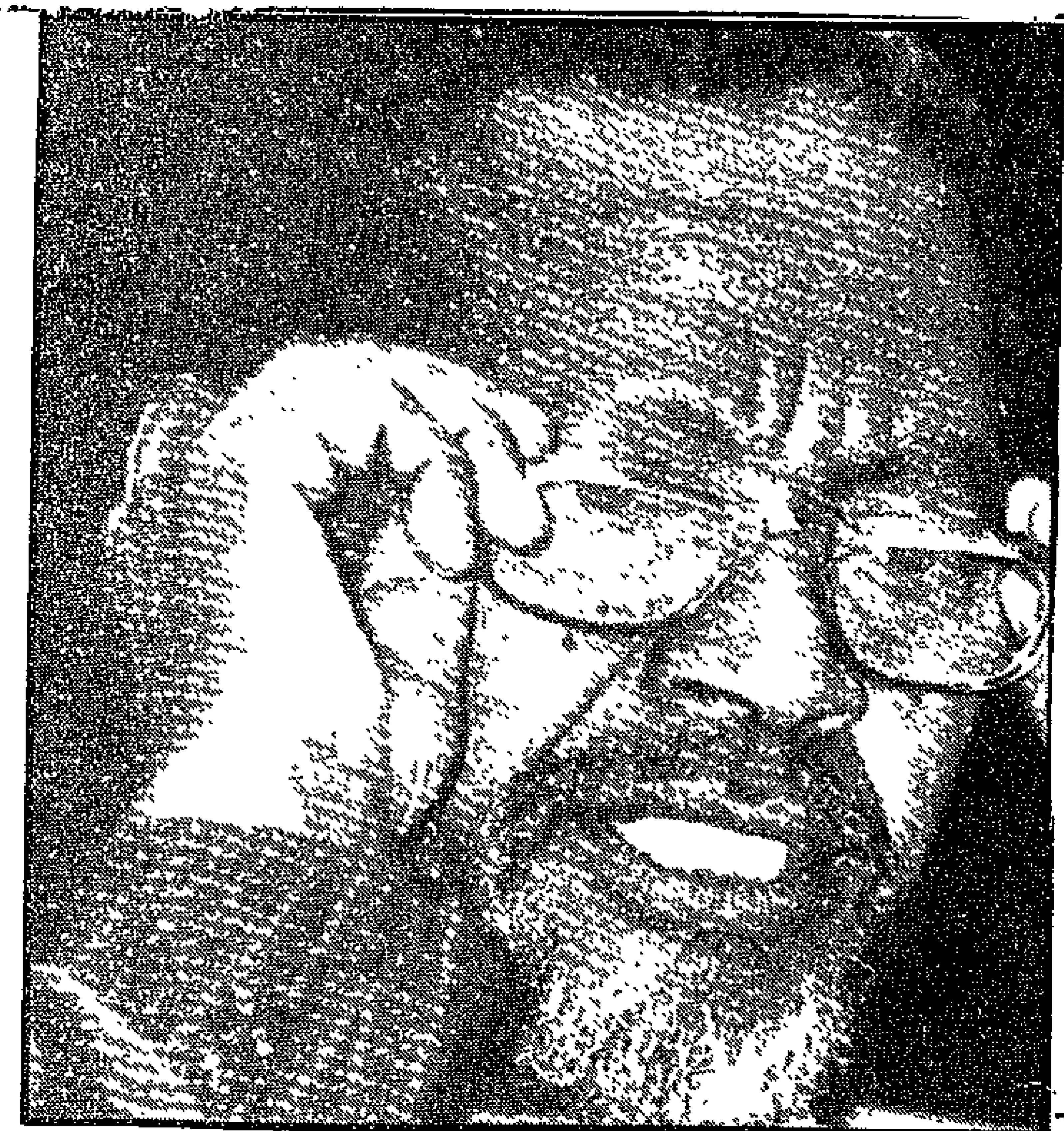
"It's a question of trying to pre-empt being forced to unbundle," said Dr Jammine.

While the Gencor deal won't directly enable blacks to acquire a stake in the companies being unbundled, it should make it easier for new investors to involve themselves in the JSE.

"The issue of unbundling per se will not on its own lead to greater black involvement," said Lockwood. But it will help get rid of pyramid structures, which have entrenched white control of the economy.

REAL money to grease political wheels

CPress (58) 23/6/93



OPTIMISTIC ... Metpol chairman Nthato Motlana says economic empowerment is needed urgently.

Sankorp and Metropolitan Life pre-empted Anglo American, Southern Life and African Life by selling a big share in Metropolitan Life to the black community. The new chairman, Dr Nthato Motlana, sincerely hopes that it could lead to the creation of a "black Sanlam". Our Special Correspondent reports.

IT was in 1981 that a considerably younger Nthato Motlana, then president of the Civic Association in Soweto and chairman of the so-called Committee of Ten, wrote a contribution to the publication, *South Africa, a future perspective*, in which he expressed his views on a wide range of political issues.

He wrote about a future SA without racism: "I would like to consider the policy direction which that SA will follow to be a merger of capitalism and socialism. I accept that capitalism is an important incentive motive and that personal remuneration and achievements often improve the quality of work.

"To work day after day for an inattentive bureaucracy never brought out the best in people. Therefore, the element of personal achievement must always be accentuated.

"On the other hand we cannot afford that a laissez faire capitalism, of the kind which resulted in the rape of the US, become the norm for SA. Capitalism is important to the development of the natural resources of a country like SA, but it should not lead to exploitation."

Twelve years later the same Motlana leads an endeavour to empower black people economically on a scale probably never seen before in SA.

Last week's announcement that Sankorp, industrial investment division of Sanlam, had sold part of its interest in Metropolitan Life (Metpol) to the black community, caused many people to remember the Afrikaners' own economic history.

Although the Afrikaner have been in political control since 1948, they did not have the same economic influence and power as their English countrymen.

The latest developments are not a classical repetition of history, but it is ironic that the predominantly Afrikaans group, Sankorp, this time pre-empted the predominantly English Anglo American, its insurance arm, Southern Life, and the latter's subsidiary African Life in respect of economic empowerment. To crown it all, Motlana was a director of Southern Life and African Life until recently.

Apart from the fact that present Metpol chairman Willem Pretorius is being replaced by Motlana, Methold will have five directors on the Board of Metpol.

They are Dr Enos Mabuza, former chief minister of KwaNgwane; Dikgang Moseneke, a senior advocate and a former senior member of the PAC; Don Makwanazi, director of the Black Management Forum; Archie Nkonyeni, president of Nafcoc; and Franklin Sonn, rector of the Peninsula Technikon.

Attie du Plessis, who was recently appointed to Sancorp's board of directors, accentuates that the transaction has been based on sound business principles.

From the perspective of black empowerment there can be little doubt that an insurer would serve as a sound instrument.

Also, Metpol is not Sankorp's proverbial crumb falling from the table. On the contrary, last year it received Sankorp's award for the listed company with a market capitalisation of R1-billion or more within this empire which has added most value to its shareholders during the three years until September last year.

Since its listing in 1986, Metpol's profit increased from R9,3-million in that year to R58,5-billion in September last year.

But in the new dispensation the insistence on socially accepted investments will definitely grow. Metpol has a meaningful investment in Yabeng. About 11,5 percent of its property portfolio is in black areas.

Motlana says large insurers in SA tend to invest for whites. Some of them even invest overseas on a large scale. He thinks it is necessary that Metpol should become more involved in the black community, especially in housing investments.

It cannot be doubted that Metpol is a company where the views of black people on these matters will have to be taken into account. Eighty-five percent of policy income comes from blacks.

Motlana said black people have for 25 years cherished the ideal to obtain or to found an insurer. When he heard that Sanlam/Sankorp was a willing seller, he immediately grabbed the opportunity.

Key Syfrets men to leave

(58) [illegible]

LINDA ENSOR

CAPE TOWN — Six key executives of Syfrets Managed Assets (SMA), including MD Leon Campher, have announced their departure from the group to establish a new subsidiary of JSE-listed Coronation Syndicate.

SMA, the institutional investment management arm of the Syfrets group, has assets under management, including assets of its unit trust, of about R8bn.

Those departing from end-June include Syfrets Growth Fund portfolio manager Tony Gibson who spearheaded the growth of the fund to its R700m level.

Trustee Fund portfolio manager Matt Brenzel, SMA portfolio manager Thys du Toit, investment research division head Hugh Broadhurst and computer expert Nick Walters will also be leaving.

They will take out an equity stake in a new company, Coronation Asset Management (CAM), a Cape-based company which will open on July 1 with Campher as MD.

CAM would initially provide portfolio advisory services to pension funds and major institutional clients, Coronation Syndicate directors David Barnes and Gavin Ryan said yesterday.

SMA was quick to reassure clients that the developments were fully under control and that it would be "business as usual".

It said it had taken steps to ensure clients would continue to experience the same level of performance and service they had come to expect from Syfrets.

"The parting is an amicable one. The main criteria for our negotiations are of course the long-term interests of the 60 000 Syfrets unit trust account holders as well as those of the private and institutional accounts currently managed by those individuals who will be leaving," the firm said.

BDay 24/5/89

Thousands have bond problems

BDAY 24/5/93. (58)

PETER GALLI

THOUSANDS of homeowners were seeking assistance from major banks on bond repayments, banking industry sources said at the weekend.

However, while all the major banks said they were "doing everything in their power" to assist homeowners suffering under the continued recession, they stressed each case was individually evaluated and that there was no guarantee of assistance.

Repossession was a last resort as the bank then had to resell the property — sometimes at a loss — and had often to install security guards to ensure the house was not robbed or vandalised, they said.

First National Bank senior GM Viv Bartlett said "a host of alternatives" existed for the homeowner experiencing financial problems.

"If there is any hope at all that the problem is temporary or soluble, we will do our level best to find a solution to help them through this period," he said.

A reduction in the monthly bond payment was the most common solution — where only the interest on the loan was payable and the balance was capitalised.

However, such a respite could be given only for a limited period.

FNB home loans and property finance division chief manager Andre le Trait said: "We have seen an increase in the number of people requiring financial assistance and are open to helping them as far as possible. All the banks have been involved in constructive negotiations on these very issues with Sanco."

Standard Bank home loans divisional GM Duncan Reekie said a major problem was that few people approached the bank at the outset of their financial problems.

"Discussions are usually only entered into when the bond is already in arrears," he said.

"We have to examine whether the problem is merely temporary or permanent and whether the full payments can realistically be resumed in the future."

However, the assistance seldom lasted for more than six to nine months. The situation was monitored constantly and any further changes in circumstances were taken into consideration.

If the agreement reached by the homeowner and the bank was breached, legal action was taken immediately. This took the form of a judgment and an attachment order for the property, he said.

An Absa spokesman said the "maximum period of grace was generally 12 months" and that the longer the bondholder took to approach the institution, the more difficult it became to solve the problem.

"Retrenchments and shorter working weeks have had a serious impact on disposable income. We attempt to sit down with the client and examine his income, household budget and what options are available," he said.

There were still "delinquent borrowers" in the market who merely packed up and left, but they represented only a small number and had always been there.

Few winners predicted in property game

B/DAY 25/5/93.

(58)

PETER GALLI

THE property market would experience extremely difficult trading conditions over the next year, Grove Property Fund chairman Fred Haslett said in the latest annual report.

The present oversupply of office and industrial space, the deteriorating ability of tenants to meet their rental commitments and the marked decline in prevailing interest rates would all affect earnings, he said.

However, the directors expected to at least maintain net income in the present financial year to end-February 1994. In the year to end-February 1993, net distributable income rose 6,4% to R15,68m and a dividend of 39,20c a unit was paid.

While capital funds of about R4,94m were available for property investment, a large portion of these funds were reserved for improvements to existing properties rather than for the acquisition of new properties, he said.

Groprop spent R220 000 on minor projects over the year and had committed R1,3m to the renovation and upgrading of properties.

It disposed of two industrial properties that did not perform to expectations, realising a non-distributable surplus of R30 000.

Haslett said, "The sale of further industrial properties is under consideration to obtain funds for investment in other properties, which is in line with our policy of continuously upgrading the quality of the portfolio."

The portfolio of retail, commercial and industrial properties vacancy factor dropped to 2,2% at the year-end from 3,5% in 1992. About 15% of the leases, by value, fell due in the present financial year.

Yesterday, 36 000 shares worth R100 800 traded at an unchanged 280c, off an April 13 high of 300c.

R2,6m STC bill helps dent Amaprop's profit

BDay 25/5/93 (58)

PETER GALLI

ANGLO American Properties' (Amaprop's) attributable profit fell 15,9% to R30,55m in the year to end-March from R36,34m previously after R2,59m was provided for the secondary tax on companies (STC).

This translated into a 14,28% drop in earnings to 67,6c (78,87c) a share. However, an unchanged total dividend of 50c a share was declared.

Financial director Lee Whitfield said the STC as well as a poor performance from the Carlton Hotel and Amaprop's township land sales was primarily responsible for the drop in profit.

Turnover rose to R231,24m from R217,95m, with pre-tax profit down to R39,99m from R50,75m. Normal tax of R3,7m (R11,17m) and an STC of R2,59m, resulted in a 14,8% decline in taxed profit to R33,7m (R39,58m).

While investment properties contributed a slightly higher R41,34m (R40,49m) to net profit, increased losses from township land sales at R7,19m (R4,06m) and the Carlton Hotel of R2,89m (R1,8m) had a dampening effect on attributable profit.

"Poor economic trading conditions, political uncertainty and the negative publicity of downtown Johannesburg continued to affect the profitability of the hotel," Whitfield said.

The group's current township development programme was drawing to a close with the completion of the first phase of Silver Lakes, east of Pretoria.

"Profit from land sales is recognised only on transfer when the stands are paid for and many were unaccounted for in the period under review. As a result, township land sales figures for the present financial year should be much better," she said. Amaprop had also increased provisions for bad debt as it believed in taking a more conservative approach in this regard.

Vacancies had also more than doubled in the period under review. Of the 448 464m² in its portfolio, 10,1% of the total space was empty from 6,6% in 1992.

"This is primarily due to the 12,8% vacancy in the office portfolio, while the retail portfolio has a vacancy of just 4,5%," Whitfield said.

"However, we expect earnings to be at least maintained at this level in the present financial year," she said.

Some 7 080 shares worth R37 484 were traded at an unchanged 530c in two deals yesterday.

Management rebuff led to SMA investment team's departure

BDAY 25/5/93. (58)

LINDA ENSOR

CAPE TOWN — The rejection by Syfrets' senior management of equity participation proposals by Syfrets Management Asset (SMA) executives was apparently the reason for their departure to join a newly formed rival asset management company.

Sources said the restructuring proposals apparently involved an element of unbundling and would have allowed the key executives to take part in the equity of SMA, a subsidiary of Syfrets, which was owned by Nedcor.

The six executives, considered the core of SMA's investment team, were told yesterday to leave immediately rather than serve out their notice to end June.

SMA management apparently considered it untenable for SMA — which had total assets of about R8bn — to continue operating with its core team on the way out. Investment responsibilities for Syfrets unit trust funds and certain institutional investment portfolios had been reallocated within its 40-strong investment team with immediate effect, Syfrets joint MD David Rennie said yesterday.

Capital market portfolio manager Rob Nichol has taken responsibility for co-ordinating activities until the return from leave of Syfrets joint MD in charge of investments Ashton Dominy.

Those departing — SMA MD Leon Campher, Syfrets Growth Fund portfolio manager Tony Gibson, Syfrets Trustee Fund portfolio manager Matt Brenzel, SMA portfolio manager Thys du Toit, investment research division head Hugh Broadhurst and computer expert Nick Walters — planned to join Coronation Asset Management, in which they would have an equity stake.

Campher would be MD of the new company, a subsidiary of JSE-listed Coronation Syndicate, directed by former UAL executives Gavin Ryan and David Barnes.

Coronation Syndicate had proposed that its new subsidiary undertake SMA's asset management functions on a contract basis. Rennie said this possibility was being considered.

Market response to the departure of the team has been snappy, with a stream of applicants already vying for the vacancies.

6th Schedule

New opportunity for life assurers

A Star advertising feature

The scrapping of the sixth schedule of the Income Tax Act has created a market for more flexible shorter term investments. The Star takes a look at the background of the law, the implications of the new regulations and some of the products on offer. Jenny Hunter Blair reports. Advertising: Wendy Schultz.

New tax opens up investment opportunities

Star 25/5/93

"The new life assurance tax has created exciting marketing opportunities for investment products," says Gavin Came, deputy general manager marketing and legal services Liberty Life.

"The only minor restriction is that the maximum benefit payable within five years is a return of contributions paid plus five percent per annum compound, with the balance remaining invested until the end of five years."

According to Came, Liberty Life is marketing four excellent investment products: the Lifestyle endowment policy, the Capital Bond, Systematic Part Redemption system, Lifestyle Income & Capital Builders.

THE LIFESTYLE ENDOWMENT POLICY: This popular product is designed for investment objectives with a term of only five years.

It is aimed at people who will require capital in five years' time to finance housing bonds, children's education and retirement.

No life cover is required and the minimum premium is R125 a month.

THE CAPITAL BOND: This product is for anyone with R5 000 or more to invest.

This single premium policy can be used for many purposes, such as capital growth, with no tax to be paid by the policy holder.

SYSTEMATIC PART REDEMPTION SCHEME: This is an attractive option for policy holders as it is a very flexible investment.

It can be left to grow for a number of years, Systematic Part Redemptions or cash sums can be drawn from it tax free, or the whole investment can be matured tax free at any time after five years.

LIFESTYLE INCOME AND CAPITAL BUILDERS. These back-to-back annuity funded products are available for five-year terms with a minimum contribution of R10 000.

For a combination of income and growth, the Income Builder is the perfect supplement to a Capital Bond because the income is guaranteed by Liberty Life for five to 10 years.

The policy holder is assured of his income regardless of fluctuations in the bonus rate.

The Capital Builder will be preferred to a Capital Bond by the client who prefers a more stable investment.

The advantage of the Builder is the rand cost averaging inherent in a back-to-back product and the capital is protected to a higher degree from a fall in investment values.

(58)

Law created to regulate industry

Star 25/5/93

58

THE sixth schedule was introduced into the Income Tax Act in 1972 to demarcate the boundary between business conducted by banks, building societies and life offices.

Investments of less than five years, with the exceptions of retirement annuities and life policies underwriting pension and provident funds, are strictly the domain of banks and building societies.

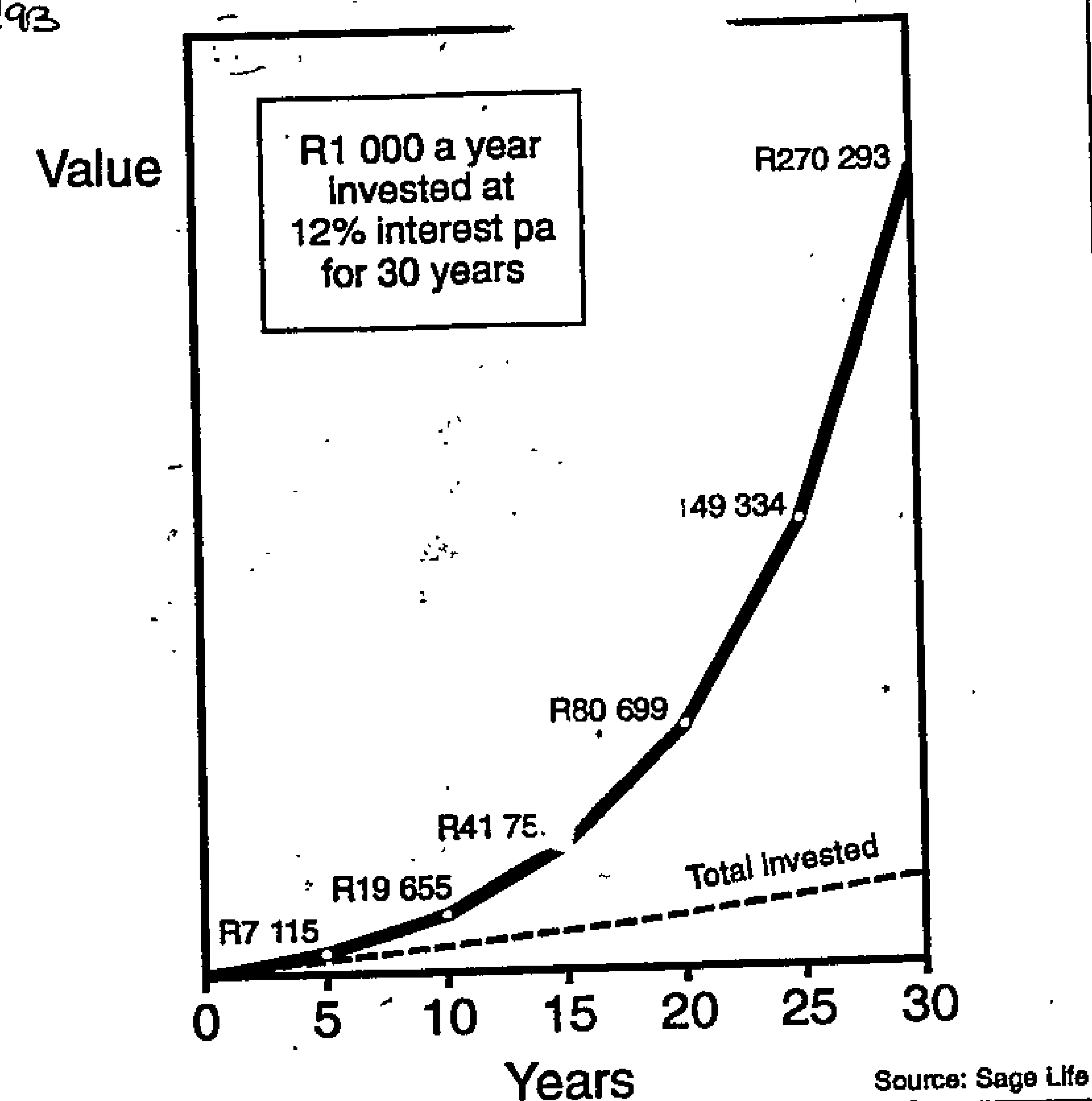
In 1988 the Registrar of Insurance banned life offices from providing guaranteed maturity, loan or surrender values within the first five years. The life offices agreed not to sell policies with a term of less than five years.

The government taxed life offices on policy holders' money at the same rate as investments made by private taxpayers. The sixth schedule, which was a form of double taxation, became an outdated way of regulating the industry.

In 1992 the Jacobs Committee recommended that the sixth schedule be abolished and replaced by regulations incorporated into the Insurance Act.

By agreement with the Government and the Life Offices Association (LOA) interim rules have been introduced to replace the existing laws.

The power of compound interest



Source: Sage Life

■ **Funding the future: HIGH COSTS** of schooling can be met with insurance

Scrapping of law will ease education funding

Star 25/5/93

The impending scrapping of the sixth schedule allows investors greater flexibility in structuring policies to fund education.

"THE ability of parents to provide their children with a good education is becoming very difficult from a financial point of view," says Liberty Life's legal and technical marketing expert, Helita Mankowitz.

Mankowitz says fees at some government schools have quadrupled over the past five years.

"The current cost of a three-year degree is R18 765. Assuming a 15 percent inflation rate, the same three-year degree will cost R152 700 in 15 years' time."

The impending scrapping of the sixth schedule allows investors greater flexibility.

The abolition of a minimum life cover requirement enables investors to maximise their investments. Previously policy holders were limited to a maximum annual premium of R1 500 or R125 a month in respect of pure investment policies.

That restriction has now been removed and policies may be taken out on the lives of parents or children for educational funding purposes.

"The problem of exceeding the maximum amounts of cover, in respect of policies with large premiums, on children's lives under the age of 14 has been overcome as life cover is no longer required," says Mankowitz.

Affordable education . . . The current cost of a three-year degree is R18 765. Assuming a 15 percent inflation rate, the same three-year degree will cost R152 700 in 15 years' time.

Grandparents can contribute

AN ideal opportunity exists for grandparents who wish to provide for their grandchildren's education.

Donations of R20 000 a year can be made without paying donations tax. This amount can be invested in a policy on the grandchild's life with the grandchild as the owner of the policy.

The policy could be structured in various ways: An endowment with an annual premium of R20 000, a single premium policy of R20 000 or a series of single premium policies.

The R20 000 can be divided equally among grandchildren as the R20 000 is cumulative.

The grandfather and grandmother can each donate R 20 000 a year because they are separate taxpayers.

By excluding collation in their wills and by structuring the policies as set out above, the policies will be excluded from estate duty on the grandparents' deceased estate.

Charter Life's portfolio soars

Star 25/5/93

THE Charter Life Managed portfolio performed well with an average of 18,7 percent for the taxed portfolio in the last four years — this is above the rate of inflation which averaged 14,3 percent during the same period.

"This performance was in spite of the need to fund guarantees of 4,5 percent," says Nobert Mureriwa, the manager of legal and technical services at Charter Life.

Charter Life is marketing its Charter Life Pure Endowment Policy, which, like other endowment policies, offers investors the following advanatages:

● TAX ADVANTAGES: The policy holder receives the proceeds tax free as the tax is paid by the life assurer.

This is an ideal way for older people to accumulate tax-free income over a short time span.

● GUARANTEED RETURNS: Most life assurers offer a minimum of 4 percent guaranteed return on endowment policies but the Charter Life policy offers 4.5 percent.

● FLEXIBILITY: The flexibility of the policy allows for inflation proofing through automatic premium increases of up to 20 percent every year.

Single premium policies are also allowed without any tax penalties.

● PERSONAL FINANCIAL PLANNING TOOL: The amazing flexibility of this-type of policy makes it a lot easier for personal financial planning as many of the previous restrictions have now been lifted.

● COMPULSORY SAVINGS INSTRUMENT: Endowment policies encourage people to save and the funds can then be used for medium-term projects.

The maximum quoted interest rate by the industry is 15 percent but in reality it could be much higher.

● EDUCATION NEEDS: It is now possible to invest more in a policy for a child's education without incurring the higher cost of life cover on a parent's life which used to happen in the past.

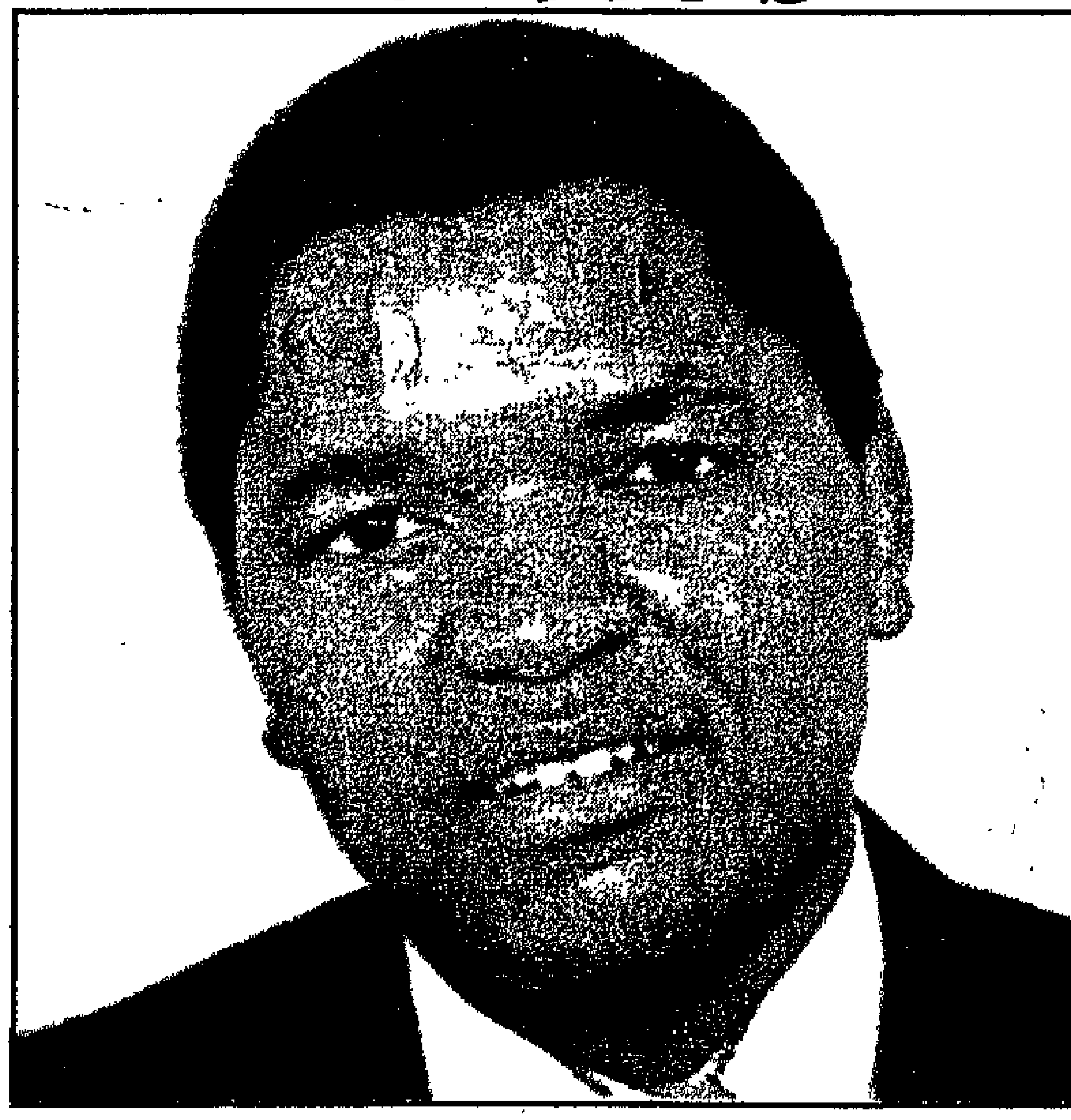
● LIFE COVER: It is possible to add life cover to an endowment policy should the individual needs change, which means the policy will cater for both investment needs and life cover.

The proportion of life cover to investment will depend on individual needs.

● ADDITIONAL BENEFITS: If the life cover is added to an endowment policy, additional benefits such as disability benefits may be added to suit the policy holder's needs.

● CORPORATE: Close corporations and companies may invest in five-year endowment policies without any tax disadvantages — even though the premiums may not be tax deductible the policy is a convenient way to accumulate funds which could be used to repay a debt or for other expenses.

● SECURITY: The investment portfolios of life offices have consistently beaten inflation and they provide a secure base for investors funds giving a high interest rate of 18,7 percent.



Nobert Mureriwa . . . manager of legal and technical services at Charter Life.

58

The four fund tax approach

Star 25/5/93

TO implement the tax advantage life offices will now have to keep four separate funds:

● Retirement funds — the income will be exempt from tax.

● A fund for individually owned life policies — the income will be taxed at the rate of 30 percent, which is the average marginal rate paid by individuals.

● A fund for corporately owned life policies — the income will be taxed at the corporate rate of 40 percent.

● A fund representing the balance of the insurer's assets — where the income will be taxed at the corporate tax rate.

The date of when this will become effective has still to be decided by the industry.

In the meantime tax paid by assurers will remain the same for two years after the changes have been made.

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the potential returns. Life.

4 products that offer major benefits

Star 25/5/93

MOMENTUM Life is offering investors four products — Capital Growth Plan, Income Plan, Whole Life Assurance, Endowment Policy — which offer the following advantages: (58)

Capital Growth Plan: The plan is a combination of an endowment policy and an annuity, which gives maximum growth with guarantees.

The endowment provides an investment with high returns while the annuity gives guaranteed contributions to the endowment. This provides tax free cash as a lump sum or income on the maturity date. It requires no life cover.

Income Plan: This is a variation of the above policy and also includes an endowment policy and an annuity, but the emphasis is on satisfying immediate income needs. The exact amount of income, when it is required and for what length of time is selected to suit the individual.

Whole Life Assurance: This policy allows a policy holder a tax-free lump sum at their death to be paid to their dependants.

It provides benefits for disablement and other health risks.

It is also an investment which can provide capital after five years.

Endowment Policy: The benefits are the same as the endowment policy marketed by Charter Life.

What do the new rules mean?

Star 25/5/93

WHAT are the new rules?

"They provide for a minimum five-year term, single or recurring premiums, with premiums able to be increased up to 20 percent of the premium paid in the previous year. Benefits are tax free, although loans and surrenders during the first five years are restricted," says Michael Belling, BA, LLB, Fellow of the Institute of Life and Pension Advisers (FILPA), senior manager marketing Sage Life.

"The changes apply to new policies and existing policies. This means that premiums on old policies may be increased up to 20 percent a year and payouts will be tax free."

With life cover no longer necessary it is now easier to use a policy as a longer-term savings vehicle. People who were previously uninsurable can now take a pure investment policy, without any restriction on the premium.

"Single premium investments can now be made by individuals or companies and the benefits will be tax free," says Belling.

However, he warns that shorter term policies won't always provide greater returns. He says the longer the term of the policy the better the potential returns.

Michael Belling . . . senior manager marketing Sage Life.

Star 25/5/93

Secondary tax hits Amaprop

Finance Staff

Anglo American Properties (Amaprop) reports a sharp decline in earnings per share as it had to pay R2,6 million in the new secondary tax on companies (STC).

(58)

In the 12 months to end-March attributable earnings before STC were 5,5c lower at 73,37c (78,87c) a share.

(232)

Inclusive of STC on the unchanged total dividend of 50c, earnings a share fell to 67,70c.

Poor trading conditions and losses from the Carlton Hotel and township land sales, brought pre-tax profits down from R50,8 million to R40 million.

After company tax and STC payments taxed profits were 14,8 percent down at R33,7 million (R39,6 million).

High fiscal borrowing confuses money markets

Star 25/5/93

Finance Staff

The Reserve Bank and the Department of Finance have been criticised for sending mixed signals to the financial markets, causing uncertainty about interest rates.

Over the past three weeks the money market, which is the prime indicator for interest rate directions, has fluctuated wildly, causing confusion in the markets.

The prime cause seems to have been a miscalculation in the Department of Finance, which took more than was needed out of the system in April, borrowing R8,5 billion for the month.

This amounted to one-third of total budgeted borrowing requirements of the government for the 1993/4 fiscal year.

The Department of Finance activity pushed the money market shortage to a year high of R6,3 bilion at the end of April, placing upward pressure on interest rates.

LP3 58

System

But the department started putting money back into the system and by last week the shortage had recovered to R2,8 billion, relieving the pressure.

In line with the dwindling shortage short-term interest rates have declined over the past few weeks. The Bankers Acceptance rate closed on Friday at 12,05 percent compared with levels of about 12,5 percent early last month.

A Finance spokesman confirmed that the department had borrowed "somewhat more than it needed".

Nedbank chief economist Edward Osborn said there was confusion in the markets about what had been intended by the sudden shortage and recovery.

However, the excess borrowing might come in handy in future if tax revenues fail to recover markedly from their lows of the first four months of this year.

In April, the first month of the 1993/4 fiscal year the take was 1,3 percent below the corresponding revenue in April last year, while spending was up by an annual 10,7 percent.

The budgeted targets for 1993/4 were a 16,5 percent rise in income and a 8,8 percent increase in expenditure.

April's deficit before borrowing at R5,3 billion was thus well ahead of budgeted figures and already accounted for 16,6 percent of the total targeted deficit of R32,2 billion for 1993/4.

If this trend is maintained the Department of Finance will have no option but to once again tap the market to fund excessive spending.

Broadcast union to seek interdict

LLOYD COUTTS

THE SA Broadcasting Staff Association (Sabsa) is expected to seek an interdict this week preventing the SABC from retaliating against industrial action at the corporation by withholding members' May salaries.

Sabsa's industrial action began on Friday after a dispute was declared when SABC's management refused to move from its salary increase offer of 7,5%. Sabsa was demanding a 10,5% pay hike. BDM

SABC group labour relations manager Christo Pretorius said yesterday the association could be in breach of a strike agreement, which could negate the protection granted the industrial action. 25/5/93

Pretorius said the SABC was investigating the possibility that the disruption of Saturday's rugby final on TV1 had been "sabotage".

He said the SABC was awaiting a response from Sabsa by Thursday to its proposals for settlement, but was unsure of the significance of Sabsa's weekend announcement that it would suspend industrial action until legal steps against the corporation were formalised.

Sabsa spokesman Valerie Hopper yesterday refused to comment.

Seeff ties up with UK estate agency

BDM 25/5/93.

(58)

LINDA ENSOR

CAPE TOWN — Seeff International Properties has formed an association with UK-based real estate agency Hamptons International, a step which is expected to generate mutual referrals of business between the two companies.

Seeff Residential Properties chairman Samuel Seeff said yesterday that an estimated 300 families in the UK were looking to emigrate to SA once they were able to sell their homes. The Seeff group had recorded sales of about R150m to foreign investors during the past five years, he noted.

He said the Seeff group was optimistic about the future of the new SA and felt it was time to lay the foundation for a future association with Hamptons. Already Seeff properties had been marketed to Hamptons' exclusive client base by means of brochures.

Seeff International Properties MD Carmella Seeff also believed that there were a growing number of British people considering a property investment in SA. Adding impetus to this trend was the favourable exchange rate and the close historical ties between the two countries.

Hamptons' referral relationship with Seeff was the first of its kind with a foreign estate agency, Samuel Seeff said. Hamptons had more than 100 offices in 16 countries and territories including Jersey, the US, Guernsey and Hong Kong as well as associated offices in France, Spain and Portugal. It was represented throughout the UK and in Scotland, serving the upper end of the property market.

Hamptons was a separately managed subsidiary of a leading financial institution offering services such as lettings and management, surveying, relocation, and commercial services. The Hamptons International division offered advice on the financial, insurance and legal implications of buying and selling property overseas.

High incidence of rape in SA fuels the rapid spread of HIV

KATHRYN STRACHAN

THERE is growing concern among medical experts that SA's extraordinarily high incidence of rape — amongst the highest in the world — is fuelling the country's AIDS epidemic.

Panos WorldAIDS reports in its latest publication that in SA a rape is carried out every 83 seconds on average. Victims of sexual abuse are increasingly worried about the risk of contracting HIV.

Johannesburg AIDS Centre spokesman Melanie Sacks said the violence involved in rape meant that the threat of contracting the virus was greater. "As the prevalence of HIV in the population rises, people who are raped will be at increased risk of infection," she said.

About half the rape victims seen at Baragwanath Hospital's special abuse unit in Soweto were less than 15 years old, and 40% of them were very young children, unit district surgeon Dr Thamsanqa Bomvana said.

Patients attending the unit were not screened for HIV because the test was considered too expensive. However, staff were pressing for routine testing because the risk of contracting HIV during rape was high and increasing steadily. The virus spread at a rate of 400 to 500 new infections a day.

A recent study by the National Institute for Crime Prevention and Rehabilitation of Offenders (NICRO) reached some stark conclusions: one in four SA women would experience rape; there were 380 000 rape cases in SA each year; and 95% of victims were black.

According to Wits Centre for the Study of Violence director Lloyd Vogelman gang rape, known as "jackrolling", had become a cult in certain deprived communities. "In a society that condones violence, the more extreme the violence, the higher the status. And gang rape is the worst kind of violence," he said.

Refiloe Serote of the Alexandra AIDS action committee said child abuse was increasing in overcrowded townships as poverty, unemployment and despair undermined family life. However, it was widely denied and rarely challenged.

Arrest warrants for witnesses

SUSAN RUSSELL

A RAND Supreme court judge issued warrants for the arrest of two of Gary Beuthin's witnesses yesterday after they ignored warnings to be in court.

Soon after Judge M J Strydom issued the warrants, one of the pair, Edward Jacobs, arrived.

He said he had been delayed at a business meeting.

Meanwhile, the court was told the State and investigating officer had been unsuccessful in locating a number of people Beuthin wished to call as witnesses.

Beuthin had furnished the court with a list of more than 20 witnesses he wished to call.

He has pleaded not guilty to kidnapping and attempting to murder Jill Reeves, 33, on May 10 last year.

Beuthin admits assaulting Reeves at her Melrose flat, but claims he did so under the influence of steroids, cocaine and alcohol after she provoked him and took his car without his permission.

Plan for home loan advisers unveiled

WILSON ZWANE

PLANS to train people to help defaulting borrowers have been drawn up, sources close to the SA National Civic Organisation (Sanco) said yesterday.

The sources said the organisation had submitted suggestions to the Association of Mortgage Lenders (AML), which represents SA's major home loan institutions, on how the training of community advisers should be carried out.

The sources would not give details of the suggestions, saying they were a matter for negotiation between Sanco and the mortgage lenders.

It is understood, however, Sanco does not want the community advisers to work as banks' agents but to be accountable to township residents.

The sources said that once an agreement had been reached on the nature and costs of training these community advisers, Sanco would present a list of suitable candidates.

One source said that as there were no "thorny differences" between the Association of Mortgage Lenders and Sanco on the matter, the training of the advisers would start soon.

It is understood government and the private sector will be asked to sponsor the training.

25/3/93

Exchange rate policy revision likely — Stals

LINDA ENSOR

SOMERSET WEST — SA would have to revise its exchange rate policy in the next 12 months to liberalise the flow of capital into and out of SA, Reserve Bank Governor Chris Stals told a meeting of central bankers from 14 African countries yesterday.

"Things are moving quite quickly," he said, adding that SA's dual exchange rate system was creating problems as many capital flows took place outside the system. But he cautioned that much would depend on sustained political stability.

"It will take tremendous courage in the present fluid political situation to abolish the financial rand system. Recent events in the political arena provided ample evidence of the need for the retention of this kind of a protective measure to serve as an economic shock absorber in times of political and social upheaval."

Stals pointed out that there was continued underlying pressure to withdraw foreign investments from SA. The finrand was trading at a discount of about 30% to the commercial rand. Also, between R5bn and R6bn in readily transferable liquid finrand deposits, retained with foreign exchange dealers, was waiting to leave the country. BDAY 26/5/93

"SA will first have to regain its creditworthiness before such a major step as the final abolition of the protective financial rand system will become feasible. In the meantime, there is little scope for moving away from the present situation."

Access to IMF and World Bank funding would also facilitate a review of the exchange controls.

Another obstacle to merging the financial and commercial rands was the debt standstill, as Stals said it would be unethical to prohibit non-residents from taking out their money while allowing residents to do so. He expressed optimism that negotiations with SA creditor banks would solve this situation.

In an interview Stals said it would take time to abolish exchange controls. He envisaged that the three exchange control mechanims — the debt standstill, the finrand system applicable to non-residents

☐ To Page 2

Forex BDAY 26/5/93

☐ From Page 1

and the exchange controls applicable to SA residents — would be phased out in that order. "The phasing out of the controls applicable to non-residents should perhaps get priority because, it is argued, the existence of these controls discourages the inflow of new investment by non-residents."

Stals expressed interest in the Zimbabwean system which allowed residents to invest a specified amount each year in neighbouring countries and said the Reserve Bank would have to consider this in future. Zambian central bank governor Dominic Mujaisho said SA's exchange controls could prevent it from exploiting the region's investment potential.

Stals said the emergence of the rand as the single regional currency would be an evolutionary process. SA would have to earn this status by keeping down the rate of inflation. This would naturally lead neighbouring countries to attach themselves to the SA exchange rate.

He did not foresee this role for the rand in the present circumstances because of the huge divergence in sub-Saharan Africa's economic development. It would be extremely difficult to integrate the economies of the region at this stage, and SA would have to focus more on economic and financial co-operation.

It would also be difficult for the rand to play the role of a single regional currency while SA's extensive exchange controls were in place. In the long term, however, the expansion of trade and economic relations would give rise to the need for a single currency and the rand was a good candidate for this.

☐ Stals said the April year-on-year inflation rate — due for release this week — was expected to be in the region of 12%. He noted that the underlying rate was less than 10%, and that an increase in the rate of about two percentage points had been allowed for the effects of the VAT hike.

● See Page 3

Seeff lands R20m property mandate

ANDREW KRUMM

SEEFF Commercial Properties has picked up a three-month mandate to sell a package of three office buildings in Cape Town, says director Errol Diamond.

He expects the 11 594m² portfolio, which includes Minelli House, Nerina House and Cameo House, to sell for more than R21m.

"The capital value of the portfolio exceeds R20m. In addition, the buildings are centrally situated in the CBD and were refurbished two years ago."

The package would be sold on a 12,5% yield, at full income, on behalf of a private seller.

"For all practical purposes the buildings are fully tenanted. Although the vacancy schedule stands at between 10% and 15%, the owners have agreed to underwrite vacancies for two years." BDAY 26/5/93

Long-standing tenants included government departments, a technical college, a design studio and law firms. The portfolio also had a small retail component.

Diamond expects investor interest from corporate and private buyers in the Transvaal and Natal.

"About 70% of the interest we have seen and the sales in the past few months have come from Transvaal and Natal buyers looking for a foothold in the Cape."

PETER GALLI reports that Seeff Projects has appointed a full-time broker in Johannesburg to sell its western Cape residential properties.

Jacky Platzky is an experienced coastal and residential property agent and is one of the few agents selling only western Cape properties to Transvaal clients.

"Political uncertainty and an increasing security threat is causing a large number of Transvaalers to move to the Cape, which is seen as a safer place for investment," she says.

Her portfolio consists of developments in the southern suburbs, Clifton, False Bay, Stellenbosch and the west coast, at prices from R55 000 to R3m.

PETER GALLI

R50m for three Fedlife developments

BDAY 26/5/93. (58)

FEDLIFE Assurance has committed more than R50m to three commercial property projects over the past few months.

Property investments deputy GM Eugene Loubser said Fedlife had signed a purchase and development agreement with a consortium consisting of Bridgeport Properties, Sable Holdings and Abland for the development of an office park in Bryanston East, Sandton.

The development — on the corner of Meadowbrook Lane and Sloane Street — will be known as The Oval and comprise six Victorian-styled office blocks giving 8 700m² in lettable space. Another 700m², free-standing building will housé a restaurant.

The theme is that of a pavilion surrounding a cricket oval, which is in line with Fedlife's policy of providing functional low-density offices in a pleasant environment.

"The project will take place in two phases and will depend on demand for space. The first phase will consist of three office blocks, the restaurant and the landscaping and is scheduled for completion by end October."

Marketing will start next month and the building is expected to be substantially pre-let on completion. Flexibility of space is well suited to allow small and medium-sized tenants to retain their individuality.

Fedlife has also bought the Barrow Dewar development under construction on Jan Smuts Avenue, Parktown North. The R12,3m development — just north of Keith Kirsten Nursery and bordering the Rosebank office node — will provide four double-storey office blocks of 700m² each.

Covered and open parking, in the ratio of four bays per 100m², will be provided. The low density development will have a Cape Dutch theme with landscaped open areas and is scheduled for completion by January 1994.

In another Fedlife project, financial services and insurance group Heritage has decided to move its operations from Auckland Park to a new head office building in Sandton. The office, situated on the corner of Grayston Drive and Daisy Street in Sandton, will be funded by Fedlife, which is also handling the project management.

The tender for the construction of the 2 500m² period-style building was awarded to Kirchmann Hurry, for completion by the end of November.

Hype aside, OK's state of health still written in red

BIDAY 26/5/93

MATTHEW CURTIN

AFTER the razzmatazz of OK Stores' official relaunch on Monday, management at the retail chain faces the daunting prospect living up to its promises.

In an impassioned speech to about 1 000 suppliers and OK staff, MD Mervyn Serebro said it was "wake-up time" for the SA retail industry.

The group was "a sleeping giant" and the OK was out to establish itself as "a customer and price-driven mass market discounter".

Take out the hype — the speech was relayed on six huge video screens at a function in Johannesburg — and a brighter, brasher OK, more at ease with itself, nevertheless remains a retail group in the red.

Sales in the year ended March showed no real growth, with paper-thin trading margins leading to sharply lower trading profit, swallowed up by interest charges from servicing multimillion-rand borrowings. At end March debt stood at R703m, marking the cost of holding R700m in stock and consolidating associate finance company Okfin.

Group financial director Geoff Kearney says radical financial restructuring of the group is not an option. "We have no plans to recapitalise the group beyond the R200m loan already provided by SAB," he says. The SAB loan enabled OK to convert a large tranche of its borrowings from short- to long-term.

The Okfin debtors book will not be sold. Kearney says OK will focus on improving operating performance to provide the cash-flow with which to address financing problems.

"Stock reductions and better stock-turn can take a huge slice out of our borrowings," he says, noting that debt over and above the debtors book can be reduced most rapidly. The key will be achieving sustainable sales growth after years in which mounting stock and rising costs have outpaced any increases in turnover.

Kearney admits OK's decision to reposition itself as a discount retailer will intensify the squeeze on gross-profit margins. The payoff, he hopes, will come when improved sales volumes enable OK to win better terms from suppliers and when improved revenue reduces the pressure on financing working capital with debt.

The problem with that is that OK is already a mass merchandiser. If its present volumes were too small to squeeze discounts out of suppliers, how great would they have to be? OK will not be chasing greater sales or market share in a vacuum — competitors will not be sitting idly by.

Kearney says that the group, guided by unnamed UK management consultants, has taken a hard look at the success of US and UK discount stores Wal-Mart and Tesco.

He attributes their success to two main factors: Tesco's discounting philosophy of "pile it high, sell it cheap and quick" and Wal-Mart's refined cross-docking system of ensuring goods arrive from suppliers and are processed through warehouses with minimum time on storage shelves.

Wal-Mart and Tesco have focused on "on-sale" performance, ensuring that the 200 or 300 hundred basic products which shoppers require are on the shelves at all times.

Kearney says the OK has some way to go on these fronts, if only because he believes the SA retail business is less sophisticated than in the US or Europe. This might be more credible if the only comparison was with Checkers. It ignores the fact that Pick 'n Pay regularly reports sound profits.

Yet, the main aim of Monday's launch was to convince suppliers that in return for a promise of greater efficiency from OK management, they were expected "to come to the party" by offering discounted prices for longer periods on their produce if they want OK's business.

One industry source notes that after the no-nonsense wage settlement with the SA Commercial Catering & Allied Workers Union last month the industrial relations atmosphere within the group may be a sign the OK is moving forward.

The crunch will come in a year if OK has not made as much progress as management hopes for. Quite apart from the financial problems, the group will face a workforce, marshalled by Saccawu, whose wage expectations may be out of line with the company's performance.

Further industrial relations acrimony would be a sure sign the OK has not shaken off its malaise.

Brenmill sustains growth

Bren. BIDAY 26/5/93.

MARCIA KLEIN

BRENNER Mills (Brenmill) doubled its earnings to 32,8c a share in the year to end-February, its second year of strong growth after a three-year period of declining profits.

In the past year, the maize meal, malt and animal feeds manufacturer's share price has risen by 225c or 409% to its current level of 280c, representing one of the largest share price gains on the JSE.

Turnover figures were not given in its report, but sales grew 29,2% over the previous year. In financial 1992, turnover showed no growth over the previous year. Operating profit rose 85,3% to R13,9m, with an improvement in margins.

Chairman and joint MD Arnold Brenner said the company was based in the northern Transvaal, with its mills spread across the region. This, together with the fact that it was a smaller player, meant it could supply fresh, quality produce and provided good service. Its ability to react immediately to problems led to increased sales.

Effective cash management and control over working capital resulted in "a significant generation of cash balances". The company received interest of R790 000 after paying R281 000 the previous year. This resulted in an increase in pre-tax profit to R14,7m from R7,2m.

Profit after tax doubled to R7,6m from R3,8m. A final dividend of 10c a share was declared to bring the full-year dividend up 125% to 18c a share.

Commenting on its cash-flush position, Brenner said: "In this economic climate, we are happy to be in this liquid position. But we'll be looking for possible good acquisitions in the not too distant future."

He said the coming year would be difficult. Although white maize was back in circulation and imported maize was a thing of the past, the imported maize had left its mark on the market, particularly in terms of consumer resistance.

There were additonal pressures in terms of increases in fuel prices and wages and salaries.

Two more SMA executives quit

LINDA ENSOR 58

CAPE TOWN — The attrition among leading executives at Syfrets Managed Assets (SMA) continued yesterday with two more people resigning to join the rival Coronation Asset Management (CAM).

Acting head of research Vannessa Carlow and administration manager John Snalam resigned. A source said they were not happy with the situation at SMA. BIDAY 26/5/93

This brought to eight the number of resignations in the past week, the others being those of SMA MD Leon Campher, Syfrets Growth Fund portfolio manager Tony Gibson, Trustee Fund portfolio manager Matt Brenzel, portfolio manager Thys du Toit, investment research head Hugh Broadhurst and computer expert Nick Walters. All planned to join CAM.

Acting SMA co-ordinator Rob Nichol confirmed the resignations. He said SMA was confident of finding quality replacements, as response from applicants had been enormous.

Legislation proposed to assist small saver

ARG. 26/5/93

BRUCE CAMERON 58
Business Staff

LEGISLATION to establish a new direction in commercial banking to accommodate small savers will go before parliament this year, Reserve Bank governor Dr Chris Stals has announced.

This follows increasing criticism of commercial banks for forcing out small savers to concentrate on the upper end of the market.

In a recent speech, head of the ANC economic department Trevor Manuel warned banks to "restructure or be restructured" to meet the demands of the lower end of the market.

Dr Stals told a conference of bankers from 12 southern African countries there was a view that the present banking system had neglected the needs of lower-income people.

The new legislation would provide for mutual savings organisations, which would ensure easier finance for small business undertakings.

Dr Stals said the legislation to amend the Financial Institutions Act would place different and easier requirements on the envisaged savings institutions from those placed on the commercial banks.

Special arrangements were being considered to allow the new savings institutions Reserve Bank assistance.

"The obvious huge need for more funds for housing is also receiving attention at this stage ..."

Dr Stals said the large institutional investors, who had gained control over the major part of personal savings, were being pressured into redirecting more of their funds to social upliftment.

But it should be remembered that in a market-oriented economy, financial institutions acted as intermediaries between savers and borrowers.

The institutions carried equal responsibilities for their depositors and borrowers.

Dr Chris Stals

Keys set to widen customs union

SA preparing for new relationships with international finance institutions

ARG. 26/5/93

BRUCE CAMERON
Business Staff

FINANCE Minister Derek Keys is set to renegotiate the customs union to allow more countries in Southern Africa membership.

He told a Somerset West conference of bankers from 12 countries in Southern Africa that in the process he hoped to redefine the benefits of the union, which were presently lopsided against South Africa.

He said allocations to Botswana, Lesotho and Swaziland, as well as the four independent homelands, were large in relation to what they contributed.

With the imbalance it would be impossible to bring in new members.

"Clearly we have to see if we can come to a definition of a larger customs union.

The redefinition should seek to establish what was due in a customs union and what was aid. If the union could be redefined, then it would be well-placed to expand.

Mr Keys also said South Africa was preparing for new relationships with institutions such as the IMF and the World Bank, as well as with the European Community.

He said the organisations were insisting on the double-consensus principle before new relationships could be finalised. In terms of the principle there had to be internal consensus.

This would be possible within six weeks with the formation of the Transitional Executive Authority.

There then had to be consensus among the member countries of the organisation that South Africa's credentials should be accepted.

Mr Keys said he was keen to see negotiations with the EC for a mutually acceptable agreement begin as soon as possible.

He told the delegates that at the moment South Africa would not seek entry into the Lome Agreement, which gives developing countries access to the EC.

The plan, based on the government's economic normative model published earlier in the year for revitalising the economy, should be taken to its next stage by August.

Mr Keys said the development of the plan was part of the Department of Finance's programme for the next 12 months, which would see the country into the first elections.

The plans would also form part of the agenda of a finance sub-council of the Transitional Executive Council, which should be established soon.

He said the government had elected to widen the mandate of the finance sub-council to give a wider group of politicians an understanding of "what we are trying to do".

He warned that in the transitional process up to elections there would be an "affect on the economy and heightened tensions. It is not a pleasant prospect to contemplate".

The economic model aimed at putting South Africa back on to a growth rate of more than 4,5 percent was being ripped apart with his encouragement.

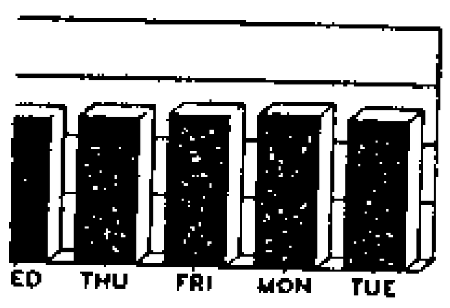
The next stage was to accommodate the critics without limiting the model's proposals to stimulate growth.

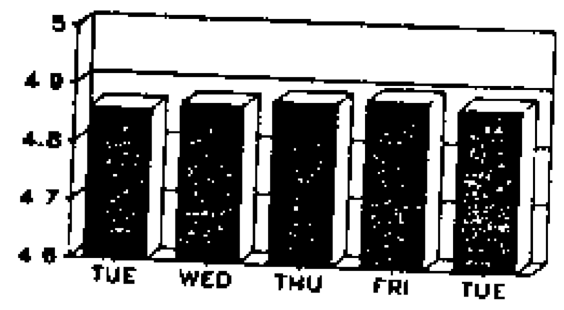
It was important the final plan had the widest possible support.

Then: "The real work will begin. Then we have to get down to working programmes."

Mr Keys said there would be about 20 different programmes covering fields such as exchange control, productivity, training, tariffs and the international competitiveness of South African business.

The Department of Finance was also proposing a restructuring of financing for central government, the proposed new regional tier of government and local authorities.





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Star/FNB Investors Club

THE next meeting of the Star/FNB Investors Club, which takes place on Thursday June 17 at the Sandton Holiday Inn, will focus on the Johannesburg Stock Exchange and stock market investments.

Do you want to find out what the prospects for the JSE are, how the stock market works and how you can invest on the JSE? Then this seminar is for you.

Booking is essential. To book please call Cordev Marketing on (011) 483-3214 during office hours. Club members pay R15 while non-members pay R30.

Keys seeks wider union for customs

Star 26/5/93

By Bruce Cameron

CAPE TOWN — Finance Minister Derek Keys is set to renegotiate the Customs Union to enable membership to be spread to a wider range of countries in the region.

In a speech to a conference at Somerseet West of bankers from 12 countries in the southern African region, Keys said he hoped to redefine the benefits of the union, which were lopsided against SA.

Allocations to Botswana, Lesotho and Swaziland as well as the four independent homelands were large in relation to what they contributed. With the imbalance it would be impossible to bring in new members.

"Clearly we have to sit down and see if we can come to a definition of a larger customs union.

Keys said South Africa was also preparing for new relationships with the the IMF and World Bank, as well as the European Community.

Consensus

These organisations were insisting on political consensus before new relations could be finalised. This would be possible within six weeks of the formation of the Transitional Executive Council (TEC).

Keys said he was keen to see negotiations with the EC start as soon as possible. But SA would not seek entry into the Lome Agreement, which gives developing countries access to the EC.

Turning to domestic policies, Keys said the normative economic model, published earlier in the year for revitalising the economy, would be taken to its next stage by August.

The plan would also form part of the agenda of a finance subcouncil of the TEC which should be established soon.

Arrival of Syfrets investment team adds R24-m to Corsyn

Star 26/5/93

By Derek Tommey

The news that Syfrets's top investment team is to join investment company Coronation Syndicate (Corsyn) has boosted the value of Corsyn shares by R24 million to R75 million.

In the process, it has increased the value of the Corsyn shares held by controlling shareholder David Barnes by about R12 million to R40 million.

Acording to latest reports, Barnes holds 52 percent of Corsyn's shares.

Since Monday, when the news about the team was announced, Corsyn's shares have risen 250c to 800c.

Barnes is not the only person to benefit; the holdings of Gavan Ryan, who has a 26 percent stake, have risen by about R3 million to R20 million.

Barnes has become a wealthy man in an extremely short time.

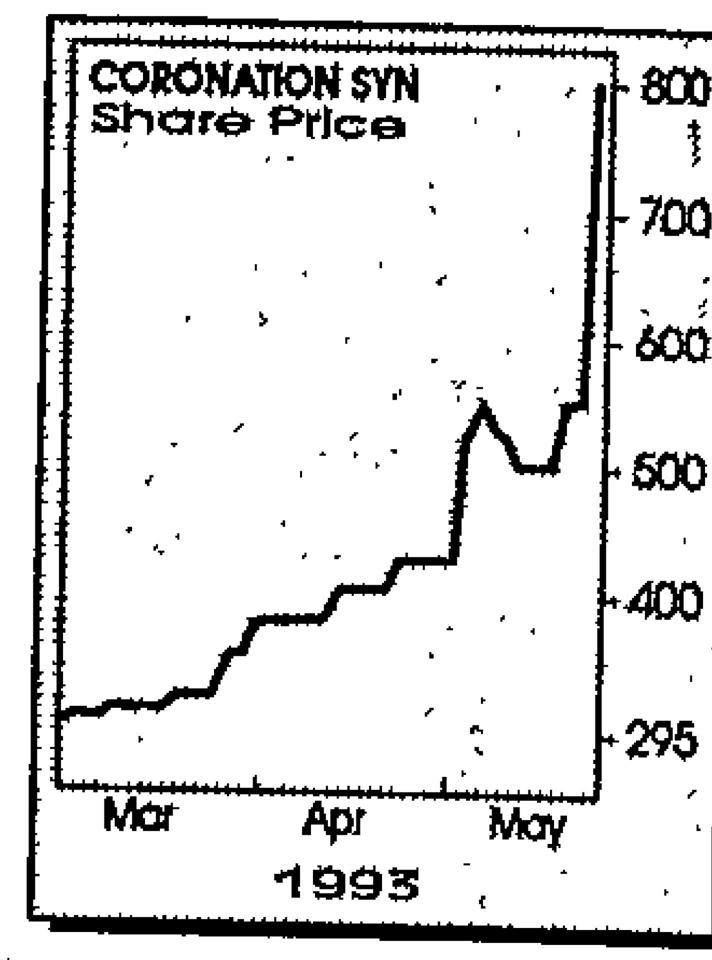
Last September, a syndicate of Barnes, Ryan and UAL obtained control of Corsyn by buying 3,96 million shares from the controlling shareholders for 105,3c a share, or R4,17 million.

Corsyn then acquired Barnes's Securities Development & Trading (SDT) for R3,6 million in exchange for 3,46 million new shares, also at 105,3c a share.

The 7,4 million shares acquired by the consortium at a cost of R7,8 million were equally divided among UAL, Barnes and Ryan. Subsequently, UAL sold its shares to Barnes.

This outlay of R7,8 million has now grown to R60 million.

It is clear that the prospect of getting shares in Corsyn and achieving returns similar to those enjoyed by Barnes and Ryan must have been a major factor in inducing Syfrets's top team to join Corsyn, say observers.



Some people believe Syfrets should have done a deal with the six in order to keep them.

But bankers say no major organisation could ever reward its employees the way Corsyn might.

This is not to say that major organisations are not handsome payers. Barnes worked for UAL for 10 years, spending most of his time running its bond department and becoming a multi-millionaire in the process, says one source.

But Barnes wanted more than this and left UAL in 1990 to start SDT.

Ryan was an executive director of UAL until he joined Corsyn — highlighting how strong is the lure of equity. Some people have questioned whether the acquisition of six new employees justified a R24 million jump in Corsyn's market value.

But with other companies in the same business standing on earnings yields of 6 percent, the six need only increase Corsyn's earnings by R3,6 million before tax to justify such a share price increase.

Thursday May 27 1993 SOWETAN

BUSINESS Indirect stake in insurance giant

Sowetan 27/5/93

Shares on offer to blacks

■ **Selling price will be R1 each says Methold chairman Nthato Motlana:**

By Mzimkulu Malunga

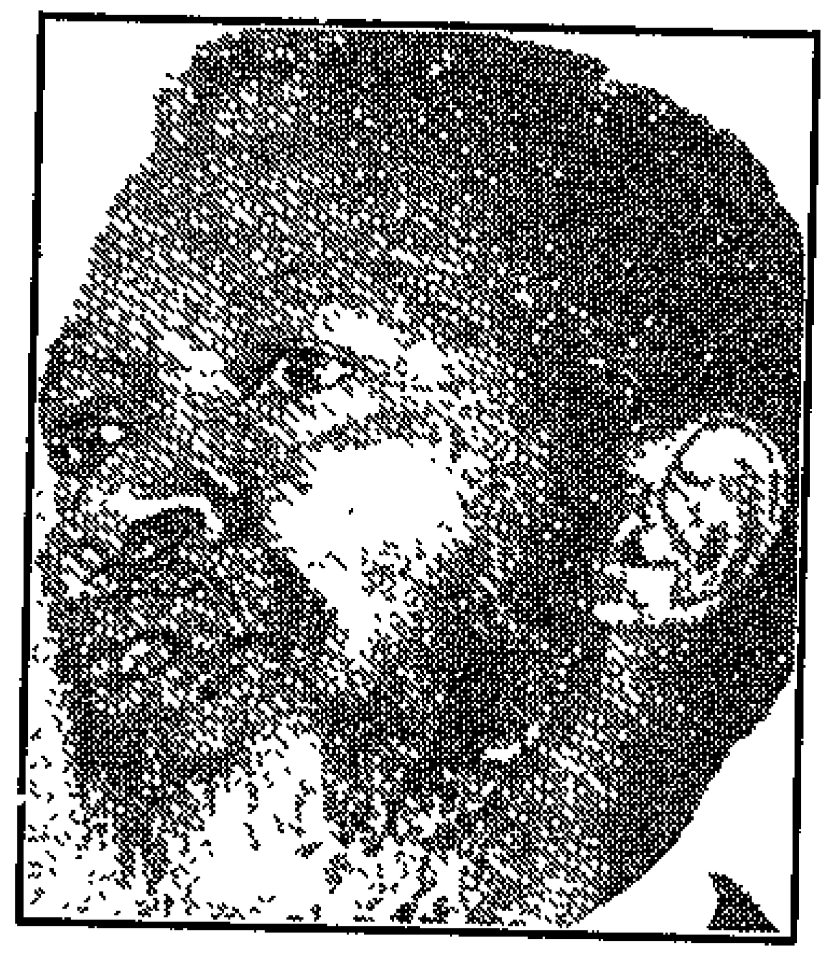
THE newly established Metlife Investment Corporation will invite the black public to buy its shares in a month's time.

Methold chairman Nthato Motlana said the shares would sell at R1 each.

It is not clear how many shares will be issued to the public but the company has a total of about 6,8 million shares.

Methold was born out of a transaction in which a group of blacks bought a 10 percent shareholding in insurance giant Metropolitan Life.

Owning shares in Methold gives a shareholder an indirect stake in Metpol. The latter's shares are priced at over R20 on the Johannesburg Stock Exchange.



Dr Nthato Motlana

Motlana said his company had an option to increase its stake in Metpol to 29 percent.

"Such a development will depend on how fast the shares are bought."

Metropolitan Life would take a lead in investing in socially responsible areas such as housing, he said.

The company would also attempt to influence other major players in the insurance industry to do the same.

"We are aware that returns on investments like housing are low. We will have to balance them with other forms of investment yielding high profits."

Socially responsible

If insurance companies ~~do not start~~ investing in socially responsible projects now, a future government would force them to do ~~so,~~ according to Motlana.

"But if we start doing it now, at our own pace, there will be no need for the government to pass legislation to that effect."

BMA derails govt bond market plan

(56)

PAUL RICHARDSON
and TIM MARSLAND

GOVERNMENT attempts to set up a formal bond market have been derailed by Bond Market Association (BMA) members' refusal to ratify its rules, sources say.

At a meeting on Monday members voted 37-16 not to approve the rules for the organisation. Instead they requested that the Registrar of Financial Markets alter the Financial Markets Control Act to make the BMA voluntary instead of compulsory.

BMA CE Graham Lund said he did not believe the vote would derail the BMA's formalisation. But he said the registrar's decision on the Act could determine the BMA's future, adding that the life offices had suggested a committee approach the registrar to change the Act.

Sources who attended the meeting said government representatives had been unhappy with the developments.

It is understood BMA members have had difficulty in reaching consensus on the running of the BMA. BDAY 27.5.93

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 consists of banks, issuers, investors, stockbrokers and independent intermediaries.

According to the Act, any transaction involving a listed financial instrument has to take place on a licensed exchange. Until now, government has exempted bond market players from the requirement.

'Masterbond gave kickbacks to Urban Foundation staff'

LINDA ENSOR

CAPE TOWN — Masterbond agents gave Urban Foundation employees kickbacks to invest R15m of the foundation's money in Masterbond, the Nel commission into the collapse of the Masterbond group heard yesterday.

A former Masterbond agent in the Transvaal, Mark Galbraith of Galbraith & Associates, said the foundation's employees were paid "commission" for monies invested with Masterbond.

RAY HARTLEY reports that Urban Foundation CEO Sam van Coller said yesterday the matter of a R15m investment in Masterbond by the foundation's treasury unit, of which R10m had been recovered, had been referred to the SAP's Commercial Crime Unit.

"The investment in Masterbond was made by the manager of the treasury unit contrary to the investment criteria laid down by the foundation's investment committee at the time," he said.

Van Coller said the R15m did not involve money donated to the foundation, but consisted of money "from treasury trading operations which were linked to the foundation's housing operations at that time".

The foundation had submitted an insurance claim for the unrecovered R5m.

Galbraith also told the commission how at a convention in October 1990, life assurer Fedlife's representatives had promoted an equity participation scheme involving Masterbond investments. He said the scheme was described as a safe investment offering substantial returns.

The representatives said Fedlife had earmarked R40m of annuity and pension fund money for investment in the scheme.

Galbraith said that on the basis of these representations, agents for IPC, which was associated with assurance brokers Galbraith & Associates and which owned 40% of Masterbond Holdings, had begun marketing the scheme. However, he said in a letter to Fedlife he established that Fedlife's investment division had cautioned against taking part in the scheme.

Fedlife invested R18m of "sacred pension fund money" in the scheme, using IPC to sell it. Galbraith said Fedlife had, since Masterbond's liquidation, reached an agreement with investors on the funds.

Galbraith told how he spent three hours with former Masterbond chairman Kops Jonker the day before the group was provisionally liquidated. Jonker made no mention of the pending court action, assuring Galbraith Masterbond had a bright future.

Another witness, Sidney Goodwin, who was Masterbond's main agent in the Transvaal, told the commission how a R30m bond was registered over Mykonos Weskus in October 1990, about a year before the property was valued at R47m.

He suspected that the valuation had been structured to accommodate the two-thirds bond rather than to reflect the value of the property.

He claimed Financial Services Board executive officer Piet Badenhorst authorised the early payment of Masterbond funds deposited with Pretoria Bank on condition that the money was invested in a specified way. In fact, R12m was invested in a noninterest-paying Fancourt Holdings bond. The funds, Goodwin said, were not used for development but to repay R12m of a debenture bond into the short-term debenture bond pool.

SA will not push to join OAU, says Pik

CAIRO — Foreign Minister Pik Botha said yesterday SA already had "virtually normal" ties with most African countries and would not actively push to join the OAU.

His three-day groundbreaking trip to Cairo was the latest stage of a charm offensive by Pretoria to normalise ties with Arab countries before nonracial elections.

Botha said SA was looking for a location for a trade office in Cairo and a high-level Egyptian business delegation would visit SA next month.

But Cairo has made clear it will open diplomatic ties only as part of an OAU initiative.

"We're looking forward to the day we can take our place (at the OAU) but it's not a matter we are going to push," Botha told a news conference.

Botha said trade between SA and other African countries had doubled in the past two years.

He described a UN oil embargo, still in force although now openly flouted, as a total failure. — Sapa-Reuter.

UAL given high rating by Republic

B/Day 27/5/93

58

REPUBLIC Ratings has accorded UAL Merchant Bank a "stand alone" rating of A1 for its capacity to repay short-term borrowings.

Republic director Dave King said UAL was only the second merchant bank to qualify for this high rating.

He said the rating was accorded after an intensive investigation into the quality and stability of UAL's asset portfolio, funding base and earnings stream. It also incorporated a detailed evaluation of the bank's key risk management structures.

Noting that UAL had significantly improved its risk management procedures and systems, Republic said UAL's asset base was highly liquid and of a very high credit quality.

Furthermore, its funding portfolio was well hedged and adverse movements in interest, price and foreign exchange rates would not have an excessive impact on profits.

While certain individual exposures were large in relation to the bank's capital base, King said these were largely with blue chip organisations, many of which had already been accorded high investment grade ratings by Republic.

UAL was also considered strategically very well positioned in its market with particularly good trading capabilities.

"As a result it is presently the most profitable merchant bank in the country with return on equity exceeding 35% over the past two years and return on assets retained in the region of 1,3%. UAL also has significant surplus capital and its risk weighted capital adequacy ratio is presently amongst the highest in the banking industry," UAL said. — Sapa.

COMPANIES

New training programme

WILSON ZWANE

THE International Management Centre will soon launch a comprehensive training programme aimed at stimulating the development of entrepreneurs and business leaders. B/Day 27/5/93.

The centre said the programme would enable participants to put together a properly researched business plan. The programme would cover all business aspects, including product research, marketing, accounting, manufacturing and operations.

The centre said the programme's forerunner, the National Workshop initiated by the Australian government in 1979, had contributed significantly to business development.

Survey predicts cut in Bank rate

BDay 27/5/93

(58)

TIM MARSLAND

THE odds favour a one percentage point cut in Bank rate by October, according to economists polled by SPL Treasury Services.

SPL said this should see the home loan rate dropping the same amount to 15% between July and October. Its worse case scenario was for the rate to remain unchanged, while its best case showed the rate coming down in June and continuing to fall to 14% by April next year.

However, while the sharp drop in home loan rates over the past 15 months seemed to be over, two more cuts in rates in the next 12 months were possible.

SPL said the overall downward trend in interest rates remained intact, although further movements in rates would be relatively small.

The uncertainty in the country was reflected by the big difference between the expected, high and low forecasts.

Longer-dated capital market rates were unlikely to decline much in the next 12 months. Any closing of the gap between long- and short-dated interest rates would be due to short-dated rates rising to meet the longer rates, which would remain flat.

Graphic RUBY-GAY MARTIN Source

Forecasts are gathered from a panel of economists and the figures are fed into SPL's interest rate forecasting system.

Economists who took part in the survey were Louis Fourie (Boland Bank), Nick Barnardt (AHI), Ulrich Joubert (Transnet), Adam Jacobs (Absa), Dennis Dykes (UAL), Wikus Marais (Johan Marais Brokers), Eddie Lindeque (Eskom) and Rudolf Gouws (Rand Merchant Bank).

Mine safety 'compromised'

EDWARD WEST

SUPPLIERS of raw materials for specialised cement for the mining industry claim that imported cement from China is compromising mine safety.

Since the beginning of the year mining houses have been using calcium sulphonate alumina cement imported from China by Fosrock, which had established a joint venture with the Chinese for the export of the cement, said Fosrock chairman Anthony James.

This specialised cement maintains its strength in the humid conditions undergound.

Fondarge MD Cecil Seymor, one of the suppliers of the specialised cement, said no long-term tests were conducted on the properties of the cement because of its recent introduction. But he claimed initial tests had indicated the cement induced corrosion in structures.

Another competitor who did not wish to be named claimed the sulphur content in the cement reacted with water and rusted steel. This had dire consequences for underground mining which used the cement for rockbolt grouting to prevent rocks from collapsing.

James denied the cement compromised mine safety and said he was considering legal action against companies making such claims.

St Helena mine 'cautious' about gold price rise

(240)

BDay 27/5/93

WELKOM — Marginal St Helena Gold Mines said it needed sustained gold earnings of about R40 000/kg for at least six months to feel benefits.

"We're very cautious about the gold price and its current volatility," Gencor consulting mine engineer Peter Robinson told mine analysts.

The mine received R33 100/kg for April which includes undisclosed revenue from long-term forward sales positions. Current spot earnings would be about R39 000/kg.

St Helena is currently mining only its richest ore areas after massive down-scaling since 1989.

"We're at a point now where we can't rationalise more unless we close shafts," acting mine manager Jaap Storm said.

The workforce was reduced to 3 000 from 12 000 three years ago.

Robinson said sustained higher gold earnings of about R40 000/kg would allow the mine to re-enter the bulk of its ore reserves. This would not entail much capital expenditure.

Last October the mine turned its full focus on A-grade sections, such as the pillars in the worked-out areas of No 10 shaft which still have spectacular grades of 50 to 100g/ton.

St Helena also began using transvac suction units to recover gold dust that was washed into cracks in the carbonaceous rock of the No 10 shaft area — the first SA gold mine to use them in full production.

Officials said the contribution by the giant vacuum cleaners had significantly reduced losses.

Robinson said the mine aimed to cut current costs of R29 000/kg to R22 000 by using transvac units, and by cross-training workers for a variety of jobs to improve productivity.

St Helena was still operating well below capacity, with 68 000 tons a month being mined from its peak of 240 000 tons 10 years ago.

However, current gold production of 380kg a month was expected to rise to 520kg even if B-grade areas were not re-opened, he said.

The mine has applied for government permission to work seven days a week. — Reuter.

New legislation is aimed at helping the small saver

Star 27/5/93

By Bruce Cameron

CAPE TOWN — Legislation to establish a new direction in commercial banking to accommodate small savers will go before parliament this year, Reserve Bank governor Dr Chris Stals has announced.

This follows increasing criticism of commercial banks for forcing out small savers to concentrate on the upper end of the market.

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(58)

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Special arrangements were being considered to allow the new savings institutions some assistance from the Reserve Bank.

"The obvious huge need for more funds for housing is also receiving attention at this stage."

The large institutional investors who had gained control over the major part of personal saving were being put under pressure to redirect more of their funds to social upliftment.

But it should be remembered that in a market-oriented economy, financial institutions acted as intermediaries between savers and borrowers.

The institutions carried equal responsibilities for their depositors and borrowers.

"Undue risk exposures for financial intermediaries can easily lead to either a decline in total saving or in disintermediation."

Bankers moot sub-Saharan survey

BDM 28/5/93. (58)

LINDA ENSOR

SOMERSET WEST — A group of sub-Saharan central bankers, including some from SA, have proposed formation of a committee of central bank governors to co-ordinate a regional survey on monetary, investment and trade issues.

This emerged from a private conference on regional co-operation organised by the Financial Mail (FM) and sponsored jointly by the FM, Standard Bank Investment Corporation, the Reserve Bank and the Industrial Development Corporation.

Representatives of finance ministries, nine central banks and commercial banks in the sub-Saharan region attended.

The findings of the survey would be brought to the attention of regional governments to provide momentum for the general process of change, FM editor Nigel Bruce said. He stressed that delegates were unable to commit their governments to any plan of action.

Bruce said concern was expressed over the possibility that the SA economy's regional dominance would lead to SA monopolising the best trading opportunities.

There was agreement on the need to rapidly remove all restrictions on SA's outward investment in the light of the country's substantial regional trading surplus. It was felt that exchange controls in the region should be abolished as soon as possible, and tariff barriers be removed.

Delegates felt gradual moves should be made toward the creation of a southern African trading bloc, preceded by the enlargement of the preferential trade area and Southern African Development Community to include SA.

They believed the Development Bank of Southern Africa should be enlarged to include the whole region, while commercial banks should be encouraged to establish special small business units to increase credit flow. There was a need to improve regional infrastructure.

Delegates also proposed that foreign aid flows be co-ordinated and that the private sector be further encouraged to become involved in development.

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ECONOMY & FINANCE

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Continued from page 31

against is outlawing other methods of trading. That's all."

Another matter — perhaps more profound — is that if the concept of an orderly, legislated market for gilts can be challenged then what's to stop the same principle being applied in respect of the JSE, the Stock Exchange Control Act and the whole governance of equity markets?

Now there's a proposition for Michael Katz and his committee considering the JSE's future to contemplate. *David Gleason*

BMA FM 28/5/93

Bombing out

(58)

Finally, it seems clear the battle lines have been drawn in the Bond Market Association. It is an organisation of many disparate lobbies and it's never entirely certain who is lobbying with whom against what, but this time one member, the Life Offices' Association (LOA), has thrown down the gauntlet at the feet of the regulatory authority, the Financial Services Board.

The concept of a formal bond market, embracing all users of gilts instruments, is enshrined in the Financial Markets Control Act. It makes a formalised market a legal requirement and no-one can buy and sell listed financial instruments other than through a recognised exchange.

The association has been five years in the making — and many crucial issues remain unresolved. Principal among these are the rules under which it is to operate: they have been drafted seven times in some form or another.

The latest decision is to produce a different rule book for different stages of the operations: the first phase relates to the rules regulating trading reporting and the use of Unexcor, the clearing house owned and operated by the principal banks; another, scheduled for September, concerns electronic settlements; the last relates to risk management and is due in April 1994.

And the Bond Market Exchange won't receive its full licence under the Act until it complies with all the requirements — and that includes getting the association's rules in place. Until then, the association operates on the basis of exemptions.

The LOA, meanwhile, has signalled its profound dissatisfaction. In an open letter to members of the association, it reveals its unhappiness at attempts to formalise a market which, in fact, functions well. Time and again, it has expressed the view that it's important to resolve fundamentals first.

The solution it has offered — rather in the way of a bombshell — was put to the executive committee of the association this week: what it seeks is nothing less than amendment of the Act to provide that use of a formal bond market should not be compulsory. It should be a market of convenience, used when institutions and players deem it appropriate.

The proposals, apparently prompted by the Old Mutual's Johannes van der Horst and Isak Mostert, received overwhelming support. By a vote of 37-16 in favour, the association's executive resolved to request Financial Services Board CE Piet Badenhorst to arrange for draft legislation amending the Act to be submitted to parliament.

Badenhorst, who was at the meeting, was reportedly taken aback: his view — and presumably that of the board — expressed after the vote, is that a regulated, formal market is an essential requirement and the legislation cannot now be amended to provide for a two-tier market.

The development raises two issues: The first must be to question why it has taken so long for the LOA to bring matters to a head: four years is surely long enough. Mostert says: "I must point out the Old Mutual is a member of the Bond Market Association. As such, we've been part and parcel of the decisions taken. What we are emphatically

Continued on page 34

Higate and Highstone increase their dividends

Bpm 28/5/93. (58)

PETER GALLI

HIGATE and Highstone Property Funds have both increased dividend payments in the year to end-April in spite of difficult letting conditions and a generally weak property market.

Higate saw an 11,7% rise in dividend income to R23,51m (R21,06m in the comparable period in 1992), while interest received rose 5,8% to R2,72m (R2,57m), resulting in total distributable income 11% higher at R26,24m (R23,63m).

The final dividend of 12,5c a unit was in line with the forecast at the time of its rights offer in March.

The rights issue was 99% subscribed and raised R61,6m.

As a result of the increased number of shares in circulation after the rights issue, the total dividend for the year was 6,2% up at 81,25c (76,5c) a unit.

The directors said the company had performed well considering the weak property market and the adverse effect of lower interest rates on earnings.

The portfolio's vacancy factor was less than 1% at the year end. About 17% of its leases, by value, were subject to review, and 8% fell due for renewal in the present financial year, they said.

The sale of three of its smaller properties for R4m yielded a capital surplus of R1,3m, while R3,4m was spent on improving and developing existing properties.

Higate spent R5,1m on a shopping centre and acquired industrial properties worth R18,5m during the period.

The fund has another R46,3m available for property investment.

Yesterday 15 000 Higate shares worth R109 500 traded in two deals at an unchanged 730c.

Highstone improved dividend income by 5,9% to R12,53m (R11,84m), the directors said.

This was offset by a 53,3% plunge in interest income to R526 000 (R1,13m), which resulted in a 0,7% gain in net distributable income to R13,05m (R12,96m) or 21,4c (21,25c) a unit.

The vacancy level of 6% at year-end — reflecting difficult letting conditions — had since been reduced to 4%, the directors said.

About 5% of its leases, by value, are subject to review in the present financial year, while 14% fall due for renewal.

Loan Account

At the present home loan interest rate of 16 percent, the applicant will receive the following payments which are usually credited directly to the home loan account:

Sowetan

28/5/93

- R173,78 for the first two years
- R150,00 for the third year
- R127,44 for the fourth year
- R104,27 for the fifth year
- R81,10 for the sixth year
- R57,93 for the seventh year

58

Disa slashes its loss to R314 000

MADDEN COLE 58

DISA Development Corporation remained in the red in the six months to February in spite of a significant reduction in its attributable loss.

The company reported an attributable loss of R314 000 compared with a loss of R1,9m in the same period last year. Net interest paid increased to R782 000 (R761 000). This translated into a loss of 1c a share. Comparisons are not possible as last year's loss a share was not given. The interim dividend was passed.

In March the company narrowly avoided termination of its listing for not publishing its financial year-end report on time. 28/5/93

MD Theo Stergianos said margins continued to be eroded, resulting in a loss being recorded for the period. The group's shift to middle and high housing would bear fruit in 1993.

INSURANCE LAW 58

Will power

FM 28/5/93

A recent decision in the Transvaal provincial division of the Supreme Court has important implications for the life assurance industry.

The court held — on the wording of the life policy under consideration — that the policyholder could appoint new beneficiaries without notifying the assurer. This applies even if the choice of beneficiaries nominated in the policy is revoked.

Momentum Life assistant GM: legal Martin Kourie says assurance proceeds are, in general, paid directly to the beneficiary nominated in the policy when the assured dies and do not form part of his estate.

In the case of Wolmarans vs Du Plessis in March, the court decided this nomination could be overridden. The judgment held that the words "the policyholder can revoke the nomination . . . by giving written notice thereof to the assurer concerned" permitted the policyholder to use this method to change a beneficiary nomination but did not preclude him from making the change through his will.

Kourie says the judgment means that, in principle, beneficiary nominations may be altered by will where the policy document does not specifically exclude that right. In view of this decision, assurers will probably amend their policy documents to nullify the effect of the judgment by excluding the use of a will to amend beneficiary nominations.

The decision implies that assurers who don't check for alterations in wills could pay the proceeds of life policies to the wrong people — unless policy documents make it compulsory to alter nominations by written notification to the assurer. ■

MMF — 2 FM 28|5|93

Who pays the piper? 58

Passengers in motor vehicles have limited rights if their own driver causes an accident — R25 000 maximum. That's the limit the MMF (Multilateral Motor Vehicle Accidents Fund) will pay, in terms of the MMF Act, and after that recourse against the driver must be through the civil courts.

The situation was highlighted this week when a Sandton woman — a former model and actress — who was involved in an accident which left her paralysed, was awarded R25 000. The case was brought by the father of Justine Marais for R3,6m against Santam and Nick Carter of Fourways, Sandton.

MMF director Willem Swanepoel explains how the limit came about: "The third party legislation has been concerned with damages caused by one driver to parties in another vehicle. It has never attempted to be a comprehensive policy. If a person enters a vehicle as a passenger, there is an assumption that the passenger has assured himself or herself that the vehicle is roadworthy and

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the driver is competent to drive. That is an adult responsibility."

It follows, says Swanepoel, that when a minor enters a vehicle, the parent or guardian has taken care that the vehicle is roadworthy and the driver competent.

So, where does the R25 000 limit arise, when by logic it should be zero? Swanepoel says a system of payment regarded as *ex gratia* has been created. It bears little relationship to reality. Since it covers situations which were not envisaged by the MMF Act, it could be scrapped. Alternatively, it could be made more flexible. A further complication — if an accident victim or the estate accepts an MMF payment, does the victim have a right to proceed further along normal civil court procedures? At present, the answer is yes.

But the MMF, technically insolvent, is more worried about the number of deaths and injuries in taxi accidents. If it accepted passenger liability for these, its level of technical insolvency would multiply ■

MMF — 1 FM 28/5/93

Spreading the bread (58)

Until the board created for the Multilateral Motor Vehicles Accident Fund has met formally, the insurance industry will have to sweat a little. They will only know where they stand after the board has decided the quotas to allocate to insurers bidding for MMF business. (Meanwhile composition of the board — an outcome of the recent Melamet report into MMF affairs — has been decided but not yet Gazetted.)

The board will allocate the "days" when various insurers handle third-party claims. A "day" means that any accident reported on a particular day involving the third-party process is allocated to a designated insurer.

One of the criticisms that emerged from the Melamet report was that the allocation of "days" was uneven. Santam had almost 40% and a small insurer, now liquidated, had more than 11%. Some major short-term insurers got nothing of the lucrative third-party business. "Days" are to be reallocated.

Insurers who do large volumes of motor class business, such as IGI and Aegis, may enter the pool.

Willem Swanepoel, new CEO of the MMF, would probably like to see his own team handle more of the claims, so distancing itself from the agency system which was mauled in the Melamet report. He is known to have improved the size and quality of his in-service inspection team with this in mind.

He will say only that the insurers who will be appointed as agents for the future will have to be acknowledged in the motor insurance market and possess suitable systems for

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processing claims. That makes Aegis and IGI strong contenders. But there could be others. Some existing quotas will be cut. ■

Bottlenecks stall development funds

(58)

BDAY 28/5/93.

GRETA STEYN

BOTTLENECKS in development finance channels were preventing hundreds of millions of rands from reaching the people who needed the money, Development Bank of Southern Africa MD Andre la Grange said yesterday.

The bank is expected to announce next month that little more than half of the R1bn originally earmarked to be paid out during the March 1993 financial year had found its way to people on the ground. This was despite a record value of projects approved during the year.

La Grange declined to release figures, but said the past financial year had been frustrating because the intermediaries providing the link between the bank and the people had failed to deliver adequately. These organisations included homeland development corporations, local authorities and non-government organisations.

The limited capacity of the intermediaries to implement development programmes was increasingly threatened by the political stalemate. As an example of the bottlenecks in the development process, La Grange noted the importance of legitimacy at local government level. Organisational structures which had the capacity to deliver lacked legitimacy, while those with legitimacy, such as the civics, lacked infrastructure.

La Grange said the World Bank's pledge to lend $1bn to SA would be translated into development only once delivery systems had been improved. At the interim stage, the bank reported a 60% plunge in loans paid out over the half-year period and a downward revision in its target for the year. However, it is understood that the revised target of R750m for the year as a whole was not reached.

The bank said when its interim figures were released last year that political uncertainties had "complicated the ability to reach consensus on the implementation of projects". Other factors affecting loan disbursements included the recession and drought relief efforts which had moved the focus from development lending to relief.

The De Loor report on development found there was no short-term shortage of development finance for existing institutions but that delivery was a major problem. Moves are believed to be afoot to improve delivery in the homelands.

The Development Bank is highly liquid, but observers said this would change rapidly once the political situation changed.

Syfrets hit by more resignations

(58)

LINDA ENSOR

CAPE TOWN — Eight more Syfrets Managed Assets (SMA) staff have resigned to join rival Coronation Asset Management (CAM), bringing the total number of defections over the past week to 16.

The departing group included former SMA MD Leon Campher, leading portfolio managers, researchers and information technology and administrative staff who were approached by Coronation Syndicate to work for its new subsidiary CAM.

Some had already left, while others would leave at the end of June.

The first appointments to fill the gaps left by the eight departed SMA executives were expected to be made next week, Syfrets joint MD Dave Rennie said yesterday.

He said SMA had been approached by many top-level individuals from rival companies and interviews had been held.

All posts would be filled by June 15 but Syfrets would be extremely selective in choosing new people. It would employ only high-calibre people able to work as a team within the Syfrets structure.

Rennie described the departure of the group as a "major disappointment" but said Syfrets had the structural depth and strong, committed remaining staff to overcome the problem. BDay 28/5/93.

He said management had started to address the reasons which had prompted the resignations.

"Important as the departing individuals were to Syfrets, the reality is that they were part of a solid organisation comprising researchers, portfolio managers and diverse financial experts — all backed by the most sophisticated computer system operational in any local financial services institution," Rennie said.

AMPROS TOWNSHIPS (58) FM 28|5|93.

Move over Raymond Ackerman

Unless there's a quick turnaround of stock, township development is unprofitable. That's the conclusion Ampros has drawn after 20 years in the business of developing townships and selling serviced residential, commercial or industrial stands. It now plans to accelerate the rate of disposal of its developed land and has taken a strategic decision not to invest further in township development.

"We have not had a bad experience in township development," says sales & marketing director Grahame Lindop. "In the residential market we have set industry standards and introduced walled, secure estates as well as user-friendly environments by establishing pony trails, lakes for windsurfing and nature trails, in various estates. We have also been a leader in environmentally friendly office and industrial parks.

"What we have failed to achieve, which is not uncommon to developers, is the pace of disposal needed to make it profitable. It's a capital-intensive business and we adopt a conservative financial treatment of unsold stock. We apply memorandum interest to unsold stock and bring term sales to account only when cash is received, which is conservative but realistic. This all highlights the need for fast turnover."

With R205m of developed land nationwide on its books — R150m residential, R50m commercial and industrial, and the balance virgin land — Ampros is now gearing up to become to potential stand owners what Pick 'n Pay is to housewives.

In essence, this means accelerating the rate of land disposal to unlock cash, using aggressive retailing tactics. "I have the greatest respect for Raymond Ackerman's marketing techniques," says Lindop.

More flexible pricing is being applied to commercial and industrial land, as well as to the residential portfolio. There's unsold commercial and industrial stock at Waltloo Extension 1, east of Pretoria (roughly 13 ha of unsold serviced industrial land), Kyalami Business Park (33 ha unsold for offices, light industrial and distribution), Waterfall Park, Midrand (17 ha for offices and distribution) and in Powerville near Vereeniging (90 ha of partly serviced industrial land).

Ampros has already cut the price of some residential stands by up to 15% and started making term buying more attractive. Its recent absorption of the four-percentage-point increase in Vat for 100 days on land sales is an example.

Other incentives include cutting the deposit, subsidising the rate of interest, and giving discounts to term buyers if they convert to cash. "The main objective is to hook buyers, if necessary on terms, and then try to turn those sales into cash," says Lindop.

Ampros' Grahame Lindop ... *the stand buyers' friend*

Ampros is planning a national advertising campaign — as high profile as its nine-month, rent-free offer in office leasing. "Our free rent advertising caused a lot of unhappiness among competing landlords," Lindop admits, "but we conceived it before tenants demanded it and when the market was price-sensitive. Other landlords have now followed suit. It's that kind of aggression we want to bring to land disposal."

Lindop plans to exploit the referral aspect in land sales — which he says is strong — on a national basis. Selecting the right agent or agents is one way and Ampros is evaluating several with offices around SA.

Lindop has no reservations about exploiting Anglo American's name to back up sales. "In a recent survey of buyers of stands in Silver Lakes in eastern Pretoria to ascertain why they bought, 98% of the sample did so because Anglo was the developer. In the wake of the Masterbond and other debacles, knowing that the developer is not about to go bust offers valuable security."

Ampros, which never had a marketing department *per se*, acquired one in February by changing Lindop's title from national leasing director to sales & marketing director. This followed the retirement of ex-estates development director Peter Gardiner. Lindop has since been charged with both the disposal of land and buildings, and the leasing of commercial and industrial space.

Lindhop says all selling activities, previously divided, have been placed under one person. The rationale is to attain more of a marketing focus and become more aggressive.

Ampros has 1 300 residential stands to sell spread among 10 estates, notably in:

- ☐ Silverlakes golf estate, Pretoria, R85 000-R140 000 (stands vary from 1 000 m²-1 200 m² in size), where 220 stands have been sold out of 808 developed;
- ☐ Welgedacht, Bellville, R90 000-R145 000; 61 of a total of 407 stands (in all phases) sold;
- ☐ Kyalami Estate, average price R65 000 for 1 000 m² stands — 124 stands sold out of 270;
- ☐ Fairfield, Sandton (next to the new Fourways Mall), averaging "a bargain" R39 000 for just under 1 000 m² — 55 stands left out of 209); and
- ☐ Dovehouse Dale, Gillitts, north of Durban, where 4 000 m² stands are selling at R38 000. Only nine are left out of 90 developed.

Ampros also has 86,5 ha of agricultural land near Vereeniging on the Suikerbos River, a tributary of the Vaal, with potential for 410 stands. It wants to sell outright for R1,5m-R2m. It's also contemplating selling Kyalami Estate Extension outright — land adjoining the proclaimed township that has not yet been serviced. ■

TIMESHARE

Bids and counterbids

FM 28|5|93

Shareholders in the liquidated Natal South Coast Cabanas del Mar and Cabanas del Sol timeshare resorts at Winkelspruit, near Amanzimtoti, should soon know whether they have a realistic hope of salvaging their investments. There's a deadline of noon today for offers to buy the properties.

Liquidators Coopers Theron Du Toit (Ca-

* * cont'd

REBATE INCREASED

FM 28|5|93.

Cape Town's residential property owners will be spared the full impact of rates increases averaging 80%. Though initially blocked by the city council, the residential rates rebate will now be increased from 26% to 35% (*Property* May 21).

This month councillors voted 14-13 to increase the residential rebate from 26% to 35% but later supported a move by councillor Leon Markowitz to rescind the decision. Markowitz later withdrew his notice of intention to have the decision rescinded and paved the way for the higher rebate.

DURVAL MARQUES

FM 28/5/93 58

Banking on his community

Bank of Lisbon MD Durval Marques's rapid fall from grace has left the banking fraternity and Portuguese community stunned.

Marques (59) resigned this month and was immediately arrested on charges of foreign exchange fraud, theft and corruption (*Economy & Finance* May 21). Particularly intriguing are his alleged dealings with now-deceased millionaire Marino Chiavelli.

"Some R21m could be at stake," says a spokesman for the Attorney-General's office. Marques is free on R150 000 bail but had to surrender his Portuguese passport.

Reputedly earning around R240 000 a year, Marques maintains that his arrest was sparked off by a vendetta against the bank. He refused to talk to the *FM*.

Certainly his public image doesn't fit the profile of a criminal.

Known as a tireless champion of numerous charities — he's a founder member of the Academia de Bacalhau, which supports charities internationally, and the Portuguese Welfare Society of SA, otherwise known as Beneficência. Marques has also been instrumental in building an old-age home for Portuguese in Kensington, Johannesburg. Another home is under construction.

It's not surprising then that the Portuguese community rallied to meet Marques's bail.

Marques ... *facing challenging times*

Says prominent Portuguese businessman Giorgio Pagan: "I have known him since he first came to SA in 1967 and during that time I don't recall him ever being too busy to help anyone in need.

"He was particularly involved in helping Portuguese refugees integrate into SA after the (Portuguese) revolution of 1974 and the independence of Mozambique and Angola."

The son of a wealthy family, Marques was born in Pacos de Brandao, in northern Portugal.

After reading economics at the University of Porto, he started his working career as a lecturer at a technical college. But he soon changed direction. In 1961 he joined the Portuguese Ministry of Labour and three years later left Europe for good, heading for Angola. There he joined the Banco de Angola and promptly advanced to a managerial position. In 1967, Marques moved to the Bank of Lisbon in Johannesburg. The bank was established a few years earlier to facilitate trading ties for Portuguese immigrants.

Marques succeeded Charles Marais as MD in the early Seventies. A member of the Institute of Bankers, he is also the chairman of several Lisbon Bank companies.

Described as an energetic and youthful man with many interests, Marques has always been involved in promoting Portuguese culture — first as president of the now defunct Lusitano Football Club from 1973 to 1975; then as director of the Portuguese radio station Radio Paralelo 27 from 1977 to 1983. He is now chairman of M-Net's Portuguese channel.

Pagan says there is a lot of anger at the way in which Marques has been all but found guilty before being tried.

The local Portuguese magazine O Século says it has been inundated with calls of support for Marques, particularly from the Portuguese business community.

Marques and his wife, Carol (36), have a seven-year-old daughter, Nicole.

Marina Bidoli

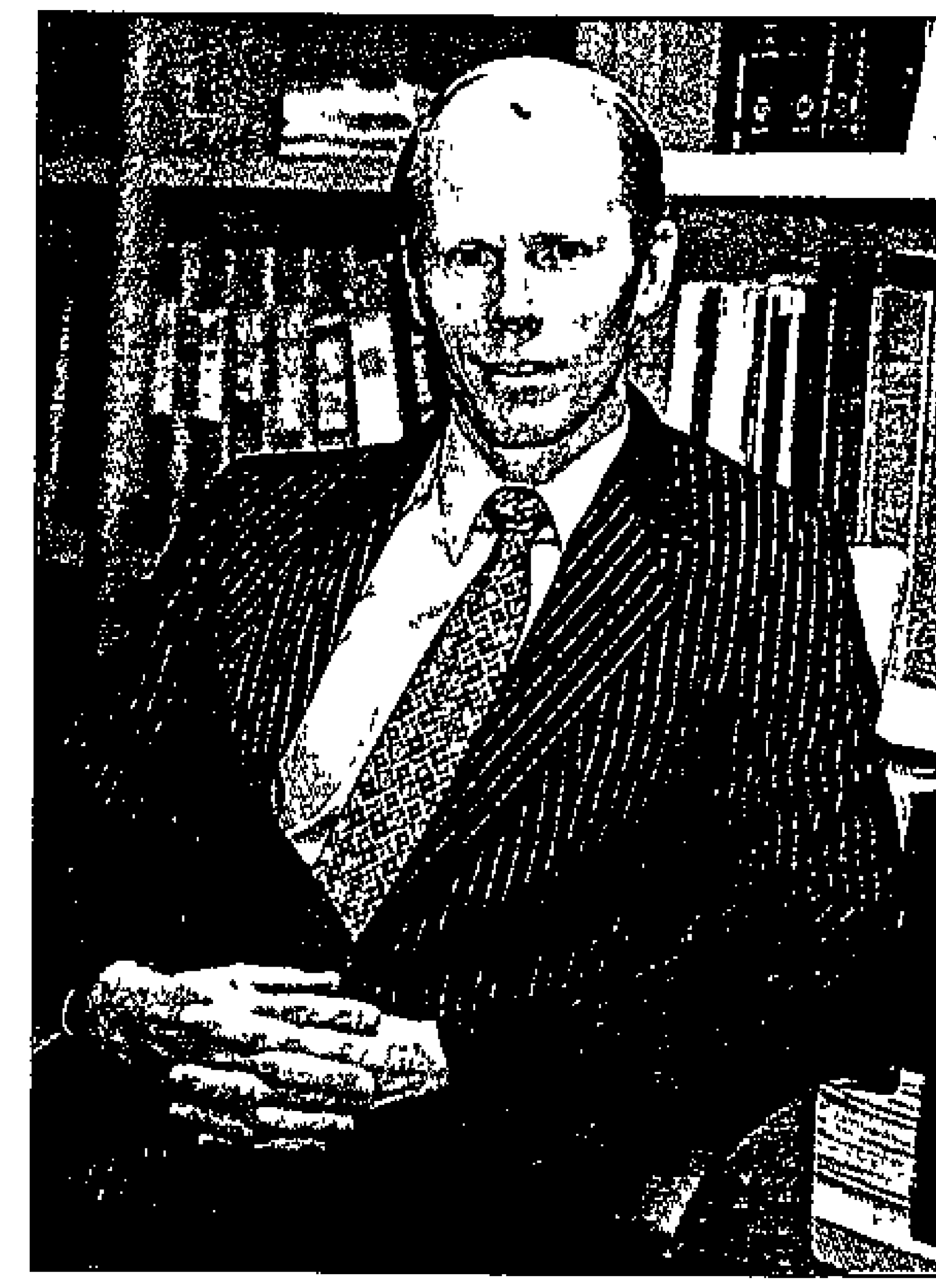
MARIUS VAN BLERCK

Taxing tribute

It can't be often that Anglo American — the epitome of SA's waspish sector — supplies the candidate who walks off with the Afrikaanse Handelsinstituut (AHI) Junior Corporate Businessman of the Year award.

Marius van Blerck (38), Anglo's group tax consultant, received the accolade from the AHI's Junior Sakekamer in recognition of his leading role in the management of a large company. Appropriately, he's quite chipper about it: "The award means a lot to me. It also acknowledges some of the peripheral work I do."

Certainly, his range of interests is wide. He is editor of the *SA Tax Review*, a quarterly journal he founded in 1987. He is also chairman of the scientific committee of the SA Fiscal Association, an independent body that co-operates with the Commissioner of Inland Revenue and influences tax policies.



Van Blerck ... *ahead of the field*

Van Blerck is clearly well liked and respected.

"He's highly competent," says a colleague at the association. "He attracts large audiences to his lectures because he has things to say that demonstrate unusual depths of new thinking and investigation. In particular, Van Blerck understands and studies world trends in taxation. His thinking is usually well ahead of the field."

He is also the SA correspondent for the *Bulletin for International Fiscal Documentation* and a member of the Income Tax Special Court. Van Blerck is a keen squash player and also enjoys painting and wildlife.

He holds a BCom and a masters in tax law from Cape Town University, is a CA and former partner of Arthur Andersen, and serves as an examiner at the University of SA and Stellenbosch University. He is the author of the textbook "Mining Tax in SA."

But the book he really wants to write, and which he says, regretfully, is some years away, is a biography of Deneys Reitz, the legendary Anglo-Boer War soldier who later became a Cabinet Minister and wrote the best-seller "Commando," describing his war experiences.

Reitz, says Van Blerck, was to SA then what Chris Hani has become now. "And if we think we're living through turbulent times, we would do well to draw comparisons from conditions that applied then." ■

FM 28/5/93

INTRUST FM 28/5/93

High risks, big rewards

Intrust offers an interesting alternative investment, not only to unit trusts but also to other investment trusts, largely because of the selection of its shareholdings. Theoretically, the risks are higher but so far performance has justified this.

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In the year to March, Intrust shareholders received a return of 61% (based on the 55% increase in the share price and assuming dividends were reinvested), much better than the top performing unit trusts and investment trusts over the period.

Earnings growth isn't so important for investment trusts. Returns are measured on share price and dividend growth.

Activities: *Investment trust concentrating on selected second-tier companies.*
Control: *Investec 47%; Fedsure 45%.*
Chairman: *B Kardol.*
Capital structure: *20,9m ords. Market capitalisation: R62,7m.*
Share market: *Price: 300c. Yields: 3,4% on dividend; 3,4% on earnings; p:e ratio, 29,7; cover, 1,0. 12-month high, 310c; low, 195c. Trading volume last quarter, 150 000 shares.*

Year to March 31	'91†	'92	'93
Dividend income (Rm)	1,0	1,48	2,41
Net investment income (Rm)	1,04	1,33	2,09
Earnings (c)*	9,88	9,97	10,11
Dividends (c)*	8,7	8,1	10,1
Net worth (c)*	180,2	234,5	340,8

† 18 month period.
* Restated to show 10-for-1 share split.

The difference with Intrust is that whereas other trusts tend to hold a fairly broad spread of blue chips, making for safe but not always spectacular performance, it concentrates on what management calls "green chip" companies — basically second-tier stocks chosen for above-average growth opportunities.

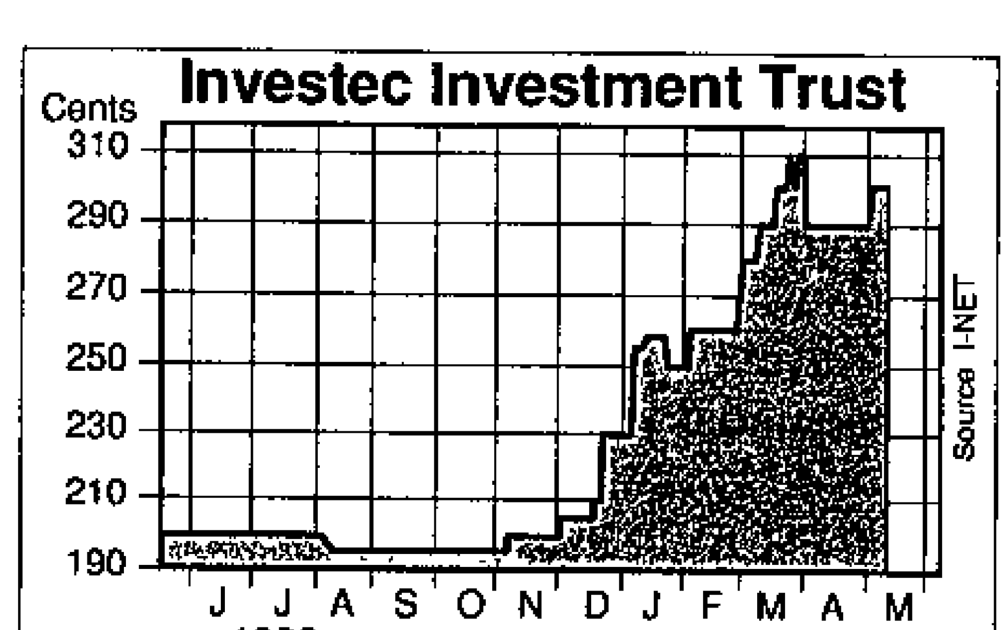
Executive Zelda Zaayman says this means the company does not have to get involved in traditional portfolio management. "We are a stock selection vehicle and don't have to keep a balanced portfolio."

This might sound somewhat *laissez faire*, but Investec, a group which takes itself seriously, is in the background. Says Zaayman: "Investec is a conservative company. We don't like to lose money."

So far, Intrust has done well. At present only four companies — Berzack Brothers, Bidvest, Fedsure and Fenner — make up its portfolio. Except for Berzack, all showed solid share price appreciation and growth in earnings and dividends. Market value of the portfolio gained 50% over the financial year, from R46m to R69m, or 91% from the time the shares were bought.

Berzack has been disappointing but Zaayman believes it remains a good investment. "It has been through a rough time, largely because of a troubled foreign investment. Without that, earnings growth would have increased. If one believes in the new SA — where supply of cables and related products for electrification will be important — this is the sort of investment to have."

An important stock selection criterion is the management of the companies concerned, Zaayman says. The small size of its portfolio is a problem which Zaayman hopes to rectify this year. "We would like to grow



58

to about R250m from the present R75m." The ideal way would be through the issue of Intrust shares for investments. This conserves cash and improves the spread of shareholders, making the share more tradeable.

Investment trusts like this offer a few exceptional advantages to private and institutional investors. Management fees are low — 0,75% of market capitalisation of investments — and the portfolio often represents shares which don't trade much and would otherwise be difficult to pick up.

Based on the past year's performance and a reasonable rerating of the share relative to the sector, Intrust looks attractive. This will be an important year for the company. It must expand its portfolio and make sure it selects the right stocks. For investors prepared to risk a little for a greater reward, the share is worth looking at. *Shaun Harris*

PROTEA ASSURANCE

A vigorous life

FM 28/5/93

Activities: *Composite Assurer.*
Control: *Sun Alliance Plc.*
Chairman: *D T Fletcher; MD: A L Tainton.*
Capital structure: *7,9m ords. Market capitalisation: R232m.*
Share market: *Price: 2 950c. Yields: 2,0% on dividend. 12-month high, R30; low, R16. Trading volume last quarter, 5 500 shares.*

58

Year to Dec	'89	'90	'91	'92
Total assets (Rm)	543,6	583,4	766,8	814,7
Solvency ratio (%)	140,5	98,5	90	98,5
Underwriting prof (Rm)	(0,8)	(39,5)	(31,1)	(3,9)
Investment inc (Rm)	19,6	21,2	25,1	26,0
Pretax profit (Rm)	18,3	(18,7)	(9,0)	23,0
Earnings (c)	172	(184)	(122)	164
Dividends (c)	53	53	53	60
Net worth (c)	2 692	2 492	3 299	3 508

Substantially improved results from Protea Assurance (Prosure) highlight the vigorous swings to which short-term insurance is prone. An attributable loss of R10,5m in 1991 turned into a 1992 profit of R12,9m.

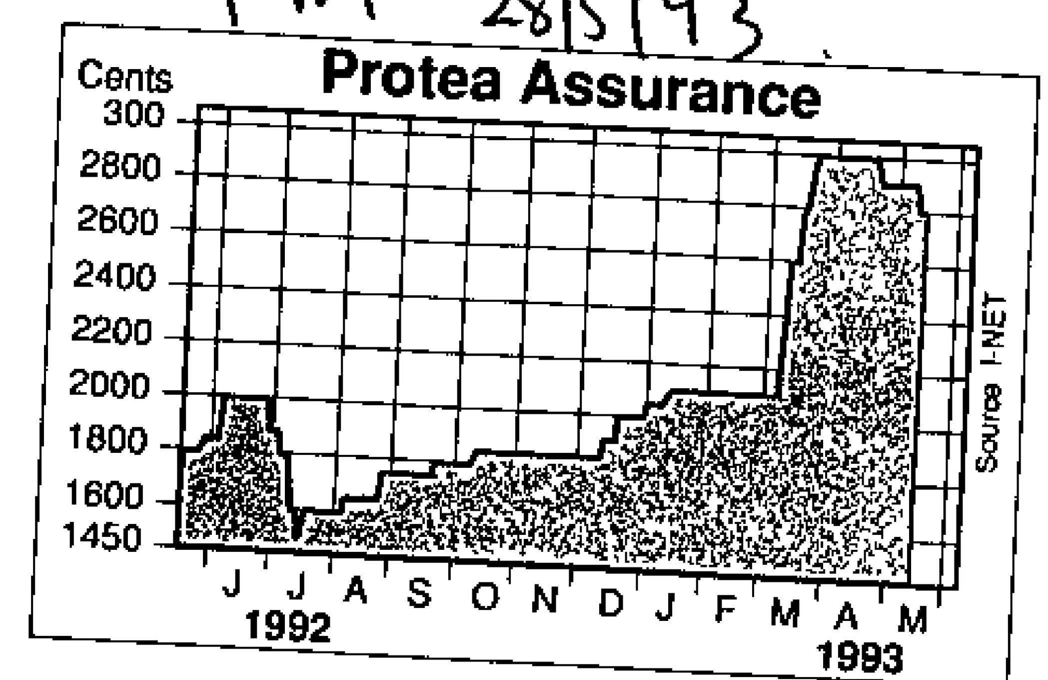
That flowed directly from the curtailment of underwriting losses in the fire and accident department, from 1991's R32,1m to R5,4m. MD Andrew Tainton stresses that greater selectivity and the weeding out of less desirable business contributed to the advance. The short-term insurance market remained extremely competitive, he says, creating continued downward pressure on rates, and this necessitated a tough appraisal of account worthiness.

The commercial portfolio was heavily influenced by the economy, says Tainton. Keen competition effectively neutralised rate increases and led to a number of uneconomic accounts being relinquished.

Gross premium income managed a 1,1% rise but after reinsurance this became a 2,5%

cont p

FM 28/5/93



decline in net premiums received.

58

Only the life division recorded solid growth, though the poor economy can be blamed for increased broker debts and an escalation of the bad debt provision. This is demonstrated by the life division's increase in the ratio of expenditure to total income to 64%, from 60% in 1991. Individual life premium income rose by 36% to R57,1m, helped by a commendable 41% rise in recurring individual business to R50,5m.

Investment income in the life division rose by 14% to R15,9m. Compared with Prosure's investment performance of the Eighties, this might seem inadequate. Relative to the All Share index, it can be regarded as satisfactory and in line with the industry.

In the life assurance investment account, a significant change took place. Government, local authority and municipal securities jumped from R22,7m to R48,7m. Holdings of equity and property unit trusts also rose by a meaningful 16,5%. Other categories were virtually unchanged.

Marine and aviation net premium income was up marginally but a 6,5% drop in claims was not enough to compensate for a 50% increase in the transfer to income statement and higher management expenses. The year-end fund fell to R7,6m (1991: R8m).

The share price has doubled in the past year. This suggests that the market believes that it is well down the road to sustaining satisfactory profits. Even though the share is rated on a p:e of 17 (in line with the industry average), a price of R28 could look cheap if the group sustains the rate of profit improvement achieved in 1992. *Gerald Hirshon*

Fm 28/5/93.

FOX

SOUTHERN Fm 28/5/93

Consistently reliable (58)

Southern Life is nothing if not consistent: this year's 19% earnings increase repeats last year's growth figure. And while it's tempting to brand the results as boring, the detailed composition of the performance shows that Southern's 1993 financial year had many dynamic aspects to it.

In aggregate, the group's new business for the year leapt 54% to reach R1,26bn. Single premium business accounted for R828m, an increase of 92,6%. MD Jan Calitz reckons that two factors helped to boost single premium results. First, substantial pension business was obtained, and second, significant purchases of annuities took place.

AT A PREMIUM

Year to March 31	1992	1993
Net premium income (Rbn)	2,0	2,6
Investment income (Rbn)	1,07	1,09
Taxed surplus (Rm)	164,5	196,2
Surplus per share (c)	97,5	116,3
Dividends (c)	65,0	77,5

Recurring premium business also grew, but at a lesser pace. In this category, new business written grew to R434m (1992: R391m), a rise of 11%. Total net premium income recorded a 30,8% rise to surpass the R2bn mark for the first time. (58)

Calitz points out that interest rates dipped significantly. From the beginning of the financial year, short-term BA rates decreased to 12,1% from 15,6% (−22,4%) and the long-term Eskom yield declined to 14,8% from 16,1% (−8%), resulting in lower interest income. In addition, he says, dividend growth across the board increased by only a marginal 5%.

Increases in operating costs were restricted to 12,7% which, says Calitz, indicates that the containment programme achieved its objectives. The other outstanding feature of Southern's 1993 year was the increase in the total tax bill of R30m to R78m. Indirect taxes, levies and the introduction of the dual tax system accounted for R15m. In spite of this, the taxed surplus attributable to shareholders rose 19,2% to R196,16m. (58)

A final dividend of 45,5c has been declared, bringing the total for the year to 77,5c. Shareholders have the option of receiving Southern capitalisation shares as an alternative to the final dividend in respect of not more than 50% of their shares.

The counter appears fully priced but there is every likelihood that 1994 earnings will also grow by about 20%. If they do, the share is being valued at a future p:e of about 19. Historically, that rating is not expensive for Southern. It suggests the price could comfortably maintain the upward trend established over the past five years. *Gerald Hirshon*

PORTFOLIO MANAGEMENT

FM 28/5/93.

The price of success

Very nearly the entire top team at Syfrets Managed Assets (SMA) has now left. Another two resignations as the *FM* went to press bring the total abandoning the luxurious Wale Street, Cape Town, offices to eight. (58)

It all revolves around the demands of a successful portfolio management team for recognition and — rather more importantly — a share in profits. Syfrets, recognised as one of the more conservative financial institutions, clearly found it unpalatable to live with the requirements of a comparatively young and dynamic group. A brief media release from Syfrets said the six were being allowed to leave immediately.

SMA has a staff of 40. What Syfrets didn't reveal is that the six dissidents are crucial. They include former MD Leon Campher, who was largely responsible for SMA's highly successful marketing campaign, and portfolio manager Tony Gibson, who masterminded the remarkable performance of its unit trusts. Ironically, just a fortnight ago, SMA crowed about its success in attracting another R2,7bn pension fund business in the first seven months of the financial year, to swell the total managed to about R8bn.

Campher and Gibson are joined by portfolio managers Matt Brenzel and Thys du Toit, research head Hugh Broadhurst and computer specialist Nick Walters. On Tuesday news broke that administration manager John Snalam and acting research head Vanessa Carlow had joined the exodus.

They're all marching off to listed Coronation Syndicate's subsidiary Coronation Managed Assets (CMA). Syndicate was bought recently by former UAL executive David Barnes and Gavin Ryan from Lonrho as a portfolio holding company. Operations include trading in bonds, options and futures through subsidiary Securities Trading & Development. Ryan says the next logical move was into asset management.

Ryan confirms the arrangement is that

FM 28/5/93. (58)

Campher and his team will hold 35% of CMA; Syndicate the balance. The capital base will be R10m-R15m and Ryan expects to start trading in early July.

Syfrets Growth Fund, a general equity fund, has been in existence for five years. Over that period it has been the top performing fund with an annual compound return on a lump sum investment of 26,6%. It's the kind of return which investors will want to retain, and that must make SMA vulnerable in the future to desertions.

David Gleason & Gerald Hirshon

WELCOME RELIEF in sight for insurance industry

Axing of law will be a boost for industry

Star 25/5/93

58

Unworkable: The sixth schedule was intended to level the playing fields between banks, building societies and life offices, but practically it became an unworkable regulation, says Louis Shill former chairman of the Sage Group.

By Jenny Hunter Blair

ONE of the most dramatic announcements for the insurance industry in the last Budget was the pending abolition of the notorious sixth schedule to the Income Tax Act.

The sixth schedule laid down the rules for the proceeds of tax-free life policies

It also prevented the insurance industry from selling investment products without life cover and tax-effective products with a life of less than 10 years.

This raised a question as to the role which banks, building societies, life offices, played in the mobilisation of savings.

With bank interest standing at 12 percent and money depreciating by 15 pecent, shrewd investors realised they would reap higher returns on life insurance products than leaving their money in the banks.

But the banks and building societies suffered as their funds were depleted yet each had their own important market niche — from short and medium term to long-term forms of savings.

"The sixth schedule was intended to level the playing fields between banks, building societies and life offices, but practically it became an unworkable regulation," says Louis Shill former chairman of the Sage Group

Unfortunately it developed into a "patchwork" of legislation with many anomalies and became a costly nightmare as few people understood its complexity.

Louis Shill . . . Former chairman of the Sage Group says the sixth schedule had become a costly nightmare.

Squatters in the cold

NO HOPE New cash plan does not look as though it will provide any real help:

Sowetan 28/5/93

By Joshua Raboroko

Most blacks living in informal settlements have little chance of benefiting from the housing subsidy announced by the Government recently.

According to a survey conducted in most of the squatter camps in the PWV area, *Sowetan* established that most squatters were either unemployed or had earnings below the Household Subsistence Level of R1 000.

Those who were employed earned an average of R800 or less. On this basis they may be disqualified from taking advantage of the 33,3 percent Government subsidy announced last month.

The new Government subsidy has been extended to cover a wider section of the black population. R99,3 million has been allocated for the 1993-94 Budget to carry out the scheme.

The subsidy is based on 33,3 percent of the interest payable over the initial five years of the loan period. The maximum loan of R40 000 is payable in monthly instalments over seven years.

The value of the property the homebuyer intends buying should not exceed R65 000.

To qualify for the interest subsidy the homeowner must earn less than R3 500 a month and have owned a house or flat. The owner must not receive any subsidy from any other source.

A general qualifying criterium for bond repayment is that it must not exceed 25 percent of the income of the applicant.

The amount of subsidy may be added to this figure, thus increasing the affordable amount. A squatter at Mandela Park on the East Rand, Mr Boy Baduza Dlamini (41), said he was unemployed for two years and could not afford to pay a bond.

He has never owned a house. He stayed in backyard rooms and shacks in Vosloorus on the East Rand. He came to Mandela Park last year after he could no longer afford to pay rent. "I will be unable to buy a house worth R65 000 or less. I will probably stay here for the rest of my life. But I would be happy if the Government could help."

Destitute Dlamini operates a shebeen to earn a living and to support his wife, Maria, and their three school-going children. Another squatter, Mrs Letta Mahlangu, said her chances of owning a house were nil.

She said: "My husband is in jail and I have been left to look after our five children. "My parents send me food and my brother-in-law buys clothes and helps me to bring up the children. I can definitely not afford to buy a house."

58

Fedlife put R18-m in pensions into Mykonos

Star 29/5/93

58

ALIDA DASNOIS

FEDLIFE insurance company invested R18 million of pension and annuity fund money in Club Mykonos at Langebaan, the Nel commission inquiring into the Masterbond crash has heard in Cape Town.

Masterbond agent Mark Galbraith told the commission he and colleagues attended a meeting hosted by Fedlife in the eastern Cape in October 1990.

At the meeting Fedlife launched a new "equity property participation" scheme. Investors were to buy shares in Club Mykonos, and Fedlife would make R40 million available in loans.

For each R100 000 placed in the scheme, Fedlife would invest R200 000.

"We were told that in five years the money would have doubled to R600 000. Investors would pay Fedlife back R200 000 and make R400 000 profit."

Galbraith said he had "absolute faith and belief" in the scheme because it was backed by Fedlife and because the company was prepared to put up "sacred" pension fund money to back it.

He later sold Club Mykonos shares worth R12 million.

Fedlife had invested a total of R27 million in the scheme, of which R18 million came from pension and annuity funds.

Galbraith said he had since learnt that Fedlife's investment division was hostile to the scheme.

However, this was not disclosed at the meeting.

Other financial institutions such as the Bank of Pretoria and the United Building Society had also backed the scheme, he said.

Fancourt

Masterbond agent Sid Goodwin told the commission that in August 1991 Financial Services Board executive officer Piet Badenhorst agreed to release Masterbond investors' funds frozen in the Pretoria Bank because he was satisfied that the money would be well placed by Masterbond.

Some of these funds — R12 million — were paid into a non-interest-paying bond in favour of Fancourt Holdings.

Goodwin said the funds were not used for development but to repay short-term investments in Masterbond.

"This meant that the funds left a safe interest haven and went to a less safe investment where no interest was paid," he said.

EQUITY STAKE *proved the stumbling block*

Syfrets' shock loss of A team

Star 29/5/93

58

MAGNUS HEYSTEK

THE worst nightmare for a financial institution came true for Syfrets this week when the entire top management of its highly successful Syfrets Managed Assets (SMA) walked out to join a new, rival company.

Led by Tony Gibson and Leon Campher, who started SMA some five years ago, it very soon became one of the top investment fund teams in South Africa, with Syfrets Growth Fund leading the unit trusts pack.

Signalled intentions

The split between the executives at SMA and Nedcor-controlled Syfrets was apparently caused by Syfrets' unwillingness to provide the executives with an appropriate equity stake in the company. This was just not the way things operate at Syfrets, a spokesman said this week.

So far, 16 SMA senior staff (out of a total of 40) have either left or signalled their intention to leave by the end of the June quarter. The team, which, apart from all the senior executives, included portfolio managers, researchers and computer personnel and administrative staff, has been poached by JSE-listed Coronation Syndicate.

In the absence of joint MD Ashton Dominy, who is currently on leave, SMA will be managed by Rob Nichol, the head of the capital market section.

Coronation Syndicate, controlled by former UAL executives Gavin Ryan and David Barnes, has formed Coronation Asset Management (CAM) with Leon Campher at the helm, where they will be given an equity stake in the company.

According to press reports this week, CAM has offered to manage SMA's R8 billion investment portfolio on a contract basis.

Syfrets this week put up a brave face. Joint MD Dave Rennie described the departures as a major disappointment, but said it would be overcome.

"Important as the departing individuals are to Syfrets, the reality is that they were part of a solid organisation comprising researchers, portfolio managers and diverse financial managers — all backed by the most sophisticated computer system operational in any local financial services institution," he said.

According to Rennie his company has received a "sizeable" number of inquiries from top-level individuals from rival companies. Interviews had already taken place and the first appointments could be expected early next week.

Keeping abreast

Meanwhile Syfrets has launched a direct communications drive with its clients, staff and relevant outside audiences in order to keep them abreast of developments within SMA.

According to Rennie, Syfrets' management has already started to address the reasons which prompted staff to leave.

"We are taking a serious look at all the issues surrounding the departure and will draw the necessary conclusions," he said in a statement.

past four months compared with net

abolished, says Mr Cross.

ST Times (Buss) 30/5/93

Hope for cheaper money

CONSUMERS stopped shopping after the Chris Hani assassination, leading to plummeting demand for credit and a year-on-year money-supply growth rate of only 3,35% in April.

This is way below the Reserve Bank's money-supply target range of 6% to 9% and down on March's 5,66%.

58

Econometrix economist Azar Jammine says: "This puts a downward influence on inflation and could imply pressure on Reserve Bank Governor Chris Stals to drop interest rates."

Dr Jammine warns that the fall in money-supply growth may end soon. "The higher gold price has lifted the reserves and the effects of this have not filtered through into money-supply figures."

Falling reserves since the beginning of the year contributed to the money-supply growth fall, says Dr Jammine.

Nedcor economist Edward Osborn says money-supply figures were kept artificially low by R8,5-billion being taken out of the system through the issue of government stock.

This brought the money-market shortage to an extraordinarily high level.

Russians lift diamond demands

RUSSIAN diamond mines are again claiming the right to sell fewer of their gems through the Central Selling Organisation (CSO). Head of the Committee on Precious Stones and Metals says restrictions on prices and output imposed by the diamond cartel "no longer suit" miners. They want to sell up to 20% of output to Israel, India, Belgium and America.

Saambou re-builds profits and pays dividends again

(58)

MARC HASENFUSS
Business Staff ARG 31/5/93

SAAMBOU Holdings achieved a powerful turnaround — quadrupling net operating profit after provisions to R37,4 million (R9,3 million) for the year to end March.

The much improved performance enabled Saambou to resume dividend payments for the first time since 1991.

Net operating profit before provisions soared to R82,6 million (previously R34,7 million).

A dividend of 2c a share was paid to shareholders.

The resurgent performance builds on the better interim showing when the banking group reported a R2,5 million bottom line profit.

It also justified bullish statements made by managing director Johann Myburgh in the annual report and interim statement.

Mr Myburgh said the results show that the benefits of the remedial actions and purification of assets carried out since 1992 had impacted on the bottom line in the second half of the financial year.

He said remedial actions greatly improved operating results, enabling the group to resume the payment of a dividend.

Provisions for doubtful debts came to R45,2 million (R25,4 million), which increased the total provisions by R10,7 million to R93,7 million or 2,6 percent of advances.

Attributable profit amounted to R12,5 million compared with a loss of R68,8 million in the previous year.

Mr Myburgh's arrival at Saambou two years ago saw the group focus mainly on the individual — the salary earner and pensioner.

Saambou worked hard at developing financial products (eg Dinkum Save) and services to meet the needs of these individuals. Dinkum Save — which was launched in March 1992 — has bolstered Saambou's total savings portfolio.

Another niche market the group has pursued aggressively with positive results has been group schemes.

Agreements have been entered into with several large groups including the Public Servants' Association, the Eskom Employees' Association and the Hospital Personnel Association of SA.

"This focus has certainly paid off as 18 months ago, when we first began to concentrate on the individual, our funding from this source was 28 percent of total funding.

Mr Myburgh said the the group initially set an interim target of 42 percent. (The figure currently stands at 38 percent.) This target has recently been revised to 60 percent, he added.

Mr Myburgh said the Saambou Group was now correctly positioned in the financial services sector and was firmly on a growth path.

Saambou edged up 1c on the Johannesburg Stock Exchange on Friday with over 100 000 shares changing hands. Weekly volumes traded were close to 850 000 — hinting at renewed interest in the share.

Star 31/5/93

Turnaround for Saambou

Saambou has resumed dividend payments after leaping out of the red for the year to March.

Attributable profit was R12,5 million (attributable loss of R68,8 million a year ago).

Saambou has declared a dividend, for the first time since 1991, of 2c a share. (58)

Group MD Johan Myburgh says the turnaround was largely due to Saambou's re-focusing to provide the individual pensioner and salary-earner with financial services.

Operating profit quadrupled to R37,4 million from R9,3 million in the previous year.

After rationalisation costs and a general risk provision, net profit was R25,3 million (net loss of R65,8 million in 1992). — Sapa.

Star 31/5/93

Money supply growth falls again

South Africa's stifled money supply growth in April dropped even further below the Reserve Bank's guideline range of six to nine percent, figures released by the central bank on Friday show.

58

Money supply growth as measured by M3 was 3,35 percent last month, compared with rates of around five percent for the previous three months.

Total money supply M3 seasonally adjusted was R196,728 billion in April, compared with R196,133 billion and the percentage change of M3 seasonally adjusted was an unchanged one percent in April.

Total domestic credit extension in March this year at R217,719 billion also remained muted, rising by 10,3 percent from an increase of 10,54 percent in February. — Sapa.

Council's decision 'terrific'

Star 31/5/93

Staff Reporter

Members of the Seven Buildings Residents' Association are congratulating themselves first and the Johannesburg City Council second for the council's decision to introduce differential property rates to relieve flat dwellers in the CBD.

"We in the Seven Buildings Project were the first to realise the impact of rates on the cost of living in flats. In fact, we even picketed the City Council last year about it," said Pressage Nkosi, chairman of the association.

Previously residents in buildings that also had business tenants had to pay rates and electricity on the higher business scale. Last week the council announced a new, differentiated, scale would be in operation soon.

The Seven Buildings Project is a pioneering venture to enable low-income tenants in Hillbrow and Joubert Park to buy their flats. Not least of the problems faced by the project is the ability of prospective buyers to afford the crippling service tariffs and rates as well as mortgage bond repayments.

"Relief on rates is going to make a terrific difference," said Nkosi, citing a case where R380 of the R450 flat rental went straight to the municipality.

MEDIA SPOT

Bank's campaign has dual aim

58

BDay 1/6/93

MARCIA KLEIN

SUCCESSFUL advertising by financial institutions depended on finding a balance between selling products and projecting an image, said Standard Bank's divisional GM: strategic marketing division Eric Tomlinson.

In an interview, he said Standard Bank's new campaign — by its new agency Hunt Lascaris TBWA — aimed at achieving this balance.

Banks had been faced with the problem of deciding what exactly their "brand" was — the bank's products or the bank itself. Often the products, facilities and services offered by the financial institutions were very similar.

While banks aimed to sell their products, particularly if they had a competitive edge, advertising them in isolation could give banks a fragmented image.

Standard Bank advertising consultant Alastair Jack said financial institutions' advertising was also cyclical. In a recession, banks tended to advertise products and make greater use of below-the-line advertising. As a recession eased, they projected image.

Tomlinson said Standard Bank had decided it wanted its advertising to be more coherent and its message more consistent.

Its new campaign focused on what customers needed rather than the product itself, and placed these needs around the coherent image by showing different slices of life, and the needs and products associated with them.

Tomlinson said there was a dramatic shift in Standard's focus in 1987. The bank had become more externally focused, and the new campaign was capitalising on that change. In 1987, its advertising budget was small. Now it was among SA's top 10 adspenders.

It was difficult for banks to use service excellence in their campaigns, because service was not up to scratch in most banks. A major problem in Britain and the US was that banks had gone for image advertising which was not consistent with their customers' experience.

Standard Bank had opted for a focus on what the customer needed and the fulfilment of those needs. "Our positioning is around innovation and technology, and we are using our image to reinforce that," he said.

Tomlinson said there had been a complete turnaround in Standard Bank's ratings since the campaign broke in March.

MONEY MARKETS by Tim Marsland

BUSS. DAY 11/6/93

Govt board to decide on Bond Market Association

THE question of what to do with the Bond Market Association (BMA) is to be put to a government advisory board.

Matters came to a head last week when BMA members decided they were unhappy being forced to set up a formal bond market, as stipulated in the Financial Markets Control Act.

They asked the Registrar of Financial Markets to have the Act changed to make it a voluntary, self-regulated market. The Registrar is understood to have handed the matter to the Financial Markets Advisory Board.

At present the bond market operates in an informal environment, and government hoped that by setting up the BMA the market would draw up its own list of rules which all could live with. But the problem has been that there are too many vested interests in the BMA.

The bond market is used by diverse interests such as banks, government, other issuers, small investors, life offices and stockbrokers. All of these have very different needs, so it is no small wonder they have been unable to reach consensus.

That the BMA is generally regarded unenthusiatically is partly because members see very little for their fees.

If the BMA were to produce meaningful reports from its raw data, this could be of immense value to its members and the market as a whole. Even the Reserve Bank, with all the resources at its disposal, has been unable to work out accurately from BMA data how big the market is or even how big a share of daily turnover RSA stock commands.

58

But the issue that needs urgent attention is scrip settlement. Today, anybody with an ATM card can draw cash at a street corner at any time of the day. But the bond market hand delivers scrip worth billions of rands every Thursday — which is settlement day.

This increases the risk of forged and stolen scrip immensely, because there is no central record of who owns what.

If a central depository or a body like that were to be set up, the other requirements of the market would likely fall into place. The BMA would be well advised to focus its attention on this key issue.

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PROCLAMATIONS
by the
State President
of the Republic of South Africa

No. R. 46, 1993 58

FINANCIAL INSTITUTIONS AMENDMENT ACT, 1993 (ACT No. 7 OF 1993)

In terms of section 2 of the Financial Institutions Amendment Act, 1993 (Act No. 7 of 1993), I hereby determine **1 June 1993** as the date on which the said Act shall come into operation.

Given under my Hand and the Seal of the Republic of South Africa at Cape Town this Twenty-sixth day of May, One thousand Nine hundred and Ninety-three.

F. W. DE KLERK,
State President.

By Order of the State President-in-Cabinet:

D. L. KEYS,
Minister of the Cabinet.

No. R. 47, 1993

FINANCIAL SUPERVISION OF THE MULTILATERAL MOTOR VEHICLE ACCIDENTS FUND ACT, 1993 (ACT No. 8 OF 1993) 58

In terms of section 6 of the Financial Supervision of the Multilateral Motor Vehicle Accidents Fund Act, 1993 (Act No. 8 of 1993), I hereby determine **1 June 1993** as the date on which the said Act shall come into operation.

PROKLAMASIES
van die
Staatspresident
van die Republiek van Suid-Afrika

No. R. 46, 1993

WYSIGINGSWET OP FINANSIËLE INSTELLINGS, 1993 (WET No. 7 VAN 1993)

Kragtens artikel 20 van die Wysigingswet op Finansiële Instellings, 1993 (Wet No. 7 van 1993), bepaal ek **1 Junie 1993** as die datum waarop genoemde Wet in werking tree.

Gegee onder my Hand en die Seël van die Republiek van Suid-Afrika te Kaapstad, op hede die Ses-en-twintigste dag van Mei Eenduisend Negehonderd Drie-en-negentig.

F. W. DE KLERK,
Staatspresident.

Op las van die Staatspresident-in-Kabinet:

D. L. KEYS,
Minister van die Kabinet.

No. R. 47, 1993

WET OP FINANSIËLE TOESIGHOUDING OOR DIE MULTILATERALE MOTORVOERTUIGONGELUKKE-FONDS, 1993 (WET No. 8 VAN 1993)

Kragtens artikel 6 van die Wet op Finansiële Toesighouding oor die Multilaterale Motorvoertuigongelukke-fonds, 1993 (Wet No. 8 van 1993), bepaal ek **1 Junie 1993** as die datum waarop genoemde Wet in werking tree.

Given under my Hand and the Seal of the Republic of South Africa at Cape Town this Twenty-sixth day of May, One thousand Nine hundred and Ninety-three.

F. W. DE KLERK,

State President.

By Order of the State President-in-Cabinet:

D. L. KEYS,

Minister of the Cabinet.

Gegee onder my Hand en die Seël van die Republiek van Suid-Afrika te Kaapstad, op hede die Ses-en-twintigste dag van Mei Eenduisend Negehonderd Drie-en-negentig.

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Staatspresident.

Op las van die Staatspresident-in-Kabinet:

D. L. KEYS,

Minister van die Kabinet.

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Star 11/6/93

Regional economic grouping punted

By Bruce Cameron

CAPE TOWN — A regional economic community has been targeted as a must for Southern Africa by top bankers.

At a closed-door conference in Somerset West last week, bankers and members of finance ministries from as far afield as Kenya sketched out a plan for the region to work towards unity.

Key to the process would be a South Africa prepared to work for the good of the region and not for the reconstruction of SA alone.

The bankers emphasised no formal agreements had been reached.

There was, however, general agreement that a number of objectives had to be achieved before an economic bloc could be established.

These included:

- The rapid removal of all restrictions on South African outward investment, particularly with South Africa's substantial regional trading surplus.
- The scrapping of exchange controls in the region as soon as possible, as well as the removal of tariff barriers, which impeded the free exchange of goods and services.
- The enlargement of the size and operations of the Development Bank of Southern Africa to include the whole region.
- The enlargement of the Preferential Trade Association and the Southern African Development Community (SADC) to include South Africa as part of "gradual moves towards the creation of a trading block".
- The encouragement of commercial banks to establish special small business divisions to increase credit to small business.
- Improvement of the infrastructure of the region, including road, rail and port facilities, as well as power supplies, water availability and telecommunications.
- Foreign aid flows to be co-ordinated and the private sector encouraged to participate in development projects.
- Existing education and training facilities, especially in South Africa, be exploited for the benefit of the whole region.
- The formation of a central bank governors' committee to commission a survey of monetary, investment and trade issues that should be brought to the attention of regional governments to "provide momentum for the general process of change".

58

Saambou forecasts better days

EDWARD WEST

SAAMBOU Holdings profits are expected to improve by 50% in the current financial year if the economy does not get worse, says chairman Hendrik Sloet.

In the year to end-March 1993, Saambou met its forecast of a turnaround to profitability after two years of losses, the financial services group's published results showed. The group's largest shareholder is Fedsure, with a 33,4% stake.

Dividends were resumed after earnings climbed to 10c a share at year-end from the equivalent of 59c a share loss reported in the 1992 financial year. The 1993 dividend payout was 2c a share. (58)

Net operating profit quadrupled to R37,4m (1992: R9,3m) after provisions for losses on advances of R45,2m (25,4m). Taxation climbed to R9,3m (R2,3m).

Directors said the increased net profit reflected the benefits of rationalisation during the year. Rationalisation costs amounted to R10,4m (R6,3m), which was written off as an extraordinary item.

Directors put R6m aside — also reflected as an extraordinary item — as a general risk provision against possible changes to operating risks. Buss·day

An extraordinary profit of R4,2m was realised on the sale of fixed property. No provision was made for a fall in property values and other investments compared with R68,8m the previous year. 11/6/93

The group's share price rose strongly by 5c last week to close at 106c on Friday, only 1c off its 12-month high.

Rand Merchant Bank top performing fund

Buss-day 11/6/93 (58)

ANDREW KRUMM

RAND Merchant Bank (RMB) topped pension fund performance charts with a 23,1% (time-weighted) average return for the three years to end-March 1993, the First Bowring Consulting & Actuarial Services quarterly performance survey shows.

Standard Merchant Bank (SMB) made second spot with a 19,5% average return for the period, while Southern Life's SHOP fund came in third with a 17,8% return.

Seven of the 20 funds rated — Momentum, Norwich, Old Mutual MULT, Old Mutual OMNI, Sanlam 100, Southern Managed, and Foord & Meintjes — failed to beat the average CPI rate of 13,2% over the three-year period.

First Bowring C & A executive director Lionel Goldblatt cautioned that returns reflected in the survey were not strictly comparable. "Investment house returns in the survey were based on the aggregate performance of a number of separate pension funds under the full control of these houses. The returns achieved by insurers, though, were based on the performance of pooled portfolios in which pension funds purchase units," he said.

Among insurer managed funds only, top performers in the 14-fund insurer category for the three years to March 1993 were Southern's SHOP, Metropolitan Life's managed fund (17,2% return), and Sage Managed fund (17%).

Southern Life investments GM Paul Beachy-Head attributed SHOP's performance to aggressively tracking broad market moves timeously. The small — and therefore manoeuvrable — SHOP fund had attracted a large cash inflow during the March 1993 quarter, which had been ploughed into gold mining and financials in early April. "But we are consolidating and not chasing gold shares at current levels."

Among insurer managed funds the Sanlam 100 remained the largest with R11,611bn (12,8% return) invested. Next in size of assets was the Sanlam 200 (R7,248bn; 14,2% return), followed by the Old Mutual MULT (R6,736bn; 9,0% return).

The larger funds — with the exception of SMB (R7,38bn invested) — had generally turned in below average performances in the three-year term with their size restricting manoeuvrability in the equities markets, Goldblatt said.

Meanwhile, the survey showed that the top performances for the five years to end-March 1993 again came from the investment houses' multiple portfolios. SMB headed the list with an aggregate 26,3% return on its managed investment portfolios, followed by UAL (23,4%), and Foord & Meintjes (21,8%).

A source said Foord & Meintjes' short-term performances could jump in the next quarter as the investment house had 36% of its multiple portfolios invested in mining equities, compared with next highest, Norwich Life, with 24,2%.

Among the insurer-managed funds, Metropolitan (23,2% return) was top over five years, while second-placed Liberty generated a 22,9% return, and was closely followed by the Sanlam 200 (22,7%).

Over the 10-year period Commercial Union (21,2%) headed the performance listings, with Sage Managed (20,7%) and Metropolitan (20,5%) a close second and third.

'Microbanking' pioneer to lecture in SA

TIM COHEN

CAPE TOWN — Muhammad Yunus, Bangladesh's founder of the Grameen Bank, which pioneered "microbanking", will arrive in SA within the next few weeks.

Yunus will meet Development Bank, Reserve Bank and banking community representatives. He will present seminars in Johannesburg, Durban and Cape Town.

Yunus, whose approach to small-scale banking for the poor has been adopted in 30 countries, will also visit development projects and Unicef members.

His Johannesburg seminar will be on credit as a human right. In Durban he will lecture on the theme of poverty as a denial of all human rights.

The Grammeen Bank was established in 1976, operating in more than half of Bangladesh's 68 000 villages with a membership of more than 1,5-million borrowers.

The visit is being hosted by the Women's Development Bank (SA), a branch of Women's World Banking. The Grameen Bank has a 92% female clientele.

Yunus is credited with having developed highly effective methods of taking banking services to the poor, defying traditional banking strategies. The bank has a 98% recovery rate.

1/6/93

(58)

Bank 'concerned' about sector's exposure to credit

Buss. day 2/6/93.

LINDA ENSOR

CAPE TOWN — The Reserve Bank's bank supervision department has expressed concern about banks' increases in large individual credit exposures.

It said these increases constituted a "grave systemic risk, resulting from the concentration of economic power in the SA economy".

Last year there was a sharp increase in large credit exposures expressed as a percentage of capital and reserves, the department said in its 1992 annual report, tabled in Parliament yesterday. (58)

This is the first time the department has published industry statistics.

Large credit exposures granted increased 40% to a yearly average of R184,8bn, and those utilised increased by 86,7% to an average R66bn. The ratio of utilised credit exposures to capital and reserves, increased to 527% from 333%.

The report said the department was looking into the reporting of large exposures and the possible imposition of additional capital requirements on such exposures, in line with international practice. It said increases in large exposures should be closely monitored.

Commenting on trends in SA banking last year, the report noted that the banking sector's total provisions grew 83,4% last year to R2,3bn (R1,2bn annualised). Specific provisions for doubtful debts expressed as a percentage of arrears decreased from 66% in the first quarter of 1992 to 61% in December 1992. Arrear accounts for which provisions were not made increased by 22,5% to R414m in December 1992.

The market value of assets "bought in" by banks to protect their investment rose 69,3%.

The report said that arrears on mortgage loans exceeded instalment debt arrears last year, increasing by 80,9%. Possible reasons suggested were the 18,2% increase in mortgage loans granted last year while instalment debtors remained fairly constant. Also, many individuals were consolidating their debts into their home loans and were paying off overdrafts and other instalment debt with mortgage funds.

Mortgage loans increased 18,2% last year, overdrafts and credit cards 2,29%, bills and promissory notes 13,4%, foreign currency loans 9,4%, and instalment debtors 4,5%.

The report pointed out that the growth in mortgage loans which earned a yield lower than other forms of financing could affect the profitability of the banking sector.

"The lower return on these assets, should, however, be offset to some extent by the greater recoverability of bad debts that results from the quality of the security."

Mortgage loans represented 34% of interest income while 32% was derived from overdrafts and credit cards. Advances made at a reasonable margin rose by 14,9%, at a small margin by 11% and with no yield by 32,8%. Knowledge-based trading and other fee income, mainly from merchant banking business, increased by 32,5% — much higher than other sources of income.

Bank supervision department GM Hennie van Greuning said 1992 was a profitable year for the SA banking sector as a result of wider margins between borrowing and lending rates and higher fee income. The recession had resulted, however, in declining portfolio quality, increased write-offs and increased provision for bad debts.

Van Greuning said it was envisaged that this year a proper framework would be drafted to stimulate the orderly development of non-bank security dealers. Although they were classified as agents, the possibility of them acting as principals was not excluded.

He outlined the department's view that different participants in the financial market would require different approaches to supervision according to the role they played and the funds they employed.

Star 2/6/93

Saambou ditching property

By Stephen Cranston

58

Saambou intends to dispose of its troublesome property portfolio within three years, says group MD Johan Myburgh.

In a presentation last night to the Investment Analysts Society, Myburgh said Saambou had sold R86 million worth of its properties over two years, including its head office in Pretoria.

It was left with R148 million worth of property, including R91 million in township stands that needed to be developed before they were sold.

Saambou had tax losses worth R39,5 million, which Myburgh said would take a little over two years to use up.

But Saambou was already providing for future tax so as to prevent a sudden drop in earnings when it started paying tax.

Saambou intended to increase the level of savings accounts to 50 percent of the value of its bond book. It was now 18 percent of the bond book's value.

It also intended to increase individual deposits to 60 percent of total deposits from 37,5 percent.

In order to reduce its exposure to individual clients, Saambou limited lending to any one client to R50 million, or just over one percent of total advances.

Saambou planned to increase its high margin assets in the shape of instalment credit and personal loans.

Personal loans worth R238 million had been advanced and they accounted for 6,4 percent of total advances — up from 4,9 percent in 1992.

Consumer finance had declined from R533 million to R448 million, mainly because it had been deliberately reduced because of the problems incurred from its large exposure to motor dealers.

Myburgh said Saambou had outsourced its technology to SPL, which he said had highly skilled people whom it would take years to develop in-house.

Bank focus on stokvels, credit unions

CT 2/6/93

(58)

INFORMAL banks like stokvels and credit unions could be exempt from the provisions of the Deposit-Taking Institutions Act if certain conditions were met, the Reserve Bank's bank supervision department said yesterday.

In its latest annual report, it said it was also considering the establishment of a mutual bank, which would be similar to mutual building societies, but with a broader range of allowed activities.

The exemption would informal banks from many of the collateral conditions which make it difficult for commercial banks to lend to poor communities. In return they would have to agree to limit members so that the "common bond" principle, which ensures that peer pressure leads to repayment, is not compromised.

● Closer co-operation is needed between police, banks and regulators to stamp out money laundering, the report noted. — Reuter

Call for probe of operational risk status

Buss. day 2/6/93

LINDA ENSOR

CAPE TOWN — A thorough investigation into the current status of operational risk in banks should be undertaken because of the current economic and political climate in the country, the annual report of the Reserve Bank's Banks Supervision Department tabled in Parliament yesterday said.

It said this would enable the department to make a better overall evaluation of operational risk management measures within banks. In the past, operational risk was regarded as a "non-financial" risk but it did culminate in a financial risk and should be managed effectively.

Operational risks included internal control systems, fraud, money laundering, adequate disaster-recovery procedures and reliability of computer systems.

Projects to be undertaken by the department this year also included the reporting of currency options and futures with a view to developing a uniform approach and optimising currency-risk management.

Also, Bank Supervision Department GM Hennie van Greuning said the department was adapting its approach to supervision on a consolidated basis in view of the latest directives issued by the Basle Committee on Banking Supervision and the EC.

He said consolidated supervision would result in the annual preparation of newly devised consolidated returns, with specific emphasis on the capital adequacy and large exposures of a banking group. This would include the foreign operations of local banks.

(58)

It would also entail a holistic approach to the supervision of all entities, both bank and non-bank in a financial services group.

The Basle minimum standards enabled regulatory authorities worldwide to prevent the entry of foreign banks, or to impose additional restrictive measures on foreign banks if the home country regulatory authority of banks did not actively supervise the domestic and international activities within their jurisdiction on a consolidated basis.

Call to scrap legal jargon

B/Day 2/6/93

GERALD REILLY

PRETORIA — The elimination of legal jargon from insurance policies and other contracts was an urgent matter, insurance consultant and Compuquote MD David Hersch said at the weekend.

The time had come, he said, to write legal contracts in simple language understood by laymen.

Policy wording needed to be simplified. The intimidating format of ordinary insurance policies had to be eliminated. (58)

Citing the example of an American insurance company which devised a simple commercial package insurance policy, Hersch said it had involved rewriting 300 forms, reducing the number of words by about 35% and translating into informal English.

Government feels pinch as rentals keep on rising

Buss day 2/6/93

53 80

PETER GALLI

THE economic climate and increasing office rentals have resulted in the Public Works Department experiencing problems financing its obligations as provider of state accommodation.

In its annual report released at the weekend, it said: "The problem lies not so much in the initial rental as in the annual escalation and periodic rental adjustments.

"The situation is cause for grave concern as the shortfall in the department's rental account could mean that it might not be able to satisfy requests for accommodation."

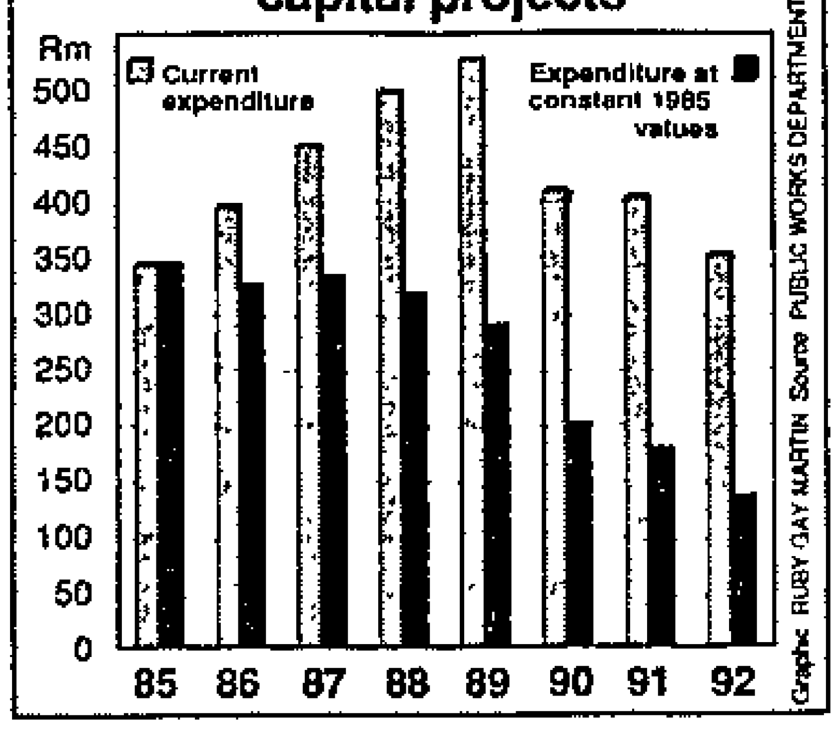
However, a mutual dependence had developed between the state and the private sector, which was evident from "the success achieved in persuading lessors to reduce the rental escalations and adjustments in their offers".

As a result of the reduction in funds for building and related services, larger amounts were being spent on rentals.

"For the first time, rental payments in 1992 exceeded the amount allocated for capital projects. The department's running expenses are increasing while investment in job-creation projects is falling, which is contrary to government's policy of encouraging investment in capital projects," the report said.

About 1,86-million square metres of office space was leased by government departments. This cost the state R308,3m last year compared with R275,3m in the preceding year.

Decrease in expenditure on capital projects



As a result of a lack of funds the department had spent less money on building and related services, reflecting a decline from R522m in 1989 to about R365m in 1992.

In view of this, and the fact that in Pretoria alone about 70% of the state's accommodation needs were leased, building state accommodation in Pretoria "appears to be not only desirable but a good strategy".

While leasings held greater benefit for the state in the short term , they became "decidedly disadvantageous" for 12 years and longer.

During the year, 220 new contracts were concluded, 115 were cancelled and 405 were renewed. The leases were generally signed for 10 years with annual escalations and periodic rental adjustments.

There was also a significant increase in property sales during the year under review. In the period 1982 to 1991, R182,5m worth of property was sold, while in 1992 alone property worth R108,37m was sold.

The department ascribed this to its marketing campaign to sell redundant immoveable property. Land worth R1,8m was bought for emergency police stations, 30 houses worth R2,84m were bought for the SADF and the Camden and Usutu Mine residential areas near Ermelo were bought from Eskom and Trans-Natal Collieries respectively for R4,5m.

Another 1 280ha of land was bought by the Natal Parks Board for R1,15m to expand the Kransberg National Park, while seven properties near Uitenhage totalling 2 961ha were bought for R1,26m to expand the Zuurberg National Park.

On behalf of the Education and Training Department, 45 properties totalling 164ha had been bought on a recoverable basis for R33,74m for the construction of new schools.

The department's allocation in the national Budget had decreased from 2,9% in the 1985/86 financial year to 1,9% in 1992/93, while its spending — as measured against GDP — had dropped from 0,75% to 0,61%.

"The decrease in the funds allocated has had specific negative side-effects, the most regrettable of which is that existing assets cannot be properly maintained," the report said.

Cluster home site in limbo

Buss. Day ANDREW KRUMM 2/6/93

THE FATE of the former Waldorf cluster home site in Sandton remains in limbo, as bondholder NBS has not reached a decision on what to do with it.

The indecision follows the liquidator's recent rejection of a R2,7m offer by the Cohen Gur Group to purchase the 1,93ha site at an auction in late March.

The auction was held after the provisional liquidation of Strathborne Investments, which struggled to attract buyers for the R2m-apiece cluster homes, only one of which was built. NBS regional manager Gerry Gericke said although the site had initially reverted to the insolvent estate after the rejection of the Cohen Gur offer, it had been surrendered to the NBS.

(58)

Gericke said a number of independent property companies had put forward proposals for the site. These made provision for a variety of options, such as the construction of 24 to 129 townhouse units, the subdivision of the land and sectional title sales.

Certain of these proposals would be submitted to the NBS board within the next two weeks, he said.

B/Day 2/6/93

London bank finds itself a cosy niche

SHARON WOOD

LONDON — Multinationals' growing interest in southern Africa had created a natural niche market for Standard Bank London, CE Pieter Prinsloo said yesterday.

Calls on multinationals had been "particularly successful. They are starting to look and want to do something."

The region had been neglected and the multinationals needed expertise to reinvest in the region.

Standard Bank London had concentrated quite heavily on corporate banking and wanted to be the bank that knew the most about Africa and its exotic currencies, he said.

"If you go about it carefully there are a lot of opportunities (in Africa) ... and SA is still the logical place to be."

Standard London intended to be a strong regional bank. With local representation through the acquisition of ANZ Grindlays, Africa, it was halfway there.

Grindlays was managed in Johannesburg but its international financing in Africa was structured through London.

The London bank was concentrating on high-yield products, which included trading in eastern European and African debt.

Prinsloo said the bank was also helping multinationals to restructure their African balance sheets.

He added trade finance would become an important area of business for the London bank.

Metpol ups earnings, boosts interim div

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By MAGGIE ROWLEY
Deputy Business Editor

METROPOLITAN Life (Metpol) lifted earnings by 21% to 37c a share for the six months to end March.

Metpol, which recently became the first major company quoted on the JSE where control has passed to the black community, saw total premium income rise 23% to to R480,6m in spite of difficult market conditions.

The disclosed surplus attributable to shareholders rose 24% to R24,2m resulting in the interim dividend being raised 20% to 24c a share.

Recurring premium business constituted about 94% of total premium income rising 20% to R480,4m. Single premiums rose 103% to R30,1m.

Investment income was up only 6% to R187m reflecting the lower interest rates and slower growth in dividends received as a result of the depressed economic conditions.

This bought total income to R668,1m, 18% up on the corresponding period last year.

Total assets, calculated at market value increased by 15% to top R5bn for the first time.

CT 3/6/93

CEO Marius Smith said the unrest and poor economic conditions had greatly affected the company's target market which is more than 80% black.

The unrest in particular had inhibited the mobility of field staff.

Investment performance lets down assurer Metpol

Buss. day 3/6/93

LINDA ENSOR

CAPE TOWN — Life assurer Metropolitan Life (Metpol) achieved sound premium income growth in the six months to end-March, but a sluggish investment performance constrained the earnings growth to a still respectable 21%.

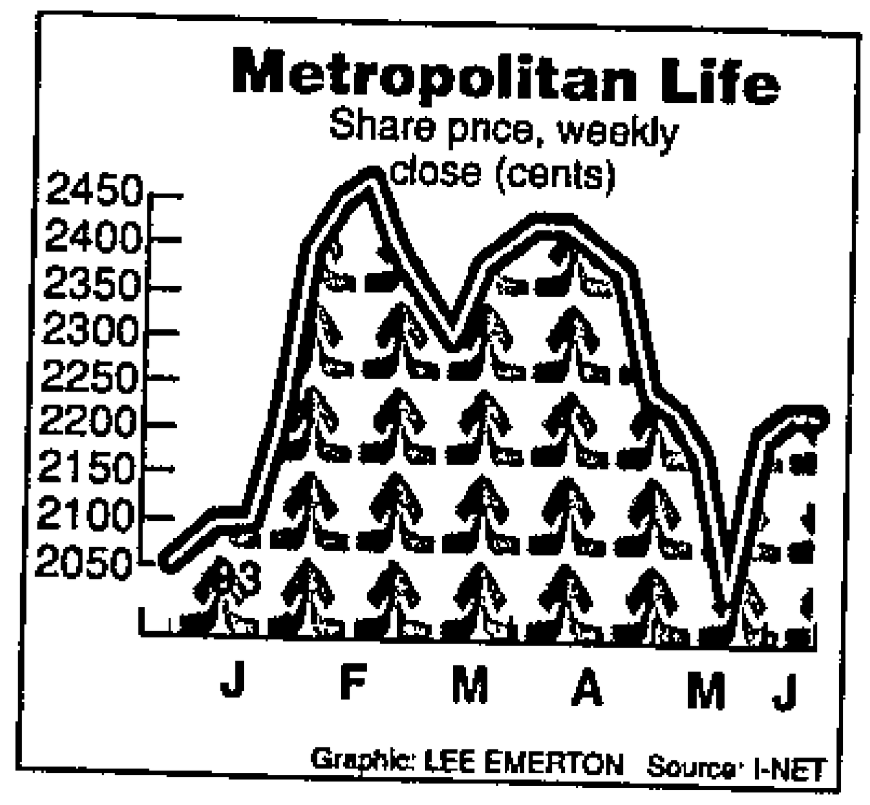
A 20% higher dividend of 24c (20c) was declared on earnings of 37c (30,5c) a share. In its previous financial year Metpol posted a 23% rise in earnings a share. (58)

Total income in the six months increased by 18% to R668m (R567m), while the disclosed surplus attributable to shareholders grew 22% to R24,2m (R19,9m).

Recurring premium income, which represented 94% of total premium income, rose 20% to R450,5m (R375m) and single premium income (mainly from individuals) by 103% to R30m (R14,9m).

This gave a 23% hike in total premium income to R480,6m (R390m).

"In a period characterised 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," MD Marius Smith said. He added that the unrest had affected the mobility of field staff.



Senior GM, finance, Peter Doyle noted that the difficult economic climate was reflected in the sharp increase in policy surrenders and the resort by policyholders to the bridging finance facility provided by Metpol's Dynamic Life product. This provided for the financing of premiums out of investment funds.

Investment income inched up 6% (13% last year) to R187,5m (R177m), reflecting lower interest rates and slower dividend growth. However, Smith said total returns, including capital appreciation, compared favourably with industry averages. The market value of investment assets rose to R4,8bn (R4,2bn).

Total assets at end-March stood at R5,2bn (R4,5bn), and life insurance funds grew 16% to R4,7bn (R4bn).

Smith expected the satisfactory interim results to be maintained for the full year.

Metpol's major shareholder Sankorp announced recently that it was to sell 10% of its 40% stake to a black-owned company, Metlife Investment Holdings, for R135m.

Metlife would in turn sell the shares to institutions and to the life assurer's predominantly black policyholders who constitute about 80% of all its policyholders.

Doyle said the announcement of Metlife's acquisition had had a motivating effect on sales staff and he expected premium income to pick up in the second half of the year because of a more receptive market.

Cargo Carriers lowers costs

Buss. day 3/6/93

EDWARD WEST

ROAD transport group Cargo Carriers expected improved results this year after restructuring which had lowered costs, chairman Gerald Stein said in the group's 1992 annual report.

An extensive planning operation had been undertaken to focus the group. The resulting restructuring had enabled operations to be managed from a lower cost base and the group was poised to expand market share, Stein said.

Sophisticated techniques were being used to monitor the group's operating efficiencies.

The restructuring had led to a reduction in the work force at all levels, he said.

The reported pre-tax profit for the year to end-February 1993 had been improved by R10,43m.

This was because of an adjustment made following a decision to depreciate vehicles over their useful lives based on the actual number of kilometres travelled or time.

Previously vehicles were depreciated on a straight-line basis over a period of five years.

Without this adjustment, a loss of R6,98m would have been reflected.

Stein said industry deregulation, which virtually had been completed, had resulted in an oversupply of available transport capacity because of the economic decline.

This was forcing operators to charge subeconomic rates.

While this was beneficial to customers in the short term, there was a long-term danger national transport infrastructure would be impaired.

This was being exacerbated by the inequitable situation under which foreign operators were permitted to transport goods within SA and their own countries free from the restrictions experienced by SA operators.

Selective enforcement of the Road Transport Quality System would lead to an increase in the already high number of accidents and unfair competition, said Stein.

Tetra Laval back after disinvesting

Buss. day 3/6/93

WORLD packaging group Tetra Laval has re-acquired its South African arm Tetra Pak after disinvesting in 1987 as a result of political reasons.

Tetra Pak South Africa MD Richard Tonkin said yesterday his firm had operated for the past 14 years under a licensee arrangement.

"We have continued to flourish but the arms length relationship has meant compromises in a number of areas. We really are looking forward to reconnecting with the strength of the international group," he said.

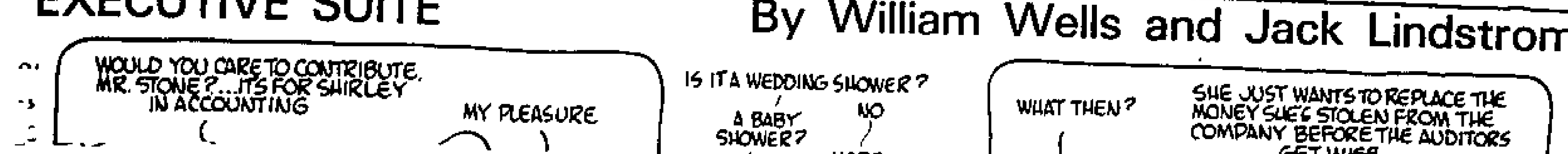
Following the re-acquisition, Tetra Pak and Alfa Laval South Africa would be merged under a new holding company to be known as Tetra Laval Southern Africa.

This is a result of the Tetra Laval Group in mid-1991 acquiring international group Alfa-Laval AB, which supplies production equipment for the food and agriculture industries.

The two SA companies would continue to operate separately. — Sapa.

EXECUTIVE SUITE

By William Wells and Jack Lindstrom



ANC Natal branch calls for Mandela-Buthelezi meeting

Buss. day. 3/6/93.

BILLY PADDOCK

THE ANC southern Natal region yesterday joined Zimbabwean President Robert Mugabe in calling on ANC president Nelson Mandela to meet Inkatha president Mangosuthu Buthelezi urgently to defuse violence.

However, the ANC national office said in a statement yesterday that while the meeting was desirable, essential preparations had to be made to ensure it succeeded.

Sapa reports that the southern Natal ANC leadership outlined a peace plan in Durban to engage Inkatha in joint initiatives to bring an end to Natal violence.

Inkatha has cautiously welcomed the move.

The main stumbling block to a meeting between the two leaders appears to be that the ANC wants a commitment from Inkatha that it will allow the ANC to freely organise and conduct rallies in KwaZulu.

The national office's statement said it welcomed Mugabe's initiative, which followed a decision of the OAU ad-hoc committee.

It said the discussions of the preparatory committees had progressed well, except in dealing with free political activity, where the Inkatha committee members had been tied up with constitutional negotiations and had not been able to meet regularly.

The ANC region's plan is to call for an "initial peace meeting" between the two leaders to prepare for a formal summit.

Southern Natal ANC chairman Jeff Radebe said the first meeting should aim to instruct the ANC/Inkatha preparatory committee, appointed at the end of last year to remove obstacles to a summit, to complete its tasks by a set date, and to instruct its regional counterparts to consolidate the peace process.

After the formal summit, the ANC and Inkatha should convene joint peace rallies where free political tolerance and an end to the militarisation of politics should be advocated.

Radebe said a summit was not the answer to Natal's war, but the leaders needed to be seen together to accelerate the peace process and to encourage political tolerance.

Inkatha said in a statement: "If the ANC's rationale is truly to put an end to violence, we must accept that today's proposals by the ANC might prove constructive".

However, it questioned why the ANC had proposed the plan through the media instead of the regional peace accord structure, and said ANC supporters "continue to wage war on us".

"We must therefore treat the ANC's call with caution," Inkatha said.

☐ Our Durban correspondent reports that the ANC Youth League has proposed a paramilitary youth peace corps be established to balance the existing security structures' bias during an interim government.

ANC Youth League publicity secretary Phakamile Mankahlana said the corps should target the masses of unemployed youth. Such a corps would help prepare blacks to trust future police structures.

Southern Life rejected Masterbond, says agent

Buss. day 3/6/93

LINDA ENSOR

CAPE TOWN — Southern Life rejected the offer of involvement in a property equity participation scheme proposed by Masterbond agent Thomas Hosking, Hosking told the Nel commission of inquiry yesterday.

The scheme was eventually accepted by Fedlife.

Hosking, who acted as Masterbond agent in Port Elizabeth, had about R1m personally invested in the group at the time of its collapse. He said Fedlife agreed to gear the scheme on a two-to-one basis after its actuary and development manager had studied it. Fedlife eventually loaned R18m of its pension and annuity funds to investors in terms of the scheme.

Hosking told the commission he learnt later there were no assets in Club Mykonos Investment Holdings to underpin the scheme as was claimed in the information document. Higher than normal commissions of between 5% and 10% were paid to agents for selling the units in the scheme.

He said he had had great confidence in the project and had relied on the expertise of former Masterbond chairman Koos Jonker, who projected an internal rate of return of 34%.

UAL projects team to form own company

Buss. day 3/6/93

LINDA ENSOR

CAPE TOWN — UAL Merchant Bank's entire projects team — including projects GM Leon Kirkinis — has resigned to form an independent financial engineering company in the securities market.

The resignation of Kirkinis and senior managers Greg Barnes, Durk Holtes and Daan Wandrag about 10 days ago was confirmed yesterday by UAL managing director Geoff Richardson.

Kirkinis said the new, still to be named, company would be involved in developing, creating the market for and trading in new securities and in constructing unique financial solutions for the new SA.

An approach had been made for a substantial business partner to acquire a minority stake in the company, details of which would be released later.

Kirkinis was "absolutely" confident that the new company would draw the clients which used the team's services at UAL. The division had been a highly successful one for UAL, he noted.

The creative team had been together for six years and had a successful track record of developing innovative new product developments, including the recently announced Eskom Electrification Participation Notes, the Collateralised Housing Investment Paper (Chips) for low-cost housing and the Land Investment Trust for township land development.

The team was also responsible for developing the stripped zero coupon bond market and UAL's guaranteed unit trust-linked products.

The resignations occurred about the same time that Syfrets Managed Assets MD Leon Campher and five senior executives announced their resignation to form a new asset management company, Coronation Asset Management. Administration and research staff followed in their wake.

The Syfrets Managed Assets team resigned after their demands for equity participation were rejected by parent company Nedcor.

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UAL is a sister company of Syfrets within Nedcor which has apparently adopted a firm policy against equity participation by all but exceptionally senior members of its staff.

Kirkinis said yesterday that the developments in UAL and Syfrets were unrelated though both revolved around the wish to participate in the equity of their respective companies.

"Due to the entrepreneurial nature of the business, we believe that long-term success is dependent on ownership by management," Kirkinis said, adding that there was no structure within UAL to allow the team to own their own business.

Kirkinis believed that the move to form separate companies was a natural, evolutionary development when people were successful. They then wanted more than profit sharing and incentive bonuses — they wanted to own their own companies.

Meanwhile, Syfrets joint MD Ashton Dominy said the first new appointments at Syfrets Managed Assets would be announced today. Two key portfolio management positions were being finalised. Dominy said Syfrets Managed Assets should be back to full strength in portfolio management by the end of the week and all key positions filled by June 15.

Greater effort made to improve packages

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BDAY 3/6/93

FINANCIAL link-ups by motor manufacturers and banks are flourishing in an effort to tailor a greater variety of vehicle purchasing financial packages to attract greater market share.

While many such partnerships started with sales and full maintenance leasing schemes for commercial vehicles, they have extended rapidly into passenger cars.

Some manufacturers, including their dealer networks, are tying up with different banks for different models of the same make of vehicle.

The McCarthy Toyota group has links with Wesbank, Stannic and Bankfin. Most manufacturers have similar arrangements.

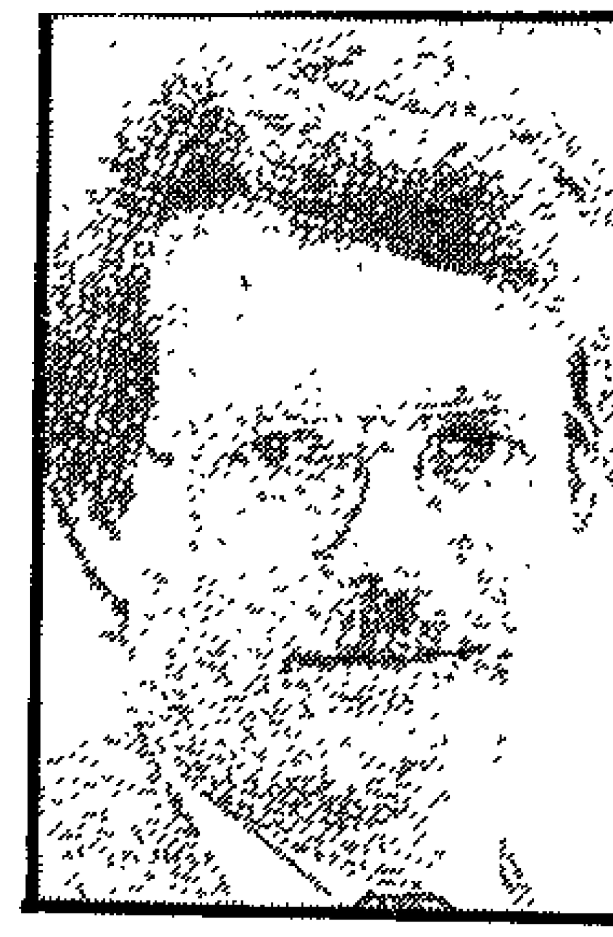
Nissan SA GM (fleet and government sales) Pieter Ackermann says: "We are considering creating more joint finance companies with banks, in order to become more flexible and offer a wider variety of financing options."

However, each scheme varies. He says demand is for lowest interest rates or least monthly repayments.

Conjunction

Packages developed and marketed by Nissan in conjunction with a number of banks include the Uno programme, which offers the Wesbank Wheelsave, including maintenance for 36 months.

Others include its Bankfin scheme, which is for the

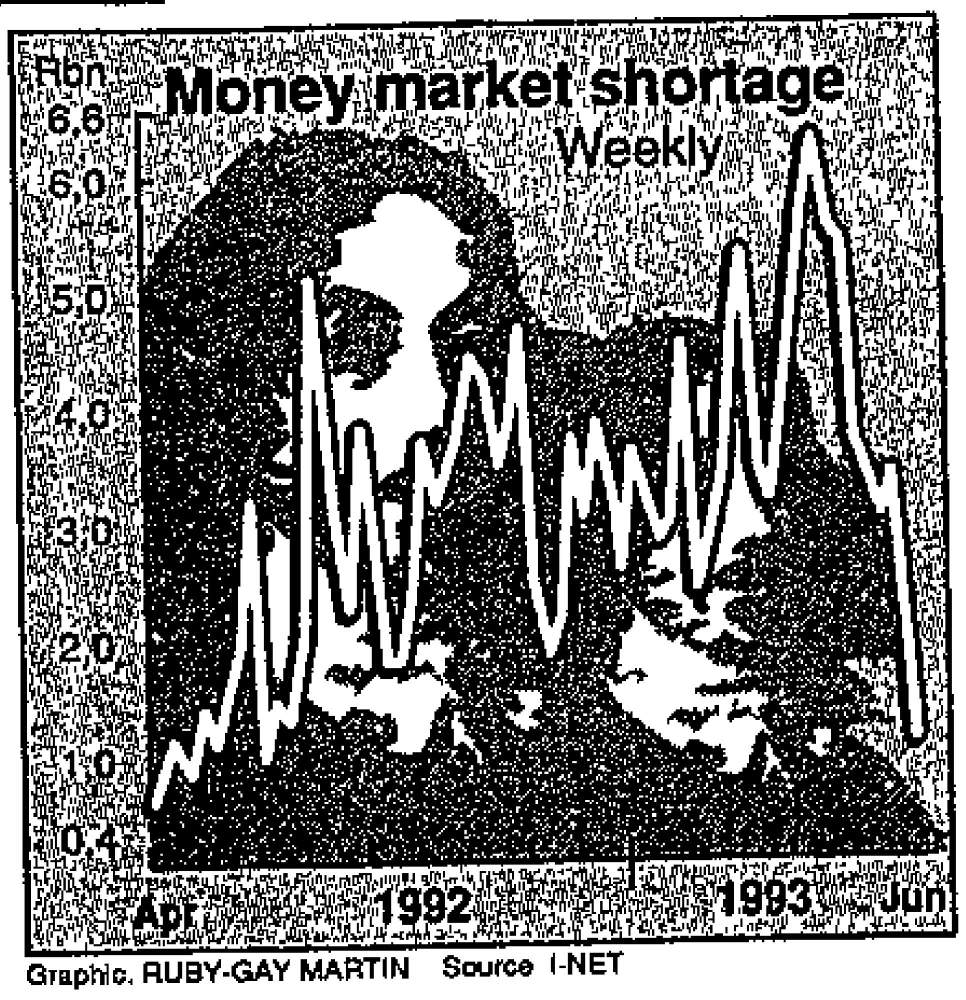


PIETER ACKERMANN

Nissan Maxima and the Champ 1800 bakkie.

"We have also received several requests to look at finance options for trucks," says Ackermann.

"This flexible approach has produced excellent results and our banking partners are satisfied with the business generated through the Nissan network."



Graphic: RUBY-GAY MARTIN Source: I-NET

Low bank debt fuels hopes of rate cut

Buss. day 3/6/93

TIM MARSLAND

BANKS' daily debt to the Reserve Bank dropped to a 12-month low of R1,2bn on the money market yesterday, fuelling hopes of lower interest rates later in the year.

Capital market rates also went on a bull run because of money market-related developments. (58)

Reserve Bank money and capital markets GM André Kock said about R2bn in interest payments on government stock flowed into the market this week. That, coupled with normal government spending at the beginning of the month, had brought the shortage down to R1,2bn against Friday's R3,4bn.

☐ To Page 2

Rate cut

Buss. day 3/6/93

☐ From Page 1

Kock said the shortage was likely to rise later in the month with sales of government stock, which would see money flow out of the market into government's accounts at the Bank. However, he said the Bank did not plan any special measures to drain liquidity from the market.

A money market dealer said it seemed a pattern similar to last year's was developing. A build-up of liquidity which began last June had culminated in two Bank rate cuts later in the year. (58)

Capital market rates also dropped on the prospects of a rate cut, dealers said. The long-dated Eskom 168 bond closed at 14,875% from a previous 14,970%.

Bill narrows JSE 'liberalisation'

58

THE Finance Department yesterday published an abridged version of the Financial Services Second Amendment Bill, leaving out proposals that could have set the scene for stock market liberalisation.

The 51-page draft includes non-controversial proposals from the bill of the same name tabled earlier this year and from the Financial Services Board Amendment Bill.

Financial Services Board (FSB) legal advisor Franso Van Zyl said the new draft included enabling clauses to allow the JSE to conditionally admit members of derivative markets as members of the JSE.

But other pillars of a stock exchange deregulation similar to the London Stock Exchange's 1986 "big bang" have been dropped.

These include provision for the JSE to allow for corporate membership, dual trading and negotiable commissions.

Van Zyl said the changes were imposed by the joint parliamentary committee on finance after objections including a submission by the Life Offices' Association that the changes should be postponed.

Also dropped, mainly because of differences over proposed wording, was a provision to offer financial exchanges indemnity against certain liabilities.

"The idea was to offer statutory indemnity. Now they have to rely on common law protection," Van Zyl said.

The new draft excludes measures that would have transferred some regulatory powers from the Finance Minister to the Financial Services Board. — Reuter

CT 4/6/93

FM 4/6/93 (58)

AFRICAN LIFE FM 4/6/93

Just keeps rollin' along

(58)

Activities: *Life assurance.*
Control: *Southern Life (77%).*
Chairman: *A H Arnott; MD: W A Jack.*
Capital structure: *63,3m ords. Market capitalisation: R323m.*
Share market: *Price: 510c. Yields: 2,9% on dividend; 4,4% on earnings; p:e ratio, 22,7; cover, 1,5. 12-month high, 525c; low, 280c. Trading volume last quarter, 650 000 shares.*

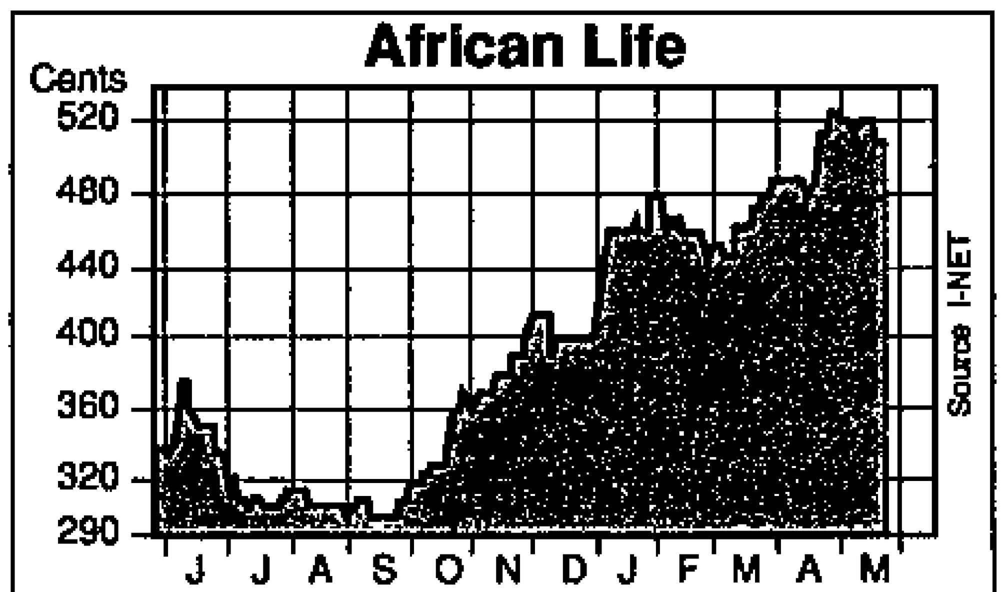
Year to Mar 31	'90	'91	'92	'93
Total assets (Rm)	188	209	259	313
Gross premiums (Rm)	40,2	52,4	69,7	104,7
Investment inc (Rm)	12,9	13,8	16,5	19,8
Total surplus (Rm)	20,8	31,1	39,9	64,4
Equity profits (Rm)	5,1	8,6	11,0	13,8
Earnings (c)	12,3	15,3	18,7	22,5
Dividends (c)	7,9	9,8	12	14,8
Net worth (c)	90	97	110	134

In current socio-economic conditions, a company targeting largely the low- to middle-income groups would not normally be selected for growth potential. Against this, however, Aflife's performance since its listing in November 1990 suggests increasingly it may not be a normal company.

At the same time, it's only fair to add the 1993 results were substantially ahead of management's own expectations. In particular, the 50% increase in gross premium income, from R69,7m to R104,7m, was more than double MD Bill Jack's growth forecast of "at least 20%" at the start of the year.

That set the scene for a 61% leap in total surplus (net income after tax attributable to both policy and shareholders) from R39,9m to R64,4m. This made 1993 a record year at a time when most companies dependent on the same target market were struggling.

The report is notably vague as to the reasons for this strong performance. In part, the groundwork was laid in previous years through, for example, 1992's marketing tie-up with the Zion Christian Church and the opening of new regional offices in the OFS and eastern Cape.



But the dominant factor, as in previous years, must be Aflife's knowledge and dedication to the markets it serves, coupled with the development of suitable products and selling techniques specifically tailored to this specialised but under-developed segment of the total life assurance market.

A key element is Aflife's specialisation in low-cost products which, in a sense, makes it a sort of assurance supermarket, deriving growth from volume rather than bulk.

The success of the strategy is reflected in the growth of premium income from under R13m in 1986 to almost R105m last year. But equally important is that the group seems to have avoided the potential pitfall of excessive admin costs associated with processing large quantities of small policies.

Surprisingly, despite 1993's surge in new business, the ratio of admin costs to gross premiums showed one of its largest annual declines — from 26,2% to 21,2%. It has virtually halved since 1986's 40,9%.

Operating surplus

The significance is that if the 1986 ratio had been maintained, last year's total surplus would have been only R43,7m. After contractual obligations on policyholder benefits, the net operating surplus would have been only R10,7m instead of the R31,4m in fact available.

Rapid growth in new business doesn't seem to be straining the balance sheet either. Thanks partly to a policy of paying scrip dividends (which continue to be accepted in lieu of cash by more than 90% of shareholders), the ratio of equity funds to total assets at 27,2% is also a record. A one-off contributory factor was a change in accounting policy on providing for the final dividend.

Market acceptance of Aflife is reflected in the progressive upward rerating. Aflife came to the market after a preferential share offer at 130c on a prospective dividend yield of 7,3%. Eighteen months later the share price was 320c, and the dividend yield 3,8%.

The company again forecasts that premium income should continue to grow by at least 20% this year. Profits could increase faster if the pattern of reduced management costs as a percentage of premium income is maintained. An earnings/dividend increase in the 20%-25% range therefore looks possible, and the share still offers good value (if you can find any). *Brian Thompson*

INSURANCE FM 4/6/93.

Switching niches

58

Short-term insurer AI got a new CE on Tuesday — Paolo Cavalieri, recruited from Standard General. AI and StanGen are small insurance players and both associates of internationally important insurance

cont→

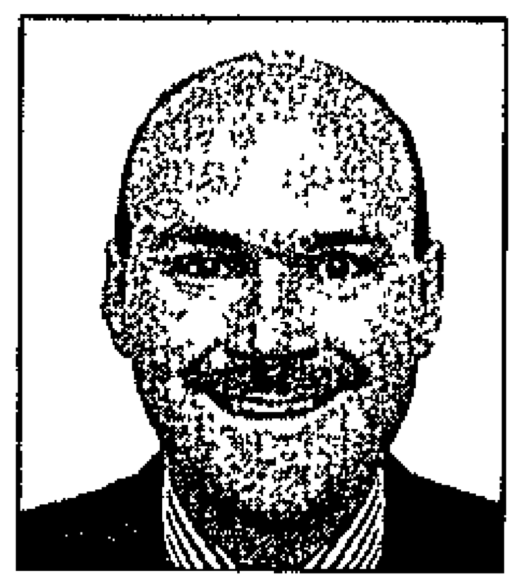
FM 4/6/93

58

groups. StanGen is a subsidiary of Generali, Italy's biggest short-term insurer.

AI's original parent is the top-performing insurer in the US that withdrew from the SA market in the sanctions era, though always maintaining a toehold. When it withdrew, it parked its shareholding, always with the consideration that it would return to SA.

Cavalieri's father, Cesare "George" Cavalieri, ran StanGen from 1958 to 1989. Paolo Cavalieri served with the Generali group in Paris, SA, London and Belgium. AI and StanGen have similar ambitions: to be niche insurers in SA and use their established presence as springboards for business opportunities in the rest of Africa.



Cavalieri

AI's retiring MD Eddie Rodd will continue in a consultancy role. Cavalieri says AI has maintained US links via reinsurance and technical support. The American AIG company, he says, is keen to maintain a world presence — currently it writes about 50% of its business in the US and the rest is dispersed globally.

"AIG was," he adds, "the first American insurer to return to the People's Republic of China when tensions between the US and China lessened."

AI has a strong solvency margin, about 80% in international standards, and Cavalieri has a firm profile. That adds up to an aggressive expansion programme to take AI out of the "little league."

Cavalieri agrees but adds: "We shall have to concentrate on specialised areas of insurance — we will not contend head-on with the big players in insurance." ■

MONEY SUPPLY (58)

Trickle down

FM 4/6/93

The broad monetary aggregate, M3, continues to register slow growth. Seasonally adjusted it rose only 0,3% in April. Without the seasonal adjustment it declined 1%. The recent levelling out in M3 growth reduced 12-month figures to the lowest level recorded under the current definition of M3: over the 12 months to April, an estimated 3,35%, to R196,9bn; measured from the base of the current guideline year (fourth quarter 1992), 0,26% to a seasonally adjusted R196,7bn.

In the month, M3 declined, largely because of government's funding drive. More clarity will emerge once a detailed breakdown of the Reserve Bank's balance sheet is published this month. Over a longer period, a contributory factor to the deceleration could be the increased popularity of flexible mortgage schemes, which allow people to deposit money into their mortgages, effectively earning tax-free interest. Such "deposits" take cash out of money supply.

In March, 12-month M3 growth was a 5,66% (revised from the provisional figure of 5,15%). The annualised figure for March was a revised -0,5% (-1,79%).

A full breakdown of the other monetary aggregates for March shows a surge in the growth of M0, the narrow aggregate (measuring notes and coins in circulation and deposits by banks and building societies at the Reserve Bank). This grew 16,14% in the month, or 23,28% over 12 months — possibly because of an increase in consumer spending to pre-empt the April hike in the

FM 4/6/93. (58)

Vat rate.

Of the other aggregates:

- ☐ M1A fell over the month by 0,12%, but grew 19,41% over 12 months;
- ☐ M1 grew 0,69% and 10,36%; and
- ☐ M2 grew 0,37% and 5,09%.

Private-sector credit demand declined in March, by 0,34%, to R211,9bn. Over 12 months it grew 8,77%. Total domestic credit was up 0,36% in the month and a year-on-year 10,3%, to R217,7bn, due to a large increase in the month in net claims on the government sector. ■

LIFE ASSURANCE FM 4/6/93.

Brokers champion savers

58

When and how often a contractual saver can gain access to his savings, as well as what interest he should be paid, are in question. Draft legislation will make it harder for policyholders to borrow against life policies.

The Financial Services Board's latest draft of the Long-Term Assurance Bill — described in the board's covering note as "absolutely the bloody last" — has clauses that give a policyholder access to a prescribed percentage of his savings only once during the policy's life. The formula is based on premiums paid plus 5%.

The Bill will include an industry-accepted code that allows only one surrender and loan within the first five years of the policy's life. The aim is to eliminate situations which Revenue regards as undesirable.

"Theoretically," says Life Offices Association director Jurie Wessels, "a single-premium policy could be issued on which the holder receives annual payment of, say, 12% of the original capital. But he would not be taxed on the payments because they are partial surrenders of the policy. Meanwhile, a tax-free maturity value after five years, in excess of the original consideration, may be quoted."

An LOA convention allows member companies to base interest projections to prospective policyholders on 12%-15% for illustration. Final payouts have usually exceeded 15%. Allowing multiple access would make the assurer a deposit-taking business offering yields above the 5% envisaged in regulations.

The controversy surrounding these issues involves not only the board and the association but also Finance Minister Derek Keys and the Insurance Brokers' Council. The council claims its stance is in the interest of the consumer who needs access to savings; the life offices describe the council's attitude as silly because it ignores the difference between life assurance and banking. The council counters that it doubts a court would uphold the right of an insurer to refuse a policyholder access to his savings.

The disagreement follows Keys's announcement that the sixth schedule to the Income Tax Act is to be abolished. This limited the form in which life offices could sell tax-efficient policies so that they could not compete directly with deposit-taking institutions through short- or medium-term instruments. It raised little or no revenue and so was seen as being regulatory — and that irritated the Financial Services Board which believes it (not Revenue) should regulate financial services. Revenue agreed and, in the March Budget, Keys announced the schedule would be abolished, without setting a date.

Anticipating Keys's announcement, the life offices had already established their code of conduct.

Insurance Brokers' Council national life chairman Eric Craig believes the restrictions on borrowing against a policy go too far. He faxed the board last week: "This issue cannot possibly be aimed at levelling the playing fields (between assurers and banks)." Nor can it be designed to protect Revenue, he argues. When the "four-fund approach" to the taxation of life assurers is introduced in the Income Tax Act, the rate on assurers' taxed funds is likely to be 30%, higher than the average rate which policyholders endure.

Craig says certain life offices have a vested interest in the once-only withdrawal clause. Wessels counters that the code is a simplified way of demarcating between insurers and banks. The sixth schedule used to perform this function by demanding a penalty tax if policy proceeds were withdrawn within 10 years.

The code is intended to prevent people using assurers as short-term repositories while enjoying tax advantages.

Nothing is clear yet. The schedule will go — sometime. There is a code to replace it. The essence of the code will be in a new Insurance Act which has now gone through five drafts and about which there is still no agreement.

It's understood not all LOA members agreed with the restriction on multiple withdrawals. They say the authorities should describe the type of activity they want to control — in this case, life offices acting as depositories for short-term funds — instead of putting a blanket ban on multiple transactions.

But a definition of that class could lead to compiling legislation even more complicated than the sixth schedule — and life offices all want the schedule to go. The life offices say some brokers designed products they thought could exploit the abolition of the schedule — to their advantage and clients' — but found the code and pending legislation foiling those aims. ■

REPUBLIC OF SOUTH AFRICA — REPUBLIEK VAN SUID-AFRIKA

Government Gazette
Staatskoerant

Vol. 336 PRETORIA, 4 JUNE / JUNIE 1993 No. 14835

GOVERNMENT NOTICES

DEPARTMENT OF CORRECTIONAL SERVICES

No. 948 **4 June 1993**

NOTICE IN TERMS OF REGULATION 4 OF THE REGULATIONS UNDER THE FURTHER INDEMNITY ACT, 1992

The undermentioned persons were released on 17 May 1993 in terms of the Further Indemnity Act, 1992 (Act No. 151 of 1992):

GOEWERMENTSKENNISGEWINGS

DEPARTEMENT VAN KORREKTIEWE DIENSTE

No. 948 **4 Junie 1993**

KENNISGEWING INGEVOLGE REGULASIE 4 VAN DIE REGULASIES KRAGTENS DIE WET OP VERDERE VRYWARING, 1992

Die ondergemelde persone is op 17 Mei 1993 kragtens die bepalings van die Wet op Verdere Vrywaring, 1992 (Wet No. 151 van 1992), vrygelaat:

Surname Van	Full christian names Volle voorname
BIYASE	MODODENI WILBERT.
CHEGO	HAMMER NTOSHENG.
CHEGO	JUDAS MAKGOTOMETSA.
JAMILE	SAMUE BEKIZIZWE.
LEEB	PETRUS JOHANNES JACOBUS.
TIKANIE	PHAKAMILE.

DEPARTMENT OF FINANCE

No. 968 (58) **4 June 1993**

BANKS ACT, 1990

DESIGNATION OF AN INSTITUTION TO WHICH CERTAIN PROVISIONS OF THE BANKS ACT, 1990, SHALL NOT APPLY ("INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED")

Under section 2 (vii) of the Banks Act, 1990 (Act No. 94 of 1990), I, Theodorus Gerhardus Alant, Deputy Minister of Finance, hereby designate for a period until 31 December 1994, with effect from the date of this notice and subject to the conditions set out in paragraph 2 of the Schedule, the institution specified in

DEPARTEMENT VAN FINANSIES

No. 968 **4 Junie 1993**

BANKWET, 1990

AANWYSIGING VAN 'N AANSTELLING WAAROP SEKERE BEPALINGS VAN DIE BANKWET, 1990, NIE VAN TOEPASSING IS NIE ("NYWERHEID-ONTWIKKELINGSKORPORASIE VAN SUID-AFRIKA BEPERK")

Kragtens artikel 2 (vii) van die Bankwet, 1990 (Wet No. 94 van 1990), wys ek Theodorus Gerhardus Alant, Adjunkminister van Finansies, hiermee vir die tydperk vanaf datum van hierdie kennisgewing tot 31 Desember 1994, en onderworpe aan die voorwaardes uiteengesit in paragraaf 2 van die Bylae, die instelling verparagraph 1 of the Schedule, as an institution to which the provisions of the Bank Act, 1990, in so far as they impose requirements with which any institution must comply—

(a) before it may carry on the business of a bank; or

(b) in the lawful carrying on of the business of a bank,

shall not apply.

T. G. ALANT,
Deputy Minister of Finance.

SCHEDULE

1. The development corporation known as the "Industrial Development Corporation of South Africa Limited ("IDC") and referred to in section 2 (1) of the Industrial Development Act, 1940 (Act No. 22 of 1940).

2. The activities of the institution referred to in paragraph 1 shall be performed by virtue of the powers conferred upon the said institution by section 4 of the Industrial Development Act, 1940: Provided that the amount owing in respect of loans raised or moneys borrowed shall not at any time exceed the issued share capital and reserves of the said institution as reflected in the most recent audited balance sheet of the said institution.

DEPARTMENT OF FOREIGN AFFAIRS

No. 954 **4 June 1993**

RECOGNITION GRANTED AS HONORARY CONSUL

It is hereby notified that Mr Per Bjorvig has, with effect from 1 February 1993, been granted recognition as Honorary Consul of Denmark in Durban, with the Province of Natal as his area of jurisdiction.

(72/59/2)

No. 955 **4 June 1993**

PRESENTATION OF CREDENTIALS

It is hereby notified that Mr Glenn Robin Ware Babb was received by the President of Malta on 13 May 1993, on which occasion he presented his Letter of Credence as non-resident Ambassador Extraordinary and Pleniportentiary of the Republic of South Africa to Malta.

(4/2/207)

meld in paragraaf 1 van die Bylae aan as 'n instelling waarop die bepalings van die Bankwet, 1990, vir sover dit vereistes stel waaraan enige instelling moet voldoen—

(a) alvorens dit die bedryf van 'n bank mag uitoefen; of

(b) by die wettige uitoefening van die bedryf van 'n bank,

nie van toepassing is nie.

T. G. ALANT,
Adjunkminister van Finansies.

BYLAE

1. Die ontwikkelingskorporasie bekend as die "Nywerheid-ontwikkelingskorporasie van Suid-Afrika Beperk ("NOK") en waarna in artikel 2 (1) van die Nywerheid-ontwikkelingswet, 1940 (Wet No. 22 van 1940), verwys word.

2. Die bedrywighede van die instelling vermeld in paragraaf 1 moet verrig word uit hoofde van die bevoegdhede by artikel 4 van die Nywerheid-ontwikkelingswet, 1940, aan genoemde instelling verleen: Met dien verstande dat die bedrag wat te eniger tyd ten opsigte van lenings aangegaan of geld opgeneem verskuldig mag wees, nie die volle uitgereikte kapitaal en inkomstereserwes van die genoemde instelling soos weerspieël in die mees onlangse geouditeerde balansstaat van die genoemde instelling, te bowe mag gaan nie.

DEPARTEMENT VAN BUITELANDSE SAKE

No. 954 **4 Junie 1993**

ERKENNING VERLEEN AS EREKONSUL

Hierby word bekendgemaak dat aan mnr. Per Bjorvig met ingang van 1 Februarie 1993 erkenning verleen is as Erekonsul van Denemarke in Durban, met die provinsie Natal as sy regsgebied.

(72/59/2)

No. 955 **4 Junie 1993**

GELOOFSBRIEFOORHANDIGING

Hierby word bekendgemaak dat mnr. Glenn Robin Ware Babb op 13 Mei 1993 deur die President van Malta ontvang is en dat hy by daardie geleentheid sy Geloofsbrief as nie-inwonende Buitengewone en Gevolmagtigde Ambassadeur van die Republiek van Suid-Afrika in Malta oorhandig het.

(4/2/207)

Absa thrusts its weight behind awareness drive

Buss Day 4/6/93

(58)

BANKING is becoming increasingly aware of the environment. Absa's staff are putting their ideas and efforts behind the National Environment Week.

Executive director (commercial banking) Nallie Bosman says World Environment Day and National Environment Week deserve the support of every organisation in the country, not only those that have a direct effect on the environment.

Says Bosman: "Absa believes that the most important contribution any company can make towards protecting the environment is through harnessing the commitment of its employees to be conservation minded.

"Absa has over 38 000 staff members in more that 1 000 offices throughout SA. By encouraging and supporting our staff to make a difference in their local communities, our country as a whole will benefit."

The bank's social manager, Kobus Conradie, says all branches and offices have been encouraged to launch a project in their local communities, aimed at furthering the aims of World Environment Day.

"We have appointed a panel of judges to evaluate the reports on the various projects. A large cash prize will be awarded to the branch or office that comes up with the best project."

Judging is on the basis of originality, impact and the degree of staff participation.

Where projects result in raising income through means such as the sale of materials for recycling, the funds will be paid into a central account and the proceeds donated to a prominent conservation body.

Selected

"This year we have selected the newly created Conservation Trust of the Natal Parks Board," Conradie says.

Absa offices are also vying for another cash prize. Staff, family and friends are collecting and raising cash, and the branch that raises the highest amount per staff member for the Conservation Trust, wins.

Conradie says participation is high, with almost every branch of Allied Bank, TrustBank, Volkskas Bank, United Bank and Bankfin putting together individual projects reflecting local concerns and employee interests.

Together with primary school children, Volkskas Wynberg in the Cape is working to clean up the Silvermine Nature Reserve. Local businesses are contributing by providing food and drinks for the participants.

There is also a peaceful demonstration planned through the streets of Wynberg tomorrow.

TrustBank's Adderley Street branch in Cape Town is awaiting permission to clean off the graffiti from the rockfaces of Tafelberg. A clean up of the Cape Town station is also planned, as well as a waste paper drive and a tree-planting project.

Another TrustBank branch is planning a snare-hunt to remove illegal poachers' snares from its local wildlife reserve.

Conradie says these are just a sample of the hundreds of projects initiated by branches.

"We believe that through these conservation projects Absa staff members are making a meaningful contribution towards increasing awareness of the need to protect our environment," says Conradie.

High turnover in futures

Buss. Day

TIM MARSLAND 4/6/93

TURNOVER on the SA Futures Exchange almost doubled that on the JSE during May as a result of the activity surrounding the rally in the gold price, according to Safex figures.

In total, almost 400 000 contracts valued at R7,9bn changed hands in May compared with March's 388 423 contracts. Turnover on the JSE during May was R4,1bn, putting Safex's turnover at 1,9 times that of the JSE.

In addition, the value of futures and options contracts opened through Safex has hit its highest level at 200 000 futures and options contracts valued at R3bn.

Futures dealers said the growth in turnover implied SA investors were making increasing use of futures as hedging tools.

Safex CE Stuart Rees said that the R3bn included the value of the underlying futures contracts and the intrinsic value of options contracts.

Most of the growth came from options trade, with the number of open options growing to 134 534 contracts by the end of May from 94 524 at the end of April.

A Safex statement said that despite the increase in the number of contracts, total margin balances had grown by just 12%.

This was explained by Safex's "dynamic margining system", which set the level of the margin required to be deposited at Safex according to the risk an investor was running. Less risk meant Safex required a smaller margin.

Daily turnover grew sharply in May (a short month due to public holidays), with an average of 21 000 futures contracts and 7 864 options contracts traded each day.

New subsidiary for Coronation

Buss - Day 4/6/93

MATTHEW CURTIN

CORONATION Syndicate, the newly formed financial services group controlled by former UAL executive David Barnes, has reported after-tax profit of R1,53m, equivalent to 16,1c a share in the half-year ended March 31.

The results coincide with an announcement that the group has concluded a R15m deal in which it has set up a new wholly owned subsidiary, Bond Trading.

Bond Trading joins Coronation Asset Management (CAM), the investment advisory wing staffed by eight former Syfrets Asset Management executives, and gilts, options and futures trading company Securities Development and Trading (SDT), as the group's three subsidiaries.

Coronation bought SDT in October last year and the interim results reflect SDT's performance. The results are not comparable with those of the same period in 1992, because Coronation has been transformed from a small mining investment company to a specialist trading group since a consortium led by Barnes bought the company from Lonrho in September.

Net income stood at R2,59m, trading profit at R2,22m, before interest and dividend receipts of R379 000 and taxation of R1,07m. In addition, Coronation reported a R3,08m one-off profit from the sale of investments in Duiker Exploration, Gencor, Genbeheer and New Central Wits.

Coronation agreed to purchase Bond Trading from Barnes, its sole shareholder, with the issue of 10-million 5% convertible redeemable preference shares in Coronation at 150c a share.

Barnes, who had managed Bond Trading on a full-time basis from March last year, guaranteed that the company would have shareholders' funds and loan accounts of at least R15m at June 30 this year, in addition to audited pre-tax profit of at least R12m in the year ended June 30. Bond Trading had actively managed assets of more than R100m and would renounce its management agreement with SDT. (58)

The acquisition of Bond Trading, to be approved by the JSE and minority shareholders, would lift Coronation's NAV to 137,4c from 124c a share.

Chairman Gavan Ryan said the group would build up a long-term portfolio of equities and strategic investments.

Ryan said he was concerned at "the speed of the rise in our share price" in recent weeks. Trading companies depended on management "getting views of the market right" and Coronation's ambition was to build up its reputation over time.

Coronation shares jumped to 800c last month from 250c at the start of the year. They have since fallen to 650c, closing unchanged yesterday.

Investor confidence, boosted by the arrival of the well-respected Syfrets Asset Management team, has taken the company's market capitalisation to R62m, valuing the 52% and 25% stakes held by Barnes and Ryan at R32m and R15,5m respectively.

Coronation Asset Management is 35% owned by its staff, understood to have left Syfrets because they were refused a stake in the Cape Town business.

Syfrets replaces top executives

LINDA ENSOR

CAPE TOWN — Southern Life's senior portfolio manager Guy Woolford and Jan Kuiper, a former Ivor Jones, Roy director, are to join Syfrets Managed Assets to replace the executives who have joined Coronation Asset Management.

Syfrets joint MD Ashton Dominy said Woolford would manage the Syfrets Growth Fund from July 1 and Kuiper would manage certain institutional pension fund portfolios with immediate effect. He said the two posts were the most important of the 16 left vacant.

At Southern Life Woolford managed the R350m Southern Life High Opportunity Portfolio, judged by Alexander Forbes to be the top performing pension fund in the life industry for the past two years.

Nedcor CE Chris Liebenberg, commenting on the recent departures from Nedcor subsidiaries Syfrets Managed Assets and UAL Merchant Bank, said yesterday there was a misconception that staff in the Nedcor group did not participate in equity and profit and did not receive incentive bonuses. In fact all three schemes were offered depending on the type of business unit and the type of people involved.

He said Nedcor operated with a fairly decentralised structure. It was purely a coincidence that the Syfrets and UAL staff had left at about the same time and the fact that they had had nothing to do with Nedcor's remuneration policy. The people involved had wanted to run their own business, which was difficult to accommodate in the context of a major organisation.

● See Page 9

(58) 8/6/93 (BD) 17.06.93

Absa joins civic in venture to ease bond repayments

Buss. Day 4/6/93

WILSON ZWANE

ABSA and the Ennerdale and Surrounding Civic Association (Esca) have teamed up to help residents with difficulties in meeting their bond repayments.

Esca chairman Roger McCullagh said yesterday the arrangement would deal with problems which had resulted in the banking group's reluctance to lend in the area. (58)

These included the high rate of repossessions and arrears. "Once these have been brought down to an acceptable level, we can start looking into getting Absa to step up its investment in Ennerdale."

An Absa spokesman said the joint venture, launched at the weekend, would go a long way towards changing residents' negative perceptions of banks.

The spokesman could not say how much Absa capital outlay went into the venture. He said, however, that the group had provided office space, services for a staff member and furniture and office equipment. The group would also employ an Ennerdale resident to work with the venture's staff member.

In terms of the arrangement, which was initiated by Esca early this year, Absa and Esca will jointly provide guidance and support to homeowners experiencing problems with bond repayments. They will also explain to prospective homeowners the intricacies of mortgage bonds.

The Absa spokesman said the group was negotiating a similar deal with the Soweto and Vosloorus civic organisations and there were plans to form joint ventures with civic organisations countrywide.

McCullagh said his organisation was negotiating a similar arrangement with other financial institutions.

AFRICAN BANKING

FM 4/6/93 -

(58)

Banking in Africa is the topic of a conference in Johannesburg on August 18-19. Organised by Aic Conferences, a *Euromoney* company, it is to be sponsored by Meridien Biao of Swaziland and presented in association with the *FM*.

It is targeted at senior executives in the banking and financial services sector, as well as advisers, analysts and consultants to the banking and finance industries.

Subjects to be discussed include:

☐ Financial systems in sub-Saharan Africa;
☐ Economic outlook for banking in Africa;
☐ The effect of structural adjustment programmmes on banking;
☐ Banking supervision;
☐ Managing problem loans; and
☐ The impact of exchange controls.

Speakers include:

☐ Paul Popiel, senior financial economist Africa region, of the World Bank;
☐ Babacar N'diaye, president of the African Development Bank;
☐ Jaap Meijer, deputy governor of the Reserve Bank;
☐ Neville Grant, adviser to the Bank of Zambia; and
☐ John Postmus, exchange control GM, Reserve Bank.

Venue will be the Sandton Holiday Inn. Registration fee is R1 890 + 14% Vat. For three or more delegates from the same organisation the fee is reduced by 10%.

To register telephone (011) 803 9680, fax 803-9684 or write to: Aic Conferences, Box 4176, Rivonia 2128.

FM 4/6/93.

SAFIA

Close out

The SA Financial Instruments Association (Safia) is closing at the end of the month. The organisation, formed in 1988 as the SA Futures Industry Association, played a key role in the development of the futures market. Apart from overseeing the examination for futures traders, it ran seminars and often brought experts from abroad. It also held an annual conference at Sun City.

The recession and competition from *Euromoney*, as well as inhouse courses at clearing banks, have undermined demand for its seminars and education programmes. Attendance at recent Safia conferences has declined.

Safia head Brenda Greyling says about 1 800 people have passed the exam since its inception but demand has slipped to two or three a month. The SA Futures Exchange will now oversee the exam.

Greyling is setting up an operation in Cape Town, "providing information services. I particularly want to educate underprivileged people about finance." ■

FM 4/6/93.

federal government."

This is at variance with both government's and especially the ANC's view, which has it the other way round — giving the central government the power of ultimate override. Where Buthelezi wants residual powers vested in the member states, the ANC places these at the centre.

The IFP stresses its belief that federalism and territorial autonomy cannot be solved through majority rule.

However, this begs the question of whether most people in KwaNatal want the kind of federal autonomy Buthelezi and the IFP are pressing for. To that extent at least, there's a certain logic in the ANC's insistence that in the end only an elected body can write the constitution.

Unless the negotiators opt for confederalism or a unitary state, the outline of a regional dispensation that has emerged is as near to a federal system that anyone could reasonably expect.

A little more give-and-take ought to resolve the outstanding issue of power-sharing between regions and the centre — which in a modern state is neither black or white, after all.

Meanwhile, negotiators will have to be on their guard against approving a system which represents a compromise between the various political players — but which turns out to be inefficient or even unworkable in practice. As the *Penguin Dictionary of Politics* expresses it, "federalism is often seen as a complex and cumbersome method of government because it involves a number of potentially overlapping jurisdictions . . ." Whatever form our system eventually takes, and whatever it is called — if it has to be called anything — that kind of confusion must be avoided.

Theoretical clarity is essential: if hard choices must be made, let them be made in advance rather than fudged in the interests of compromise.

It is worth noting that most constitutional systems with federal features have created an enhanced role for the judiciary, in order properly to adjudicate disputes between central and regional authorities. ■

HOSKEN CONSOLIDATED INVESTMENTS

FM 4/6/93.

Eye back on the ball

58

A rescue plan for HCI could mean a change of control

The 20th anniversary of the JSE listing of Hosken Consolidated Investments earlier this year looked as though it might also be the last. HCI and its principal subsidiaries entered 1993 under a staggering debt burden (see table), the legacy of a string of bad investments and unfocused management.

HCI has a proud history, dating back to the gold boom of 1888 when William Hosken, an enterprising Cornishman, started in mining equipment. Just after the turn of the century, William Hosken & Co was appointed agent for Lloyd's of London — the start of involvement in insurance.

Despite a reasonable turnaround for IGI Insurance (55%-held) and improved results for life assurer Safrican Life Investment Holdings (Saflife), HCI appeared to be heading for the wall.

Shareholders must have been alarmed to see earnings continue to slide, liabilities growing nearly two percentage points faster than assets, and debt spiralling to R32m when interim results were published (debt was a negligible R3m just 18 months earlier). The share price dropped 59% over the year to R3,50 at the end of April.

But since then it has picked up R1, the sharpest increase seen in the past year, while IGI and Saflife record even stronger gains of R1,85 and R1,50 respectively. Why?

There's talk in the market of a rescue plan for HCI, conceived by executive chairman Michael Lewis. He's not confirming or denying plans to recapitalise through a substantial rights issue, involving the renunciation of rights in favour of an underwriter. That will obviously dilute or even change control.

All Lewis will say is that a strategy is being put into place to strengthen the financial structure of the group. In addition, he says some unbundling is to take place.

"We intend to restructure the group. That needs to be done to sharpen our focus. Basically, we are getting back to where we belong — insurance. And we will keep the short-term and life operations separate," he says.

HCI's structure needs to be cleaned up. It's now a confusing mish-mash of mainly insurance holdings, with a number of peripheral interests like property management, computers and printing.

Even the core insurance holdings are complex. An example is short-term IGI Insurance holding the majority interest in life assurer Saflife, which in turn is the holding company of IGI Life Assurance. A more clearly defined structure could conceivably unlock value. Of all its listed interests, IGI Insurance is probably the most undervalued.

Lewis

But apart from restructuring, HCI's critical need is for fresh capital. Lewis, understandably, won't give any details of who might underwrite the rights issue. He won't even confirm it's going to take place. But it's understood that he is negotiating with at least one party.

It's rumoured there are as many as five potential suitors, including the Nedcor group and Old Mutual's short-term subsidiary, Mutual & Federal. It's said that even the Board of Executors might be interested in IGI's short-term business.

Another likely candidate is Investec. It's no secret the bank has long been keen to expand into insurance and already has its share-swap alliance with Fedsure. More recently, Investec started its own insurance broking operation.

Lewis, of course, has strong links with Investec, as does HCI through the 1,4m shares it held in the bank and its holding company at its last year-end in March 1992. But Lewis confirms that a portion of that holding has recently been sold, partly to offset the substantial write-offs which are expected when HCI publishes results in the next few weeks. Lewis was one of the founders of Investec and remains a non-executive director There's possibly enough mutual benefit to be derived from a link-up.

It's too early to point to a single potential backer, but news of negotiations seems to be driving the HCI group's share prices.

Lewis says that when the group's annual results are published, they will show "a reasonable result on the insurance side." Earnings from the main subsidiaries, he says, are expected to show an improvement.

IGI lagged the rest of the short-term industry in returning to underwriting profits, mainly because of some huge write-offs, including R25m in Abacus last year — a legacy of one of the group's investments which turned sour.

But at the last year-end, March 1992, IGI turned around, posting an underwriting profit of R9,5m against the previous year's loss of R9,1m. At the interim IGI was still on a recovery path, showing an underwriting profit of R2,4m.

Problems lie ahead. Abacus could be a further drain on profits, though IGI MD

continued

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HOSKEN CONSOLIDATED INVESTMENTS

FM 4/6/93.

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Problems lie ahead. Abacus could be a further drain on profits, though IGI MD

continue →

R75-m paid by OM trio

Star 5/6/93

THREE of Old Mutual Unit Trusts' funds declared close on R75 million in distributions on March 31 1993.

Old Mutual Investors' Fund declared 52,60c per unit for the six months ending March 31 1993.

A total of R68,2 million was declared, an increase of 20 percent on the previous distribution.

Old Mutual Industrial Fund declared 6,39c per unit for the six months ending March 31 1993. A total of R2,1 million was declared for the six months.

(58)

Old Mutual Income Fund has declared 3,65c per unit for the three months ending March 31 1993.

A total of R4,3 million was declared, an increase of 17 percent on the previous distribution.

Syfrets takes the bull by the horns

Star 5/6/93

BY ACTING decisively, Syfrets has overcome a personnel crisis. MAGNUS HEYSTEK reports.

SYFRETS this week started reassembling its Syfrets Managed Assets (SMA) team after 16 of its staff last week left to join a newly formed asset management company.

Guy Woolford (34), senior portfolio manager at Southern Life, will manage the Syfrets Growth Fund, one of South Africa's most successful unit trusts, from July 1.

Rebuilding

Jan Kuiper, an ex-director of stockbroking firm Ivor Jones Roy & Co, will assume responsibility for the management of certain institutional pension fund portfolios. Kuiper (41) started work this week.

"After an exhaustive and intensively selective process, Syfrets has filled the most important positions left vacant after last week's walkout and laid the foundations for future growth within SMA," said Syfrets joint MD Ashton Dominy. "This rebuilding will gather momentum in the coming weeks as more appointments are made."

Expressing satisfaction at the large number of unsolicited applications from top-calibre people, Dominy said it was a telling illustration of the reputation Syfrets had established, not only among the investing public, but also among the professional investment community.

Many investors have been alarmed at the flight of top management skills from SMA which, among other achievements, has been the most consistent unit trust performer in the past five years.

A number of top fund managers left Union Acceptances Limited this week in similar circumstances.

While Syfrets tried to downplay the possible effect on future investment returns, especially of Syfrets Growth Fund — now the second largest fund — it will take time to appease concerned investors. The only comfort investors would be interested in would be a continuation of their excellent returns.

Several people have phoned me in the last couple of days for advice in this regard. My answer is that there is no immediate reason to be alarmed. The investment portfolio of the Syfrets Growth Fund has been built up over a period of time. It would be foolish for any new fund manager to storm in and start changing the portfolio.

Confidence

However, if people are still concerned about future growth prospects, my advice is to suspend future investments and perhaps put the money into another fund.

Syfrets needs to be congratulated on the open and transparent manner in which it has handled the crisis over the past two weeks. It did not try to hide or downplay the management upheaval, as many other companies might have been tempted to do (and have done in the past). This instils confidence and bodes well for the way it handles the public's money.

58

Star 5/6/93

FNB overtakes two rivals

FIRST National Bank's instalment credit advances — of which some 90 percent comes from the WestBank division dealing in car finance — have overtaken those of competitors Standard Bank and ABSA, according to returns submitted to the Reserve Bank. (58)

The returns show FNB to have grown in both market share and total instalment credit advances — and this over a period coinciding with a downturn in the new car market. Returns show the total credit advances during 1991 and 1992 rising from R29,4 to R33,3 billion.

PROPERTY: *Consider syndicates*

Reaping rewards without worries

Star 5/6/93

THE object of this article is to provide a brief guide to property syndications as a means of investment and to outline areas one ought to consider when examining a proposal.

What is a property syndication?

It is a medium which offers the medium to long-term investor the opportunity of investing in an institutional property for as little as R10 000, providing an opportunity which would normally be beyond the reach of an ordinary investor.

The investment, provided it is properly managed by the promoter, offers the benefits of being a landlord without the problems that go with being one.

The idea is that the company — a shareblock or linked unit company — acquires a property, then sells shareblock units or linked unit shares to investors.

Types of syndications

Syndications — public and private — have been marketed for a number of years.

Private syndications have probably been around for more than 30 years and have existed where individuals have decided to get together to own a specific property.

Public syndications have been a feature in the

AT A recent meeting of The Star/First National Bank Investors' Club, members gained valuable insight into the complexities of property syndications, thanks to an address by Metboard executive STEPHEN WEIR. A serialised version of his talk begins today.

South African investment community for about 10 years, gaining popularity during the past five.

Types of properties

I will deal primarily with public syndications, but similar concepts and principles obviously apply to private property syndications.

Three types of properties have been syndicated: office blocks, retail shopping centres and blocks of flats. It is also possible to run a syndicate with a combination of investments in all three types of property.

The different types of property represent very different investment mediums, and the risks and rewards are different.

For example, a tenant might sign a lease for an office block for five years, with a clause stating a maximum rental payment.

In a shopping centre, however, a tenant might sign a lease for a specific rental, with an added turnover clause dictating that the landlord receive a higher rental over a period of time.

What to look for in a syndication

The three most importan aspects in a syndication as in property, are posi tion, position and position.

It is vital that on choose a property in th correct area. Some year ago Johannesburg's CB was considered a prim area, achieving the hig est rentals. This hono has now moved to Par town, Rosebank and San ton, leaving Johanne burg's CBD a less desi able area.

When one considers shopping centre it is cr cial that its positi allows for a flow of tr fic, entry, parking, and on to ensure shopp have easy access.

Blocks of flats situ ed on busy roads are l desirable than those quiet, secure areas.

When considering a syndication, ensure a g position in an area wh has experienced sound onomic growth.

Cape Town at pre appears to be readily cepted by investors, t there are other areas fering the investor s opportunities.

□ *To be continued n Saturday.*

Blue-rinse investments

ST Times [Buss] 6/6/93

By TERRY BETTY

YOU'VE heard of blue-chip investments. Now Syfrets is one step ahead in packaging "blue-rinse" investments for little old ladies.

It is a financial service for people with money but little knowledge of how to manage it, says Syfrets marketing manager John Sedgwick.

(58)

"We will be their personal secretary. A client will always deal with the same person at Syfrets.

"We have found that our relationship with clients in many cases becomes more important for them than money matters once they are assured their investments are safe," says Mr Sedgwick.

To qualify, a client has to have more than R200 000 of investable funds. He or she will be known as a managed client.

Those with more than R750 000 will be managed portfolio clients.

The funds will be placed in investments such as unit trusts, participation mortgage bonds and government stock.

SANTAM (58) FM 4/6/93

Right on track

Santam continues to do well in terms of underwriting results and share price appreciation but a touch of reality has crept into results after earlier runaway growth. Coming off a low base, the 10,4% increase in interim gross premium income is no surprise. If anything, it shows good management of the personal lines portfolio — which accounts for about 55% of Santam's business — in difficult economic times.

MD Jurie Geldenhuys says the gain can be split into new business unit growth of about 4% and premium increases averaging about

GROWING

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Gross premium inc (Rm) .	566,2	589,1	625,2
Underwriting prof (Rm)	15,0	36,6	32,6
Earnings (c)	45,1	65,4	78,0
Dividends (c)	17	25	20

6%. "Unit growth was slow, but not too bad considering what's happening out there."

Santam is benefiting from its strong focus on personal policies, one of the more profitable short-term businesses. In the commercial and industrial markets margins are thin and undercutting has the big players at each other's throats.

Santam's Geldenhuys ... *not hit the jackpot yet*

Of course, the situation was exactly reversed a few years ago, and could easily change again. "If we ever reach the happy position where both commercial and personal portfolios are paying well, we'll really hit the jackpot," Geldenhuys says.

A healthy trend is the slight increase in investment income to R51,6m, compared with slower growth in premium income and underwriting profits. Geldenhuys says this is largely because cash holdings rose 46% to R202m, as investment in high-priced industrial equities slackened. It's not a change in policy — Santam will continue to focus on industrial shares — but over the six months more was earned in money markets.

The 17,6% increase in dividend is in line with policy, supported by cover up from 2,7 to 3,9 times. Geldenhuys is unsure if this high cover can be maintained but would not like it to drop below three.

He's cautious about the next six months. While the personal portfolio is doing well, profits are declining. Still, barring possible catastrophes — the nightmare of the short-term industry — Geldenhuys believes underwriting results will be good, though they may not match those of the first six months.

When the *FM* reviewed Santam's annual report we suggested dividends would top 50c for the full year, an increase of at least 19%. These results suggest the forecast is on track

At R10,50, the share has appreciated 33% in the past four months, and roughly doubled over a year. Ratings have also firmed, though a prospective yield of 4,8% is still way off Mutual & Federal's 1,7% and Cusaf's 2,6%. This suggests there is still some value, and as a share which trades well it should have short-term appeal to private investors.

Shaun Harris

SAAMBOU

Turn for the better

It's taken two years, but Saambou's new senior management team must feel some vindication at the banking and financial services group's return to profitability. Shareholders, too, will be pleased that dividend payments have resumed for the first time since 1991.

Group MD Johan Myburgh says it's going to take another three to four years to achieve profitability levels he believes are possible. "This financial year we will be concentrating on what we've been doing for the past two years — getting it right," he says.

That consolidation has come with a fair amount of pain. Big abnormal write-offs are now through the books, Myburgh says. These cost R75m in 1992, most having come from a revaluation of property-related interests and investments

The 1993 financial year's abnormal item of R12m is largely rationalisation costs (R10,4m), offset by R4,2m profit received from the sale of property. In addition, a general risk provision of R6m has been created, ostensibly for possible changes in existing operating risks "due to the present economic and socio-political uncertainty," but without such changes this will be a useful fund from which to draw when Saambou starts paying tax.

Myburgh says with assessed losses of about R96m, it should be two years before tax is again incurred.

There are two noteworthy developments in the income statement. The quadrupling of operating profit to R37,4m comes largely from individual business, the area Saambou concentrates on. Myburgh says more than 80% of the bank's business is from mortgage loans, with 37,5% of total funds coming from individual clients.

"That tells us people are happy with the bank," Myburgh says. He feels that having Fedsure as a 41% shareholder has strengthened Saambou's image.

The second feature is Saambou's containment of expenses; these fell 2,7% to

6/93 (58)

DIVIDENDS AGAIN

Year to March 31	1992	1993
Net profit (Rm)	(65,8)	25,2
Attributable (Rm)	(68,8)	12,5
Earnings (c)	(59)	10
Dividends (c)	—	2

R152,8m. Rationalisation has obviously played its part, but Myburgh says improved productivity has helped, and the bank will continue to concentrate on this, particularly as interest margins come under pressure.

Saambou is also installing a new computer and technology system, which should be in place in about two years.

The implementation is being managed by SPL, a project which Myburgh says has saved costs.

At 105c, Saambou's share price has climbed strongly since interims were published (70c), and latest results should push it further. The rating has improved accordingly, but is still some way off comparable banks in the sector, probably not surprising considering earlier results. Still, the turnaround should see the share rerated further.

Shaun Harris

S/Times (Buss) 6/6/93

Absa Asia turns corner

By JULIE WALKER

AFTER a poorly timed start to business in Asia 10 years ago through TrustBank, Absa Asia is getting things right. (58)

Absa appointed former Citibank employee and "freelance banker" Louw Burger to head its Asian operation from Hong Kong in January.

Mr Burger says: "TrustBank opened a representative office in 1983 and upgraded it to a banking operation in May 1985 — only three months before the imposition of the debt standstill by the South African Government."

Sanctions

After being hamstrung by the standstill, the TrustBank operation returned to profitability four years ago. With the takeover by Absa of TrustBank parent company Bankorp and the lifting of sanctions, attention has returned to foreign banking.

Absa Asia is achieving the second-highest returns on investment in the group. Absa Asia is not a full bank, but is classed as a deposit-taking company. It may accept only deposits for 90 days and longer.

Mainly trade finance and corporate banking services are offered to Chinese and South African customers. There is a full treasury.

The most interesting development is the management of Chinese-held financial rands worth R330-million.

Mr Burger says: "Deposits in Hong Kong can earn 2% or 3%, whereas the effective return from finrand investments is 16%. The Chinese realise that the interest is certain. The only risk is closing the 13% differential through currency movements.

"They believe that is worthwhile — they do not view South African investment as unacceptably high risk."

New opportunity is in structured finance — a cross between corporate and project finance — particularly in China.

Mr Burger says: "I am often asked what will happen in 1997 when Hong Kong reverts to Chinese rule. What is already happening is that every Hong Kong businessman with money is investing heavily in Southern China. They are not afraid of Chinese rule.

"Hong Kong is very much part of Asia. Other than the 300 000 expatriates and the British flag flying in the Governor-General's garden, it is China, not Guildford.

"Hong Kong business is not afraid of Beijing rule, particularly as China is thundering to capitalism. They view 1997 as a non-event."

An International Monetary Fund revaluation of all developing countries rated China's economy up from $400-billion a year to $1,7-trillion in terms of buying-power parity. That makes it the third-largest global economy behind Japan and America.

China's economy has the potential to be bigger than the rest of the world lumped together, although this must be tempered with the warning from Europe — bullish but mindful of the potential for failure.

Mr Burger cites the nappy story to illustrate the prospects for consumer goods in China. Every year, 20-million babies are born there. Babies wear napkins for roughly three years. That is a potential of 60-million nappy-wearing infants. If each wore five a day, that is a market for 300-million nappies daily.

Demand

"One machine can make barely 80 a minute, so the demand for production capacity infrastructure is high. Work that out on every front of the economy and there is a huge market."

Mr Burger says his bank can lend up to US$5-million on individual projects, but it can act as a facilitator in raising larger amounts.

"If we can't fund, we can find the money. There are 524 banks in Hong Kong and we are arranging joint-venture funding with several."

S Times (Buss) 6/6/93

Nedcor sparks competition

(58)

By CIARAN RYAN

NEDCOR'S refusal to allow staff members a share of profits spawned two competitors this week.

Twenty senior staff members in portfolio management, product development, research and information technology resigned from Syfrets Managed Assets and UAL Merchant Bank. UAL and Syfrets are part of the Nedcor group.

Sixteen former UAL and Syfrets Managed Assets employees will join David Barnes and Gavan Ryan at the new Coronation Asset Management, which acquired Bond Trading from David Barnes in a R15-million deal on Friday.

UAL Merchant Bank's entire project team of Leon Kirkinis, Greg Barnes, Durk Holtes and Daan Wandrag resigned last month to set up an investment development company aimed at providing innovative financial instruments.

Mr Kirkinis says the team plans to link with the Central Johannesburg Partnership and civic organisations to develop financial solutions for inner-city redevelopment. Plans are advanced to renovate and sell flats to tenants.

The UAL team pioneered several products offering market-related returns for development capital, notably the collateralised housing investment paper (Chips), which will raise R500-million for low-cost housing.

"Obviously the resignations are an inconvenience," says UAL managing director Geoff Richardson. "But Nedcor policy is not to allow pockets of equity participation in the projects in which staff members are involved.

"That would cause all kinds of difficulties in the group. There is a share option scheme which is very generous."

Syfrets joint managing director Ashton Dominy says: 'This represents a serious loss of talent. But equity participation is not for discussion.

"None of our departed friends could complain of being underpaid. Some were earning more than the managing director."

Syfrets announced two replacements, Southern Life senior portfolio manager Guy Woolford and former Ivor Jones, Roy & Co director Jan Kuiper.

Nedcor chief executive Chris Liebenberg says those who resigned did so because they wished to run their own companies.

Futures profits for the small investor

ST Times (Buss) 6/6/93

By JEREMY WOODS

A MUTUAL-STYLE fund enabling investors to benefit from profits made on futures market indices without risking loss of capital, has been launched by Seeff Trust, stockbrokers Simpson McKie and Computrack.

The fund is the first of its kind in South Africa and has the approval of the Registrar of Companies.

The Investment Guaranteed Futures Fund is for those who want to share in the profits of indexed futures while the safety of their capital is guaranteed.

In effect, the only downside for an investor is the loss of interest on the capital committed to the fund for two years.

Futures trading is used extensively by institutions and banks to reap returns in bull and bear markets.

But the large amounts of capital needed for entry to this market, as well as the specialist expertise required, bar the small investor.

Seeff Trust managing director Mike Flax says: "We have found a way for investors to benefit from the futures market and to limit their risk."

A minimum of R5 000 is placed with NBS Bank, deposit-taker for the scheme. The bank issues a certificate promising repayment in two years.

The investor elects what percentage of capital needs to be guaranteed.

The Capital Guaranteed Growth Fund was developed by Simpson McKie.

For the past two years, Simpson McKie has been monitoring a futures investment model designed and developed by Cape Town technical analyst Nick Gubb of Computrack.

This model has been derived from an American programme.

Mr Gubb says the return to the investor during the trial from mid-1990 to mid-1992 was 36% a year on fully guaranteed positions. It was 107% on full exposure positions.

The fund will publish its trading results monthly and quarterly.

A prospectus is available from Seeff or Simpson McKie.

Police probe complaints against developer

(58) S Times 6/6/93 CC Metro

By CHIARA CARTER

THE Fraud Squad is investigating complaints against a Cape Town property developer whose business activities were revealed in Cape Metro last week.

The Fraud Squad said it had been investigating a single complaint against Mrs Valerie Tito and her company, Innovation Designs, but had widened its probe when further complaints followed last week's report

Cape Metro was innundated with calls this week from people alleging they had also had problems with Mrs Tito.

Mrs Tito confirmed yesterday that there were "problems" but said "unavoidable technical delays" were to blame.

Last week Cape Metro reported that Mr Lesley Johnson had paid Innovation a R12 244 deposit for his home, but nine months later he was still waiting for building to begin on the plot he had bought from the company

Mr Johnson has instructed attorneys to sue for the re[illegible] of his deposit.

An attorney handling the transfer of the land on which Mr Johnson's house is to be built has confirmed that Mrs Tito's company has been summonsed for payment of the purchase price.

Mrs Tito said the delay in building Mr Johnson's home had been "caused by a problem with subdivision". She said she had failed to take transfer of the property because she was unhappy with changes to the deed of sale and was worried that the contract could "be fraudulent".

This week Mr Ernest MacDonald, a businessman who sold nine plots in Brooklyn to Mrs Tito last year, said she had paid a deposit of R10 000. He alleged she had failed to pay the balance of the price even though the property had come up for transfer three times.

He claimed that a demolition company hired by Mrs Tito had pulled down the houses on the site, although Mrs Tito was not yet the legal owner of the property.

Police confirmed that Mr MacDonald had laid charges of malicious damage to property and theft against Mrs Tito and the demolition company.

Mrs Tito denied she was responsible and said she had expected the demolition company to obtain "the necessary permission" before knocking down the houses.

She said she still wished to buy the land, but claimed Mr MacDonald had blocked the sale.

Mrs Chesirie Rosier, who paid a R16 000 deposit for one of the houses that were to have been built on the property, said this week Mrs Tito had undertaken to refund her money. "I am still waiting to hear from her."

Mrs Rosier has instructed lawyers to sue for the repayment of the R16 000.

Mrs Tito said on Friday she had not refunded the deposit as she would "still like to go ahead with the development".

There had been "unforeseen delays" with two other developments in Maitland and Belhar, but she intended going ahead with these, Mrs Tito said.

She planned to build a 30-unit development in Belhar on land allocated by the Regional Services Council. The delays with this project were attributable to "technical matters"

A builder, Mr Sian Isaacs, said this week he had instructed lawyers to sue for R18 000 he claimed Innovation owed him for materials and work done on two houses in Parow and Brooklyn last year

Mrs Tito said she had not paid Mr Isaacs because of "inferior workmanship"

She is involved in several court cases arising from business disputes.

Another of Mrs Tito's clients, Mr Aubrey Christians, said he was suing her for the repayment of R26 113 that he claimed she failed to pay to the owner of a property he was buying, as well as the R3 450 deposit he forfeited when the deal fell through.

In a counter-action Mrs Tito has disputed Mr Christians's claim and is claiming R20 375 in damages for the repudiation of their agreement.

'UNAVOIDABLE DELAYS' . . . Mrs Valerie Tito in Cape Town this week Picture: AMBROSE PETERS

*Absa wins battle against lawyers

By JEREMY WOODS

THE Cape Law Society appears to have lost its battle with Absa Bank over legal fees charged on home loans.

Battle lines were drawn when Absa asked the society to cut its charges on bond registrations by 25%.

Absa, market leader in home loans, was running a marketing campaign to give borrowers a 50% reduction in the cost of mortgage registration.

The society said its members were contributing to the savings being offered and refused to cut charges.

The society asked Absa to withdraw its demand for lower legal charges and pay the cost of the lower bond itself.

"Absa has refused," says Carl Pohl, chairman of the society. "But the bank does say that firms which refuse to lower their charges will not lose work."

However, there is nothing to stop Absa from giving new business to firms which cut their rates.

Although members of the Cape Law Society are bound to charge scale fees, those who belong to the Transvaal Law Society are allowed to negotiate charges.

Mr Pohl says a meeting of the society's 1 100 member firms is due at the end of the month. The possibility of changing the society's rules will be debated.

that ROI falls as investment intensity increases is not due

gue that larger investment will produce lower costs be-

intensive environment, each, is looking for a "reasonable"

Many firms, when deciding to increase investment intensity, assume that margins

the Graduate Institute of Management and Technology.

Timelife allows clients to choose their fund managers

STimes.C BussJ 6/6/93

By JULIE WALKER

58

TIMELIFE INSURANCE should keep equity-fund managers on their toes with the advent of a product that allows the policyholder to choose who manages his or her policy.

Timelife managing director Bill Haslam says the group's target market is in the A and B income bracket, where the level of sophistication required for The Classic Alternative is already present.

"This is the life office's answer to unit trust investment," says Mr Haslam. "It will cost policyholders only half a percent of their portfolio to switch from one fund manager to another if they want to — far less than the 5% to 8% cost of switching unit trusts."

The Classic Alternative offers a choice of three investment managers — Board of Executors, Investec and UAL — and Mr Haslam hopes to add to them. Timelife is the only life office in SA without its own investment division, but Mr Haslam regards this as a marketing opportunity rather than a drawback. His view is that it prevents a group from getting bogged down.

The group does business through brokers only, and their commission structure is such that they are encouraged to make contact with their clients twice a year. Policyholders will be able to see how their investment fared as well as how the other fund managers did. "Investment managers will be far more answerable than ever before," notes Mr Haslam.

Wheels back on at Saambou

S/Times (Buss) 6/6/93

By **Julie Walker**

THE first thing Johan Myburgh noticed when he joined Saambou two years ago was that it was losing money.

The chief executive says: "I thought I should do something about it."

After 1992's attributable loss of R68,8-million it was with pleasure that Mr Myburgh could report a profit of R12,5-million for the year to March this year — and restoration of a five-times covered dividend of 2c.

The share price rise since last year's low of 65c illustrates the reviving fortunes. It is now 94c and if Saambou can justify a forward rating of about 10 times earnings, the price could go to 150c.

Focus

58

Mr Myburgh told members of the Investment Analysts Society in Johannesburg this week that 1994's earnings would be between 15c and 17,5c a share.

Two years ago Saambou was burdened with poor properties. It lacked focus, competence, computer systems, even customers.

Mr Myburgh says: "Lots of savers have been put off the smaller banks because of the collapse of Cape Investment Bank and Masterbond."

Saambou's advertising since he took over has been aimed at depositors — he believes borrowers will keep coming anyway.

The percentage of the bank's funding from individuals has climbed from 28% to 38%. The early target was 42%, but Mr Myburgh now aims for 60%.

The bank's intention is to provide low-cost financial services to salaried individuals and pensioners.

Mr Myburgh says higher margin business, such as personal loans, will be sought.

Saambou needs to achieve a return on equity of 35,4% to provide its own capital. The key will be to reduce operating expenses — R159-million in 1992 and R153-million in the past year. But Mr Myburgh is aiming for R129-million on the same asset base.

He says benefits will flow from the two-stage rationalisation now complete and from new systems. Computerisation has been outsourced to SPL. It — not Saambou — must control those costs.

The capital position is not critical. Primary capital of R140-million chips in 5,3% and secondary capital of R27-million another 1,1%, giving a sub-total of 6,4% against the 8% international target by the end of 1995. Surplus capital in the group, such as R40-million of tax losses, takes the ratio to 9%.

Saambou also aims to do something about the properties which caused R43,3-million of grief in 1992. Interest will no longer be capitalised now that the cost of the properties can be carried by Saambou.

Mr Myburgh says the alliance with largest shareholder Fedsure provides shareholder comfort and a means of securing capital through loans or debentures until the Saambou share price is adequate to stand a rights issue.

Scrip

In the 1993 year, Saambou was obliged to write off R36-million and provide R45-million, taking total provisions to R94-million, or 2,6% of assets.

Mr Myburgh says that when the tax loss has been used, earnings will drop. The effect is being smoothed by setting up a general provision. Last year it was R6-million, about a third of the total otherwise attributable. The dividend will be covered five times and scrip will not be an alternative until the share rating is stronger.

Miners seeking treasure under a turkey

S/Times (Buss) 6/6/93

I HEAR that Gold Fields of SA is considering development of a mine at Kalkoenkranz (turkey krans) in the Free State.

What would be different about it is the likelihood of a mineral-rights swop between GFSA and Anglo American Corporation. Neither will comment, but I am told that GFSA is keen to trade its mineral rights at Welgelegen — where Anglo has a large holding — for Anglo's holdings at Kalkoenkranz.

The reserves at Kalkoenkranz are believed to be 37-million ounces of gold — about the same as at Beatrix and of much better grade than Oryx's.

Lydex, a listed mining exploration company, could benefit from a green light at Kalkoenkranz. It has participation rights in the area.

But I must stress that it is early days. GFSA is not known for hedging gold production, and would likely want a higher and less volatile gold price before any development.

SA banks ready to grow in UK

BDAY 7/6/93. (58)

SHARON WOOD

LONDON — Absa and Nedbank both have plans to expand their London branches, with Absa looking at the possibility of establishing a retail network in Britain and Nedbank transferring skills and key SA staff to the UK.

Absa UK GM Jan-Arne Farstad said the group was looking at ways of enlarging the business.

It was considering entering the UK retail banking market. "We are very keen on this market and our business here will undoubtedly grow."

From a strategic point of view, it made sense for the group to use its expertise in retail banking in Britain.

Farstad would not be more specific about Absa's plans, but believed the group had the capital base necessary to operate in the UK market.

The other three major SA banks in Britain have no immediate plans to enter the retail market.

Farstad said corporate banking was the most promising area of the London branch's business, but its treasury, trade finance and corporate finance divisions were following closely behind.

The London branch had become profitable only in the last half of 1992, through a combination of cost cuts and increasing revenue.

Nedbank GM Frank Le Roux said there was a drive to improve the skills in the branch and a senior marketing person from SA would move to London.

Competition in the UK market between SA banks had become vigorous, but he believed there was enough business for all the SA banks.

Nedbank's London branch was still largely a trade finance bank with a large treasury department.

Corporate finance was handled by UAL, but Nedbank would soon become involved in this area and would build their skills there.

The bank was also seeking non-SA business to comply with supervisory requirements limiting home country exposure.

Le Roux said although the group had a representative office in Frankfurt, it was reviewing its needs there and could expand its operation.

The official opening of Absa's representative office in Frankfurt is on June 17.

Farstad said the group would look at whether a full-scale banking operation was needed in Frankfurt.

Gordon moves on UK firms

Own Correspondent

LONDON — Transatlantic Holdings, the £800m group controlled by Liberty Life, has taken a 3% strategic stake in Sun Alliance, one of Britain's biggest general insurers.

The stake, representing 400 000 shares bought on Wednesday, makes Transatlantic one of Sun Alliance's largest shareholders. At Sun Alliance's current market value of about £3,25 a share, the deal would be pegged at about £1,3m.

Transatlantic and Liberty Life chairman Donny Gordon said: "We see this as a strategic investment in embryo. We will obviously give it more attention."

He said that Transatlantic's involvement in Sun Life had begun similarly in the mid-'80s. In 1991, in partnership with France's biggest insurance group Union des Assurance des Paris, Transatlantic took over Sun Life, having held a minority stake of 27,5%.

Observers predict Gordon may soon move to increase his stake in Sun Alliance. "If I was Sun Alliance I would feel nervous. Donald Gordon takes a long-term view," said one merchant banker.

Gordon said Sun Alliance had suffered heavy losses in recent years, but it still had "the highest solvency ratio, an excellent portfolio and a lot of potential".

The group was well placed to benefit from recent rises in insurance rates and from the appointment last month of Sir Christopher Benson as its new chairman.

Gordon was sure that Sun Alliance had "taken precautions" which would avoid the kind of losses from domestic mortgage indemnity business which had dogged the company in recent years.

7/6/93

12% rise in earnings reported

Absa needs capital boost before 1995

Buss. Day 8/6/93

SHARON WOOD

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. (58)

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.

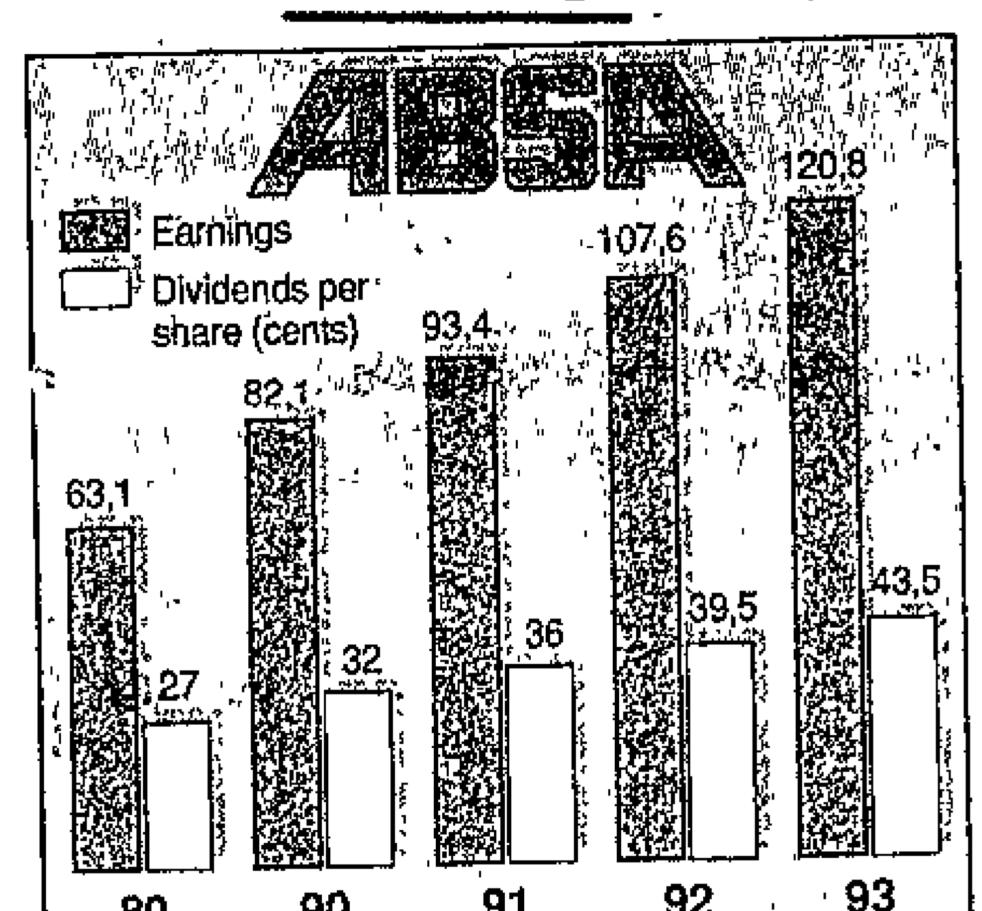
Hefer said the results were not strictly comparable with those at the previous year-end because of the acquisition of Bankorp on April 1 last year.

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. Hefer expected the group's bad debt provisions to be lower in the year ahead and said bad and doubtful debt experience in the first month of the new financial year had been

☐ To Page 2



Graphic RUBY GAY MARTIN Source ABSA

Absa

Buss. Day 8/6/93

☐ From Page 1

more reassuring.

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. (58)

Hefer said the reduction in the rate of company tax had unfortunately become effective only after the end of Absa's financial year. The group had accounted for the secondary tax on companies as an extraordinary item.

Absa retained income of R470,4m, up 51,3% on the previous year's R311m.

Return on average assets slipped to 0,87% (0,95%) and the return on average equity to 14,7% (16,3%). Badenhorst said both of these ratios would have to rise.

SANLAM 75th

In first league of earners

Sowetan 8/6/93

■ SALES ACHIEVER Marketing Sanlam products has revolutionised the life of Johan Rademeyer:

58

FOR JOHAN Rademeyer marketing Sanlam products has revolutionised his life

Over the past 19 years he has been motivated by money and helping his Pretoria friends invest and save

In his first year with Sanlam he came fourth in the sales competition and since then he has soared into the first league of achievers and money earners

Before joining Sanlam he worked in the sports department of Correctional Services and was able to sell to his former colleagues and develop from there.

"Service is one of the most desired commodities but is seldom given or followed through.

"My aim is to provide service That is the most important aspect of my business

"The other ingredient for success in my business is self-discipline

"Being your own boss, working when you want, could lead to lax attitudes I must write two policies each day.

"If I write 10 in one day, I will still write two the next "

Service

He still does business with his peers from the Department of Correctional Services and the SAP Whether his clients are among the top earners or the lower echelons, he will look after their needs and provide them with the same standard of service

Of his new business, 85 percent emanates from his existing clients who live in the Pretoria area

"There is no recipe for a successful life marketer except discipline and good service Sanlam has been researching worldwide for the vital ingredient which makes a marketer successful but none has been found What makes a buyer receptive is not necessarily the obvious appeal but a signal or a message

"The vital ingredient is a trigger which makes the buyer react," Rademeyer said

Rademeyer loves his work and his life He works for relaxation

His clients are his life He jogs every morning and plays a lot of golf which provides contact with potential clients His house faces onto the second fairway of the Pretoria Country Club so when he is not playing he still can chat to the players as they walk by

Now that he has reached the number one status, he plans his business life within business hours so he can be home for dinner

While he is a family man, with four daughters, he still longs to get back to work on a Monday morning One of his criticisms of the industry is the fact that sales representatives change from month to month He finds that the turnover affects his business and wishes that something could be done about the fly-by-nights

"I am embarrassed by the advertisements of the younger and newer members to the industry. Their claims are often unrealistic and harmful to the professional marketers," he said

He says his success has only improved his material comforts but he likes to think that it has not changed his personality.

As a reward for the business he brings to Sanlam, he and the other 25 top salespeople receive overseas trips for themselves and their spouses

Of his homeland, he says, "Respect is the vital ingredient for the future of South Africa This is the best place in the world and could be the safest if we learn to respect one another "

Santam the start of it all

■ Yellow umbrella its best known symbol:

SANTAM, the short term insurance company, was the forerunner of Sanlam 75 years ago, so its history is closely linked to the giant 58

Santam is also celebrating 75 years of service to the people of Southern Africa

Today it is best known for its yellow umbrella Multiplex policy and its subsequent Teleplex policy cover which can be obtained over the phone

V16-0-

Sanlam 75 years

A Star, Pretoria News and Sowetan corporate survey

Millions of South Africans have benefited from Sanlam care. ANTHEA DUIGAN looks at the role of this major life assurer, which celebrates its 75th anniversary today.
Advertising: Linda Cohen

Every person is touched in some way

Star 8/6/93 (58)

FEW people realise the extent of Sanlam's financial influence on their everyday 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 Kitchens and the 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.

But if you don't eat or use loo paper, you might work in a building erected by Murray & Roberts, or drive a Nissan fitted with Firestone tyres or fill your car at the Engen filling station around the corner.

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 taking prescribed drugs produced by Protea Pharamaceuticals or an 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, another company benefitting from a Sanlam investment.

Finally, if you protest that Sanlam has no influence in your life, phone me. Siemens and Plessey devised and designed our telephone systems.

Giant step towards black economic empowerment

Star 8/6/93

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).

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 CE Marinus Daling said the sale resulted from Sankorp's desire to contribute meaningfully to black economic empowerment. (58)

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 per share, with options to buy up to a further 20 percent less one share within five years,. 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. Although the price of the share has since risen above R20, Sankorp will honour the original agreement.

The funding from the IDC will be redeemed as money is generated through the issuing and marketing of Methold shares to the black community. The 40 percent of Metpol shares held between Sankorp and Methold is the basis for a voting pool agreement between these two parties.

The agreement allows Methold, on acquisition of the initial 10 percent holding, to nominate six of the 15 non-executive directors, and Sankorp, which will hold about 10 percent of Metpol equity after all options have been exercised, to nominate three.

The chairman of Methold is Dr Nthato Motlana and the deputy chairman Enos Mabuza. The other directors are Dikgang Moseneke, Don Mkhwanase, Archie Nkonyeni and Franklin Sonn. Marius Smith, MD Metpol, will also serve on the Methold board, while the IDC has nominated Jan de Bruyn, a senior general manager of the IDC and Gert Touws, its manager of finance.

Motlana said although the company had been created primarily to secure the shareholding in Metpol, it could come to play a larger role in black economic empowerment.

Sanlam is poised for the future

(58) Star 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 in the Cape, where a gala banquet will be attended by the State President, FW de Klerk.

It was started by a small group of 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, 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 and service to their fellow Afrikaners.

Today Sanlam is a giant company 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

■ SURVIVAL TACTICS: In 1918, a group of Afrikaners met to discuss the survival of their nation. They decided to form an insurance company, which would enable them to attract capital, while providing security and service to their fellow Afrikaners. So Sanlam was born.

Pierre Steyn ... Sanlam's newly-elected chairman.

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.

leges receive generous annual funds from Sanlam.

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 disadvantaged sectors of our society.

Sanlam is also aware of its responsibilities in the realm of arts and culture, and has a tradition of assistance through sponsorships and 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, the business of assurance in particular. Appropriately, during this 75th anniversary year, 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.

The concern for the Afrikaner has broadened to encompass all South Africans. Sanlam now has an English-speaking MD 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

New face . . . of Sanlam headquarters in Bellville, which took five years to complete. It is now ready for the company's 75th anniversary celebrations.

Basics of selling just not enough

Star 8/6/93

58

TRAINING the whole man is 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.

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 needs are the same but the approach must 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," says Mmola.

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 is coupled with the necessary communication skills and confidence in their products.

Sanlam is constantly researching all aspects of marketing, 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.

"The black people are becoming more and more knowledgable about insurance products and will be the market of the future.

"While there are cultural differences, the basic future needs are the same," Snyman says.

Phillp Mmola . . . training black marketers.

Decentralisation has allowed management to become more involved vith the branches and help promote public relations and service

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Managing very nicely

(58)

IT is hard to equate life assurance with sport but on the shoulders of Chris van Onselen, it is a happy mix but means a busy schedule. Van Onselen is in charge of Sanlam's northern region from his head office in Pretoria.

The area includes Pretoria and its surrounding areas of Rustenburg, Pietersburg, Tzaneen, Nelspruit, Ermelo, Witbank and Middleburg. Van Onselen makes a point of visiting all these regional offices and their 100 branches as often as possible.

He uses the air services to the more distant venues and takes a driver if he has to stay after office hours, otherwise he drives himself. He also spends about four days a month at Sanlam's head office in Bellville in the Cape.

Leaps and bounds

Within this very busy timetable, Van Onselen is available to his staff, commentates for the SABC on tennis and athletics, and has time left over for his wife and family.

Van Onselen was one of the two managers to initiate the decentralisation programme which has so dramatically changed the fortunes of Sanlam Life Assurance. He introduced the idea first to the Natal region where the returns have increased by over 30 percent.

"Nine out of 10 of our proposals worked. It is early days in Pretoria and the northern region, but our service to the public has improved by leaps and bounds.

"This is because management has become more involved not only on service but public relations. We all visit our offices more than we used to and help them to promote Sanlam."

"It was difficult for general managers in Bellville in the Cape to make decisions about the northern Transvaal. This is now my responsibility and I am so much closer to the day-to-day running of the business."

■ BUSY SCHEDULE: Chris van Onselen was one of two managers to initiate the decentralisation programme which dramatically changed the fortunes of Sanlam Life Assurance.

Van Onselen's experience of decentralisation in Natal highlighted the different approaches of the diverse cultural groups in that area. There were the Afrikaners, the English, the Indians and the Zulus. In order to do business within the various groups, it was necessary to employ people from the groups who understood the culture.

The same tactic has been adopted in the northern region and now over 50 percent of Sanlam's new business clients in the rural northern Transvaal are black people. In fact, from Pietersburg and Tzaneen, the percentage is even higher.

Larger disposable income

"If you are not close to the people, you are unlikely to be able to do business with them," says Van Onselen.

"We have more than doubled our black marketers and it is through their efforts that this phenomenal increase has been achieved.

"Our black marketers are very successful and their drop-out rate impressively low. Black people currently have a larger disposable income and they are only beginning to save and invest."

Sanlam in Preoria and the northern region has always employedsportsmen as marketers, from either the rugby fild or cricketers. However, according to Van Onselo, it is only those who work and put their back into th business who succeed.

Sanlam has ai impressive record of loyal staff. One staff membe has worked for the company for 58 years. Of the maketers, there are two who have been leading performrs with Sanlam for over 25 years: Henty Schroederand Tony Jardine.

For the first 3 years of Sanlam's existence, Pretoria was managd from the Johannesburg branch. In January 1933, a Snlam "inspector's office" was opened at the Standad Bank Builing in Church Square. It was not until Ebruary 1937 that manager Nico Bonthuys openec the first Sanlam branch office in Pretoria.

The major grovth of the Pretoria region started in the early 1970s. Vow the region employs a staff of more than 2 000 dvided almost equally between marketing and adminstration.

Fose a challenge

The changes over the last year have been more extensive than eer before. These include staff, policy, training and management styles which makes it difficult for the traditional Sanlam employee and tends to affect pople's security.

Van Onselen is trying to overcome this problem by communicating vith his staff at all levels to reassure them that the chnges pose a challenge rather than a threat.

Van Onselen las won the Sanlam Branch Manager of the Year three times. He was also chosen as the Regional Manager of the Year on two occasions, as well as the Provincial Manager of the Year on one occasion. Initially he was a marketer and did well, and as a branch manager he continued to flourish.

"I soon realised that money was not everything and I opted for the challenge of management."

His future challenge and that of Sanlam in the Northern Transvaal is to ensure the future of all South Africans.

Santam's also toasting 75 years of service

Star 8/6/93

SANTAM, the short-term insurance company, was the founder of Sanlam 75 years ago, so its history is closely linked to the giant.

In the history of Santam there are certain years which stand out above others.

This is one of those years — Santam is also celebrating 75 years of service to the people of South Africa. (58)

Santam now has about 120 of its own service points which are situated throughout SA and Namibia. It has a staff of about 2 400 and is represented nationwide by some 12 000 agents.

Today it is best known for its yellow umbrella Multiplex policy and its subsequent Teleplex policy cover which can be obtained over the phone.

By 1992, Santam's gross premium income and net premium income both exceeded the R1 billion mark. Total assets exceed R1 billion for the first time.

The targets of a solvency margin of at least 50 percent and a financial base of 100 percent were attained.

This places Santam in a strong financial position which allows for further expansion without a strain being placed on financial resources.

Sincerity and service are top agent's watchwords

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■ SECRET OF SUCCESS: Award-winning life insurance salesman Willie du Preez's singleminded dedication to his work has not made him a "dull boy". On the contrary, his remarkable success has made him fascinating.

FOR leading Sanlam agent, Willie du Preez, life at the top is a lonely one. This is because he has chosen hard work and a high level of service for his clients, which leaves him no time for lunch with colleagues or the occasional game of golf.

However, this dedication to his work does not make him the proverbial "dull boy". On the contrary, he is friendly — and fascinating because of his success.

Du Preez started his working career as an accountant with CNA before he joined Sanlam on March 1 1972. The reason for the change was due to his cousin who was making a lot of money with Sanlam. The idea appealed to Du Preez.

"I have always been a very hard worker. My cousin felt that if I put the same effort into life assurance, success and money would follow. To earn more money was the motivating force at that stage."

He now earns an unimaginable income and has won every available award in his field. His greatest achievement has been winning the award for the top life insurance salesman for the past three years. Despite his success he still puts in a 12-hour day which often extends to 18 hours.

Crucial

"I was lucky to have managers who not only assisted but, in some way, understood me and pressed the right button from the start," says Du Preez.

"Success of a life assurance marketer at the beginning is similar to a parent/child relationship in that the foundation must be laid early. My branch and regional managers created a situation whereby I did not want to disappoint them.

"I started selling motivated by a fear of failure which is very powerful. My manager told me if I wrote a policy a day, I would never look back.

"Today, I have over 110 corporate clients and my office receives at least 50 calls daily reporting staff changes requiring action. Service is crucial."

Du Preez employs his own staff of 17 at his Partown offices. One of his staff members describes him as "a freak". "His outstanding marketing skills put him in a different class. He sees gaps in the market others would never find. "He thinks on his feet and he can communicate with people."

Says Du Preez: "Happily my staff agree with my definition of service which is way above that which is normal in our industry."

"I have always been a people person with, what I would like to think is a natural talent for communicating. There was no conscious change in attitude from being an accountant to selling life assurance but I had to make adjustments as far as Sanlam was concerned.

"I decided, through necessity, to become a loner. I do not have time to discuss the Currie Cup with colleagues because I have to maintain a high level of concentration. At first colleagues thought I was rude.

"Performance figures at Sanlam are available for all staff to see so records show my good figures. Seldom does my face show glee, because invariably I am preoccupied with the needs of my clients and perhaps even depressed for missing a point during a conference."

Turning to his driving force, he says: "It changes throughout ones life. At first it was a fear of failure coupled with the need for financial stability and security.

"Once my financial basis was established, pride became my driving force. Pride in maintaining and improving annual results. Pride in proving to myself, my wife Emilie, my family, my friends and my colleagues that I could do better than last year."

His clients are all high achievers whose needs go beyond financial planning. This is why his business now emcompasses fund management, tax advice and short-term insurance.

"In the past I was selling insurance to create funds, now I am managing funds. What I was building up over the years has become a more satisfying business with clients are coming to me for advice.

Foundations

"This has put pressure on my role and caused my business to grow. Gone are the days when I was simply selling insurance. My knowledge has grown with my business.

"Unfortunately, the accent is on production figures so agents sell with little regard for the needs of customers. Service and sincerity is the basis of my long-term success," says Du Preez.

He does not rush to write a policy. He takes time to collect the facts and explain to his client what he is doing. This can take a number of visits and a number of months before any life contract is written.

"Writing the actual policy is no longer the be all and end all. Laying the foundations of trust and friendship is important for a future relationship."

His sincerity is reflected by his staff who remain for long periods with him. He may be a loner as far as his competitors are concerned, but to his staff he is a caring friend.

Major player in property sector

Star 8/6/93

DTG

SANLAM Properties' (SP) conventional business entails the long-term investment income producing properties.

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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 Billy van der Merwe and his six colleagues: Johan Treurnicht (managing), Pierre Steyn, Ronnie Masson, Leon Bartel, Eric Field and Corne du Leeuw. To make decision making faster, 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 team as well as the regional structure.

Operationally, the company has two major divisions specialising in office, retail and industrial development.

SP has in recent years entered the sectional title market and township development. This unconventional portfolio is small as a percentage of SP's total assets.

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.

High profile

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 — 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.

An example of this is the new Isle of Houghton office park development in Johannesburg. The site comprised a number of old Johannesburg homes, 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.

MD Treurnicht says: "I see Sanlam Properties in partnership with its tenants, partners in business, in success, in profit and in prosperity."

Professionals satisfied with Sanlam

Star 8/6/93

ONE marriage which seems to have been made in heaven, is between the Professional Provident Society and Sanlam, and has been happy for over 30 years.

The Professional Provident Society (PPS) was founded on July 8 1941 by a group of concerned dentists who realised they were unable to obtain non-cancellable sickness and disability benefits from assurance companies who were active in SA at the time.

The aim and object of the founders was to create a mutual organisation in terms of which professional men and women could assist one another in times of illness or in the event of permanent incapacity.

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Today, PPS is a substantial organisation, with a membership of more than 50 000 graduate professionals from all professional groups and its assets are valued at over R700 million.

Members subscribe for "shares" in the Society, which are in fact units of benefit that provide them with the amount of cover they require. All surplusses from the operation of the Society are annually credited to members in proportion to their shareholding and each member's accumulated lump sum is paid to him on resignation or retirement from the Society, tax free.

The association goes back to 1958 when Sanlam started to underwrite the Society's group life scheme. Two years later the Society decided to launch its own retirement annuity scheme for members and Sanlam successfully tendered to underwrite the scheme.

This scheme, with assets in excess of R1,5 billion, is still administered by Sanlam, together with the PPS group life scheme.

For Sanlam, PPS represents its largest corporate member.

Sanlam markets all the PPS products, which include two further items not underwritten by Sanlam. These are four different types of shares, essentially to provide disability income and Profmed, the Society's medical aid scheme.

Desmond Smith, Sanlam's newly appointed managing director has worked closely with the Society for about 16 years. Smith estimates the group life scheme might be the largest in South Africa, but he confirms it is the biggest handled by Sanlam.

However, while PPS is financially the most valuable, it is not the largest in terms of membership. Individual members pay substantial annual contributions thereby creating large volumes of income.

"PPS is a unique organisation in terms of its legal status. Originally it was registered as a friendly society or a benefit fund essentially to provide disability cover for its members.

However, PPS out of surplus funds and investment income, is declaring a dividend almost equal to the individual contributions. This is tantamount to members obtaining free benefits while building up a retirement fund with both income and benefits being tax-free," reports Etienne Huggett, PPS general manager.

Sanlam has a separate department at its head office in Bellville, which acts as an interface with PPS and the agents.

The one important issue for PPS is independence. Through a market survey, the Society was able to confirm to its members that the Sanlam relationship was justified.

Other life companies wishing to gain a share in the action or even to take over the underwriting from Sanlam have been unsuccessful.

AIDS is a major issue for life insurance companies, and Sanlam is no exception

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Facing new challenges

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OVER the past decade or so, the Sanlam cultural style has swung from that which is essentially Afrikaans to include a balance of English-speaking clients, and now black people.

The beguiling babies on the Sanlam television adverts wearing shirts, ties and nappies, now include two equally engaging black babies.

A new growth area for Sanlam, according to Desmond Smith, newly appointed managing director, is the black people investing in Sanlam policies.

However, the track record of the company to date is so impressive that it may be difficult to surpass.

"We hope to continue as we have in the past. I believe that our employees see their roles as helping to create the future of the country rather than one of just working for a financial institution.

Politically involved

"Having worked with Sanlam for 25 years, this is the feeling I get from our staff members."

The role of the directors of Sanlam has included financial advice to government ministers over the years. This advice has not always been followed, but is still sought.

Dr Andreas Wassenaar was very outspoken on financial issues and he was followed by Dr Fred du Plessis. But this flow of information has been both ways.

"We have always had the ear of the government without being politically involved. Sanlam cannot be accused of currying favour. Its directors have often been critical of the government's actions. In fact both Wassenaar and Du Plessis were two of the most outspoken critics of the National Party government.

"The contacts have been through the finance ministers, the Financial Services Board and Registrar of Insurance. Sanlam has been seen to be legitimate through its business dealings, its staff and the corporate social involvement programmes.

Form of socialism

Continuing to play this role in the future, in which we shall have to deal with new political and economic role players, will be a challenge.

"Mutual societies, of which we were one, actually smack of a form of socialism. There is nothing wrong with the concept as long as it is run on capitalist principles, which we at Sanlam strive to do. We don't do business which does not generate profit," says Smith.

"From an investment point of view, the major challenge in the years ahead is going to be to find areas to invest money.

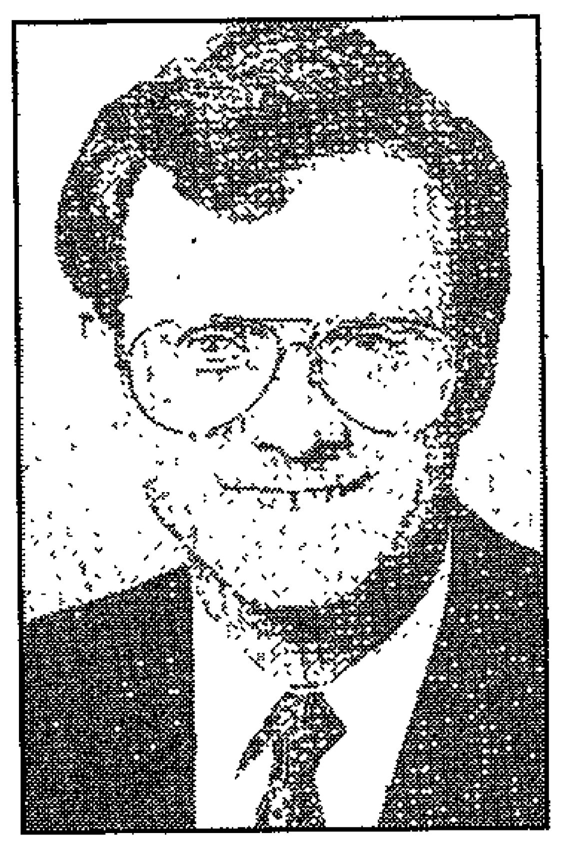
"Within the group, our companies are continuing to create new investment opportunities. For instance recently, Gencor, through Alusaf and Columbus and Sappi, have all created new opportunities. Our group companies might wish to invest overseas, but Sanlam itself is unlikely to do so," says Smith.

Discussing the Sanlam staff policy, he says: "We want our staff to reflect, as far as possible, the composition of our business. We believe that to be fair. It is the only way in which we can effectively service our clients. About 20 percent of our marketing staff is black.

"As far as women are concerned, we have too few male clerks and too few women managers. Conversely, we have just appointed an English-speaking woman, Kate Jowell, to our board. I would like to see women in general managerial positions.

"I admit we have insufficient black administration employees, but we are taking active steps to redress the imbalance. Black people are being encouraged to develop and grow within the company."

■ MOVING AHEAD: Sanlam may originally have been founded to assist Afrikaners, but over the years clients have come to include a large number of English speaking South Africans. According to MD Desmond Smith a new growth area is black people investing in Sanlam policies.



Creating the future . . . MD Desmond Smith.

AIDS is a major issue facing life insurance companies and Sanlam is no exception. It has been said that healthy policyholders are paying for AIDS victims.

Smith says: "The incidence of HIV and AIDS sufferers is still not known with great certainty so it is difficult to plan a management strategy. For some years we have set aside reserves, in excess of R200 million, to cover our AIDS exposure. We were the first company to do so.

"Last year we increased our premium rates specifically to provide for AIDS. We will continue to increase our reserves and adopt a correct policy pricing in order to cater for future needs."

Three years ago, Sanlam's head office in Bellville in the Cape, decided to decentralise its regional offices.

Commenting on this move Smith says: "It has been a resounding success. The reason for this increase is twofold.

Competitive element

Firstly, the manager can see what business is coming in, plan the service of such business and manage it. Each region needs a different approach and by decentralising, we were allowing these difference to be implemented.

Secondly, the psychological aspect has been even more important to the staff in the regions. Giving the regions autonomy has been tantamount to providing an entrepreneurial business opportunity. This autonomy has generated a tremendous energy which was not there, to the same extent, in the past."

Smith added that decentralisation had also introduced a competitive element amongst the regions.

Over the years Gencor developed into a massive conglomerate. This came as a result of specific investment opportunities that arose, such as the Mobil disinvestment and other opportunities.

Unbundling of Gencor

The result was that the group lost its specific focus as a mining house. Furthermore, shareholders did not enjoy the full value of their investment because of the large discount (around 20 percent, or R3 to R4 billion) at which the shares trade on the JSE.

"With unbundling a Gencor shareholder will receive his pro rata number of shares in each of Sappi, Engen, Malbak and Genbel. He will still retain his Gencor shares which will comprise all the mining and related activities," says Smith.

The net result will be that a meaningful portion of the discount to shareholders' value can be unlocked. A current Gencor shareholder will further hold shares in each of five totally focussed and independent groups operating in their own spheres of business. This can enhance their long-term prospects.

Smith says that the unbundling exercise will, to an extent, also address the problem of low tradeability on the JSE. It further addresses the problem of power concentration in the local economy.

The unbundling of Gencor can be widely acknowledged as a brave step to enhance shareholders' value and to address their investment needs.

Sanlam's clients will enjoy the greatest benefit from this because of Sanlam's current large investment in Gencor.

New office complex finally bec

Star

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 redevelopment, they have een 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.

It is also the largest construction project of its kind 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 Cape staff to come together under one roof during the company's 75th anniversary year.

New buildings constructed during the phased development included 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 staff accommodation.

Older buildings have either been demolished or gutted for total refurbishment so the new complex bears little resemblance either inside or out to the what it looked like before.

Apart from the complexity of the phased construction schedule and the need to work 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 minimal disruption.

At times there were as many as 1 500 contracting 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. The sound of jackhammers demolishing old structures and pile-drivers 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. Even through the most difficult periods and crises, like burst water mains, a happy atmosphere has prevailed."

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 12 mm.

At construction peak there were no fewer than seven tower cranes working and as many as 180 different sub-contracting firms on site. To catch up on time lost, 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 during a 17-hour shift.

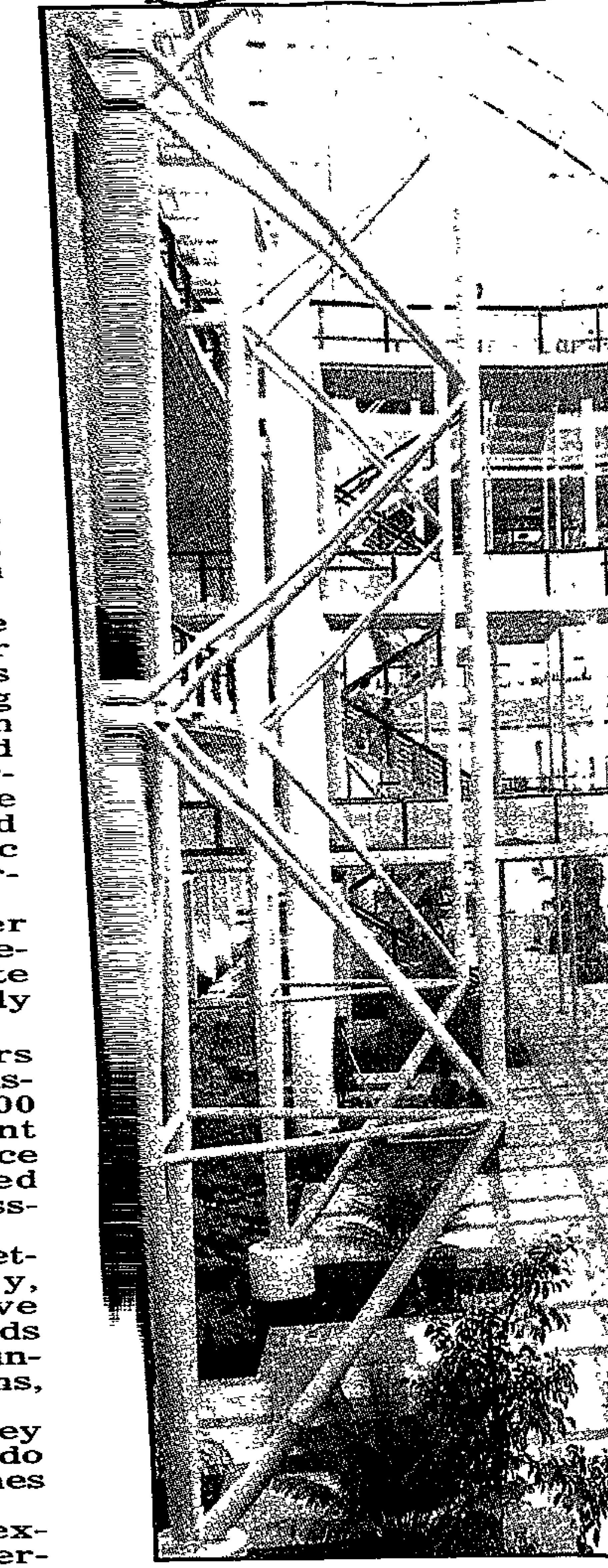
In spite of working under pressure during the entire five-year period, M&R's Sanlam site team maintained exceptionally high safety standards.

Sanlam's new headquarters now has double its original usable office space — 78 0000 square metres, 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."



Unusual structure . . . the north infill the office bloc