FINANCE - GENERAL

18 APRIL 1980 -

30 JULY 1980

[Signature]

[Note: The signature is not legible]
Under General Mining's management, South Rood generally published its quarterly report within two to three weeks of the quarter's end. Under new management, publication appears to have become a moveable feast, taking anything up to six weeks from quarter's end to see the light of day.

Uninformed trading

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

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

Then there is the one-for-10 bonus issue in lieu of a dividend. Why that is being made is frankly beyond me. It does almost nothing to improve the share's market worth of the mine. Management says the specific purpose is to conserve cash resources to be used for development.

Have I missed something? Not paying a dividend conserves cash resources, issuing bonus shares certainly does not — though it might well keep some shareholders happy until operations start in the Gauff shaft area come September.

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

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

Jim Jones
corporate results and external influences, brokers are concerned that the market is not reacting.

It seems that brokers have stopped looking at short-term influences such as the sparkling set of results put out by companies such as SAB, Barlows, S & L and the like. Declining interest rates in the US, likewise, are seen as overdone, with Morgan Guaranty cutting its prime to 16.5% this week though other banks have maintained theirs at 17%-17.5%. If the US authorities are already attempting to put some life back into an economy that they expect to experience only a sharp and short recession, brokers say, inflation and, ultimately, interest rates could be set to break back upwards, perhaps above the historic 20% levels of the last few weeks.

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

Local interest rates put a bit of a spur into the market early in the week, with dealers still bothered that the government's 9.25% issue received as much support as it did. Institutional managers believe as much response could have been generated if the rate had been pitched between 9.1% and 9.15%, presumably indicating that Pretoria wants to see higher rates. The firm rate, along with a slowly climbing Treasury Bill rate (which stood at 4.4% after Friday's auction) are both giving indications of an upturn in rates which is keeping major investors out.

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

With the institutions again sitting on the fence for the better part of the week, and with the financial rand still fairly high at US$93.5c-94.75c so that foreign investors showed little interest, the man-in-the-street was again left to provide the brokers with their bread and butter business.

Among those stocks trading on recent results, Barlow Rand was the feature, moving up from 890c before publication of its interim to 970c on Monday, and easing to 960c on Tuesday evening. SAB rose from 305c a week ago to 313c as results came out, but it remained around this level for the rest of the time. Hillsam gained 20c on the week to 530c and Southern Sun dropped 15c over the week to 310c.
Despite its impressive earnings, turnover in the industrial sector drifted off slowly throughout the week to 5.9 million on Monday and the IFIP industrial index rose marginally from 412.8 to 415.3.

The London sugar price rose sharply over the week on growing reports of worldwide sugar shortages as a result of desiccation and drought, and on Monday indications came through that the 1951 sugar crop may be expected to drop to 11.9 million. As a result, local sugar shortages remained firm, though sugar prices remained firm, though further tonnage could only be purchased on the basis that the Earl's sugar crop was expected to cut the local crop by as much as 20%. As one dealer put it, it was the weather that had been full of sugar, though things had been different as it was. Tonga rose 25c to 21c, but atules, which the directors said was less likely to be affected by the drought, eased 5c to 57c.

Cape Three's debut trading peaked from over the $1.5 million, but the market was carrying almost $1 million at the beginning of the week, and the price had held firm to encourage further trading, despite the same period in 1950.

Bullion continued to be one of the major buyers in the market, with the increased trend to trading in London.

Brokers are looking for a turn for the worse rather than for the better for the next few weeks unless major political factors come into play.

---

### London

<table>
<thead>
<tr>
<th>May 14</th>
<th>May 15</th>
<th>May 16</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>270</td>
<td>274</td>
<td>274</td>
<td>6.7</td>
</tr>
<tr>
<td>205</td>
<td>207</td>
<td>207</td>
<td>5.7</td>
</tr>
<tr>
<td>210</td>
<td>212</td>
<td>212</td>
<td>5.7</td>
</tr>
<tr>
<td>190</td>
<td>192</td>
<td>192</td>
<td>5.7</td>
</tr>
<tr>
<td>200</td>
<td>202</td>
<td>202</td>
<td>5.7</td>
</tr>
<tr>
<td>250</td>
<td>252</td>
<td>252</td>
<td>5.7</td>
</tr>
<tr>
<td>260</td>
<td>262</td>
<td>262</td>
<td>5.7</td>
</tr>
<tr>
<td>260</td>
<td>262</td>
<td>262</td>
<td>5.7</td>
</tr>
<tr>
<td>260</td>
<td>262</td>
<td>262</td>
<td>5.7</td>
</tr>
</tbody>
</table>

### New York

<table>
<thead>
<tr>
<th>May 14</th>
<th>May 15</th>
<th>May 16</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>93</td>
<td>94</td>
<td>94</td>
<td>5.7</td>
</tr>
<tr>
<td>92</td>
<td>94</td>
<td>94</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
</tbody>
</table>

### Tables

<table>
<thead>
<tr>
<th>May 14</th>
<th>May 15</th>
<th>May 16</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>93</td>
<td>94</td>
<td>94</td>
<td>5.7</td>
</tr>
<tr>
<td>92</td>
<td>94</td>
<td>94</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
<tr>
<td>94</td>
<td>96</td>
<td>96</td>
<td>5.7</td>
</tr>
</tbody>
</table>

---

### Sydney

<table>
<thead>
<tr>
<th>May 14</th>
<th>May 15</th>
<th>May 16</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,600</td>
<td>12,092</td>
<td>12,252</td>
<td>3.0</td>
</tr>
<tr>
<td>3,050</td>
<td>5,060</td>
<td>5,060</td>
<td>3.1</td>
</tr>
<tr>
<td>1,070</td>
<td>1,418</td>
<td>1,418</td>
<td>7.2</td>
</tr>
<tr>
<td>4,950</td>
<td>5,360</td>
<td>5,360</td>
<td>5.6</td>
</tr>
<tr>
<td>3,720</td>
<td>4,150</td>
<td>4,150</td>
<td>3.2</td>
</tr>
</tbody>
</table>

---

**Financial Mail May 16 1990**
AMAPROP

Reorganisation progress

Activities: Property holding and development company with a 30% interest in the Carlton Centre. Controlled by Anglo American.
Chairman: G Waddell.
Capital structure: 20.8m ordinaries of 50c; 10.7m deferred ord of 50c; 31.4m 7% cum redeemable prefs of 50c.
Market capitalisation: R114m.
Despite the surprise maiden dividend paid by the Carlton Centre and the recent R11.3m sale of Durban Bay House (Property May 9) it will still be a long time before Amaprop is worth another look as an investment.
Certainly, the company turned 1979's R523 000 pre-tax loss into a pre-tax profit of R251 000, but the debt burden of the company is still massive. Pref dividends are more than R7m in arrears and with interest-bearing debt standing at R44.5m, the R650 000 cash flow which exists before the unpaid pref div is taken into account is hardly more than a gesture. The debt:equity ratio at 98.9% reflects this uncomfortable situation.
Nevertheless, there have been recent moves within the Anglo stable which may start to alleviate some of the problems with which Amaprop has been faced over the past few years.
The sale of Durban Bay House, apart from releasing cash which can be used to lessen Amaprop's debt and interest burden also signals a change in emphasis within Anglo's property companies. It now seems that Sores is being given control over new rental properties and new buildings, and Amaprop is to move further into the township market while steadily reducing its stake in the managed residential property side of operations as well.
Over the past year, the company has sold its interests in Cabana Beach and Umhlanga Beach to Southern Sun for R8.3m, as well as some small property development and residential property companies in Pretoria which yielded a small surplus.
Chairman Gordon Waddell says the township-owning companies within the group reflect the revival of this area of the property market. Isipingo Property Investments, which operates Prospecton township near Durban paid a dividend of R262 000 during the year, of which half goes to Amaprop, while the Morningside, Sandton, township has been entirely sold and earnings will start coming in as the shareholders pay up. Morningside and La Lucia should provide profits over the next two years, Waddell adds.
As township profits are brought to book only when payment is received, while costs of sale are brought in immediately, the group has made a provision in the accounts of R560 000 for unrealised profit. During the year, the company re-valued many of its listed and unlisted investments, ending up with a transfer to non-distributable reserves of almost R9.9m.
Although there is some light at the end of the tunnel for Amaprop as a result of reorganisation of Anglo's property activities in general, and of Amaprop's own portfolio in particular, the outstanding feature of the account remains the company's debt position. Until this clears to a reasonable extent, the share at 55c, with a marginal earnings yield, can be avoided.

Scott Howker

Notes, pieces of paper or other mate-

brought into the examination room

are not to communicate with other

and to possible exclusion from the

answer book is to be torn out.

books must be handed to the commis-

and an invigilator before leaving the
Barlow Rand Limited
(incorporated in the Republic of South Africa)

Interim report to shareholders
for the six months ended 31 March 1980

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

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 31 March 1980</th>
<th>Year ended 30 Sept 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000's</td>
<td>£000's</td>
</tr>
<tr>
<td>Turnover</td>
<td>1,617,081</td>
<td>1,049,512</td>
</tr>
<tr>
<td>Group operating profit</td>
<td>195,202</td>
<td>125,397</td>
</tr>
<tr>
<td>Income from investments</td>
<td>16,641</td>
<td>8,770</td>
</tr>
<tr>
<td>Profits on sale of shares less amounts written off</td>
<td>1,137</td>
<td>732</td>
</tr>
<tr>
<td>Group profit before taxation</td>
<td>213,870</td>
<td>134,157</td>
</tr>
<tr>
<td>Taxation</td>
<td>71,608</td>
<td>53,704</td>
</tr>
<tr>
<td>Group profit after taxation</td>
<td>142,262</td>
<td>80,453</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside shareholders in subsidiaries</td>
<td>49,931</td>
<td>26,652</td>
</tr>
<tr>
<td>6% preference shareholders in Barlow Rand Limited</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Ordinary shareholders in Barlow Rand Limited</td>
<td>92,109</td>
<td>53,739</td>
</tr>
<tr>
<td>Number of ordinary shares upon which earnings per share is based (000's)</td>
<td>122,155</td>
<td>115,910</td>
</tr>
<tr>
<td>Earnings per ordinary share</td>
<td>75.4 cents</td>
<td>65.5 cents</td>
</tr>
<tr>
<td>Dividends per ordinary share</td>
<td>18.0 cents</td>
<td>12.0 cents</td>
</tr>
</tbody>
</table>

Ordinary Dividend No. 101
Notice is hereby given that a dividend of 18.0 cents per share has been declared as an interim dividend payable to shareholders registered in the ordinary share register of the company at the close of business on 30 May 1980. The transfer books and registers of ordinary members of the company in South Africa and the United Kingdom will be closed from 31 May to 6 June 1980, both days inclusive, for the purpose of determining shareholders to whom the dividend will be paid. Dividend warrants will be posted to shareholders on or about 18 July 1980. This dividend is declared in the currency of the Republic of South Africa and the rate of exchange at which the dividend will be converted into United Kingdom currency for the payment of dividends from the United Kingdom share transfer office will be the telegraphic transfer rate of exchange between South Africa and the United Kingdom ruling on the first business day after 27 June 1980.

In terms of the South African Income Tax Act, 1962, as amended, a non-resident shareholders' tax has been imposed on dividends payable to:
(a) Persons other than companies, not ordinarily resident nor carrying on business in South Africa, and
(b) Companies which are not South African companies.

The company will accordingly deduct the tax from dividends payable to shareholders whose addresses in the share register are outside the Republic of South Africa at the rate of 14.0706 per cent.

By order of the Board
W. C. Warner
Group Secretary
9 May 1980

Registered Office:
Barlow Park
Katherine Street
Sandton
2188 – South Africa
P.O. Box 78-2348
Sandton
2146 – South Africa
Transfer Secretaries:
Rand Registrars Limited
2nd Floor, Devonshire House
40 Jorissen Street
Braamfontein
2001 – South Africa
(P.O. Box 31719
Braamfontein
2017 – South Africa

Results, trading conditions and prospects for the year ending 30 September 1980
In general, the growth in profits and earnings per share reflects the improved performance of the South African economy. Earnings benefited further by a reduction in the effective rate of taxation arising from higher dividends declared and through greater utilisation of taxation allowances on new plant and machinery.

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

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

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

Dividends
A preference dividend of 6 per cent for the half-year ended 31 March 1980 was declared on 14 March 1980, payable on 30 April 1980. An interim ordinary dividend of 18.0 cents per share has been declared and a formal notice of this declaration is published herewith. For the half-year ended 31 March 1979 an interim ordinary dividend of 12.0 cents per share and a preferred ordinary dividend of 18.0 cents per share were declared.

For and on behalf of the Board
A. M. Roscholt (Executive Chairman)
G. W. Dunningham (Vice-Chairman)

9 May 1980
Volkskas Merchant Bank
surges on

By HÅROLD FRIDJON

THE GROWTH of Volkskas Merchant Bank in the three years of its existence has been little short of spectacular. Total assets have more than quadrupled - from R45 800 000 to just under R192-million. Deposits have leaped from R21-million to R94-million. Shareholders' funds have increased 2½ times to R10-million and disclosed profit is up from R49 600 to R158 000.

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

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

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

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

During the year VMB was the lead bank in the consortium which managed the Sasol issue. It was responsible for the restructuring of the Meeker group in which it has a large investment, and it restructured the Horto's and Pichel groups.

Volkskas Merchant Bank increased its share of primary issues in the capital market from 13% to 26.1% in 1979, raising R461-million. In addition it was appointed joint issuing bank for a number of issues including Escom, Johannesburg and the SABC. It was the lead bank for the Soweto electrification project.

The balance sheet shows that investments have increased in the past year from R92 500 000 to R154 200 000, of which R30 700 000 is in prescribed stocks, R11 500 000 in "other", which includes Meeker, and nearly R12-million in unlisted investments. Fixed interest-bearing stock - previously shown at cost - is now on the balance sheet at cost or revaluation value whichever is the lower. This is noteworthy conservatism.

While clients' advances have nearly doubled to R27 500 000, bills discounted have dropped from R13-million to R6-million. The probable reason for this decline is the big increase in off-balance sheet financing. Contingent liabilities have more than doubled from R14 400 000 to R31 000 000.

Acceptances are up from R14 400 000 to R27 200 000, of which South African acceptances amount to R26 900 000.

Shareholders' funds are R10-million against total assets of R191 800 000. In his chairman's review, Mr. D. van Huyseeman says the capital of the merchant bank "will be increased in the current financial year. Last year it was increased by the issue of 1-million R1 shares at a premium of R1.50. The share premium was credited to reserves.

Mr. Van Huyseeman says that VMB is in a favourable position to take advantage of the expected continued revival in the economy. He expects income to show a further increase.
Searles has jump in profit after takeover

SEARLES Holdings' pre-tax profit in the eight months to February was only 6.5 percent less than the R1.7-million in the full year to June last year.

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

Taxed profit was R1 001 700 against R1 182 300 in the previous 12 months.

Dividend payouts totalled R160 000 (R224 000) and earnings a share were 99.2c (122.6c).

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

STRONG

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

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

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

- A final of 7c (5.5c) boosts Derrnseit dividend payout for the year to March; from 8c to 9.5c a share.
- Taxed profit was up from R183 900 to R211 000. Earnings a share rose from 18.5c to 20.5c.
- Progress Industries is paying a dividend of 4c (nil) a share for 1975.
- Taxed profit of Cookies Brothers rose from R1.3-million to R1.7-million in the year to March. Earnings a share were 67.8c (52.8c).

A final of 29c a share is being paid.

Mervyn Harris
The property market is expected to move ahead

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

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

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

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

PROPERTY REPORTER

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

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

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

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

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

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

"In 1978 17.4% of the long-term insurers' funds was invested in property and the figure for pension funds was only 5.3%.

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

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

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

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

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

This was due to CBD proper-
SA must build 103,000 new houses a year

- ECONOMIST

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

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

Firing the first salvo on housing and jobs, Mr A T de Vries, deputy director of the Bureau of Economic Research at the University of Stellenbosch, told delegates an estimated 103,000 houses a year for the next 20 years would have to be built — even if a low rate of urbanisation of blacks of only 4.5 percent were assumed.

UNEMPLOYMENT

With the South African population projected to increase by more than 1.2 million a year in the next two decades, 600 jobs would have to be created every working day.

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

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

There is a severe shortage of school facilities for blacks.

BACKLOGS

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

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

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

RISE IN RATES

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

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

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

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

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

Financial Editor

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

The bank, which is incorporated by an Act of Parliament, changed from a savings bank to a general bank last July. Compared with the shaky conditions of a year ago, the bank had lately experienced a healthy demand for property loans, Mr Laubscher said. Loans on mortgages, which had amounted to R20.6 million at the end of 1979 had risen substantially since then.

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

NEW BUSINESS

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

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

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

FINANCE FOR HOTEL

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

Its involvement in property included financing the Papenboom project for the construction of 25 town houses in Newlands Avenue.

It was also considering promoting sales under sectional title.

The bank continued to be strongly supported by the public of Cape Town. Deposits rose by 15 percent last year to R83.7 million.

BRANCHES

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

The bank, which because of its constitution has no shareholders, nonetheless increased its profits last year by 69 percent to R578,287.

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

CAPE TOWN. — Assura, holding company of Santam Insurance Company, had a 25.2% increase in unaudited group profit after provision for tax for the six months to March 31, 1989.

Profit, after provision for tax, was R3 581 000 (R5 650 000) — 25.2% higher than the corresponding six months in 1979.

Earnings a share were 10.1c (6.1c) — a 64.7% increase.

Gross premium income of Santam Insurance Company, the major operational unit in the group, for the two periods was R71 512 000 (R58 409 000) and net premium income increased by 19.3% to R62 289 000 (R52 218 000).

The directors say that because of the nature of the short-term insurance industry, the results of the first six months should not be regarded as a basis for expectations for the full year. — Sapa.
MR NATIE Kirsh's Constantia Insurance group is poised for expansion in a deal that involves a major restructuring of the listed broking group Alexander Howden (SA).

Effectively, Alexhow (SA) will sell all its insurance broking interests to the parent Alexander Howden group in London. Constantia will acquire the cash and share shell ramp of Alexhow (SA).

A statement says: "Full control of Alexhow SA's insurance broking interests passes to Alexander Howden group in London. "At the same time, in a move to obviate any future conflict of interest, Alexhow London will sell its entire shareholding in Constantia Insurance to Alexhow SA and simultaneously dispose of its entire shareholding in Alexhow SA to Nathan Kirsh & Associates. Kirsh will in this manner acquire 80% of Alexhow SA and minority shareholders will be made a standby offer of R3.50 a share by Kirsh.

"As soon as possible thereafter Kirsh will change the name of Alexhow SA to Alexhow Limited. The details of the arrangements are such that Alexhow London acquires, through one or more of its wholly owned subsidiaries, all Alexhow SA's present insurance broking interests for R354,000.

"Alexhow London's 1,000,000 shares in Constantia will be sold to Alexhow SA for R1,250,000. Nathan Kirsh & Associates acquire the remaining listed shell of Alexhow SA at 13c a share. "Alexhow SA's assets will consist of 1,000,000 shares and R7,874,439."
Guardian and Unsbic link up

By HOWARD PREECE

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

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

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

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

Minority shareholders in Unsbic will, however, be offered 30c a share which is 50% above the pre-suspension price.

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

This is basically what is happening.

At present Unsbic is 70% owned by the South British Insurance group of New Zealand, 25% by Guardian Royal Exchange, GRE, of Britain and 5% by Mr Gordon’s Liberty Holdings.

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

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

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

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

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

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

A statement yesterday said:

“The reconstituted Unsbic will be backed by capital resources and reserves of almost R33.5 million as compared with the capital resources and reserves of Unsbic at June 30, 1979, of approximately R20 million.

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

“As a result of the proposed arrangements Unsbic and Guardian as reconstituted will have total assets of approximately R125 million with an annual net premium income from fire, motor, accident and marine insurance business estimated at R50 million.

“Based on the taxed profit of Guardian for the year ended December 31, 1979, and the estimated taxed profit for Unsbic for the year ending June 30, 1979, combined taxed profit of the reconstituted Unsbic is estimated at R4.4 million, equivalent to 4c on the enlarged share capital of 10-million shares.”

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

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

This is because, following Mr Natie Kirsh's latest deal, Alexhow SA now owns 26% of Consure as one of its only two assets. The other asset is the R7900000 in cash it received from Alexhow UK for its insurance broking operations.

Natie Kirsh & Associates are offering what they paid for control of Alexhow SA to minority shareholders. That was 13c cash, equivalent to net asset value.

With the share on 15c and prospects bright for a good set of results from the fast-recovering Consure, it seems that minorities will not accept and

Alexhow SA will remain listed.

After the deal Natie Kirsh & Associates end up with 60% of Alexhow SA. They intend to sell as yet unspecified assets to the company, partly for the big cash holding and partly for new Alexhow SA shares.

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

In a nutshell, what has actually happened is: Alexhow of the UK has bought Alexhow SA's insurance broking operations, while Natie Kirsh & Associates have bought 50% of the Alexhow SA cash and share rump at net asset value.

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

Financial Reporter

The inflow of funds into the building societies increased by 20% - R586 million - in the first quarter of 1980 compared with the first three months of last year, but while the rush of money went into savings accounts and shares, fixed deposit investments tumbled by 85.8%, according to the quarterly report of the Association of Building Societies.

The biggest increase was in savings which jumped by 228.6%. Share investments rose by 129.1%

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

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

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

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

The collateral security can often be arranged by the building society through its insurers.
9 Indications are that Lewis performed well last year, but probably not as well as to lower my estimated PE significantly. If so, best advice to accept, as have the 75% controlling shareholders, including Premier Milling.

Of course shareholders have to be grateful in part to Nade Kuch who made an initial offer of 27c for Lewis, which was subsequently over-taken by Tongaat.

At the same time, Tongaat shareholders are not being done down. The acquisition will lead Tongaat into a new operational stage, including ideal milling and cotton ginning. The valuable estate, sad and estate plants for animal feeds are additional advantages.

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

The takeover, along with that of Hohler, which is currently subject to Supreme Court approval, will change the potential pattern of dividend profit contributions considerably. Under the new arrangements, Tongaat Holdings, however, reluctant to predict the effect of the new acquisition on earnings in the current financial year.

He does point out, however, that, though the profits, recent Takeovers, were all financed with cash, as well as some dividends in the Hohler deal and a private placing of stock, Tongaat still has a healthy cash position.

Tongaat's core profit in the year to end-March rose to R26m (R12.5m) and the total profit increased to R37.2m (R23.2m). Earnings per share, a conservative 2.5 times R1.26. Given moderate economic growth in Lewis's earnings last year, and a further increase this year after absorption into Tongaat, it should contribute about R1 a Tongaat share this year.

On this basis, and despite gloomy sugar predictions, Tongaat looks increasingly attractive with a 30c dividend within reach for the year. At 55c Tongaat yields a prospective 5.4%, which is good enough.
Looking for earnings

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

90% of the purchase of the Alexhow shares held by Hill Samuel (UK).

With AHG now taking direct control of these assets, Kirsh and his associates are buying its enlarged stake in the Shell at net asset value (13c) and will make a similar offer to minorities. Kirsh's next task will be to put the company's cash resources to work and, while no plans have yet been finalised, it appears that the intention is to sell existing Kirsh interests to the company, partly for cash and partly for additional shares.

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

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

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

Thus, in the year to end-December 1979 it was able to distribute 13.2c from earnings of only 15.7c, with promise of an increase this year as the more recent takeovers made a full contribution to profits.

If, for the sake of argument, the new group is to operate under a twice-covered dividend policy, it would have to earn about 26.5c simply to maintain the payment. This would need attributable profits of R1.8m and, on a normal tax rate, pre-tax profits of over R3m — quite a target with assets of little more than R9m.
1979-80 was the best year ever for the JSE (see table) with "almost every record" broken. And President Richard Luriie seems reasonably confident that market is still firmly based, despite comparisons being drawn with 1969.

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

In addition, Luriie sees the level of dividend and earnings yields currently available on selected shares as evidence that the bull market is more soundly based. 1969 and 1980 were preceded by

<table>
<thead>
<tr>
<th>Current</th>
<th>Week ago</th>
<th>Month ago</th>
<th>Year ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>657.2</td>
<td>488.5</td>
<td>458.9</td>
</tr>
<tr>
<td>x-range</td>
<td>24.9</td>
<td>14.1</td>
<td>10.6</td>
</tr>
<tr>
<td>FTSE</td>
<td>1.5</td>
<td>2.2</td>
<td>1.8</td>
</tr>
<tr>
<td>HST FT lead</td>
<td>-2.3</td>
<td>0.7</td>
<td>0.1</td>
</tr>
<tr>
<td>S&amp;P Jones</td>
<td>8.6</td>
<td>1.2</td>
<td>0.9</td>
</tr>
<tr>
<td>DJA Jones</td>
<td>922.7</td>
<td>566.3</td>
<td>791.1</td>
</tr>
<tr>
<td>Ftse 100</td>
<td>83,878</td>
<td>55,782</td>
<td>597,756</td>
</tr>
<tr>
<td>Dow Jones</td>
<td>83,878</td>
<td>55,782</td>
<td>597,756</td>
</tr>
<tr>
<td>CAC 40</td>
<td>190.3</td>
<td>137.1</td>
<td>509.6</td>
</tr>
<tr>
<td>Nikkei 225</td>
<td>532.0</td>
<td>435.9</td>
<td>519.0</td>
</tr>
<tr>
<td>Nikkei 225</td>
<td>532.0</td>
<td>435.9</td>
<td>519.0</td>
</tr>
</tbody>
</table>

...three years of advancing prices. In April 1980, the JSE Valuations Index was 486 higher than three years previously, while in April 1979 it was 417, up on the comparable three year-level. But in 1980 dividends had increased 27% and earnings 20%.

The equivalent figure for 1979 and 1976 respectively, which Luriie believes show the market to be much more soundly based. With a taxable dividend for the SA economy, it appears the fundamentals are set fair.

Luriie also advances as a reason for the JSE's different trend now, the fact that selected equities are a hedge against inflation. However, he cautions that it is not necessarily true that that current trend in equities will hold the market up of present levels. After all, the inflation before qualities of equities have been claimed before. And if the markets have been higher than in 1969, so too are interest rates and inflation, and these two are fed on the basis. In 1969 the market was as compared to a current 5.5% inflation rate of 1.5% compared with a current 9.5%, as measured by the CPI. 

Luriie cautions, however, that the trend could be curtailed sharply this year on the portion of the lower interest rates. At present, though the belief is strongly discounted a further rise of 14% is more likely than 17%. But that seems to be a more flexible body of self-denying optimists that sees a steady improvement in the gold price over the current level.

**HOW THEY PERFORMED**

<table>
<thead>
<tr>
<th>Market monitors</th>
<th>January 1979</th>
<th>March 1980</th>
<th>+/-%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA Industrial</td>
<td>158.7</td>
<td>172.1</td>
<td>8.7</td>
</tr>
<tr>
<td>Gold (g)</td>
<td>119.8</td>
<td>120.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Silver</td>
<td>213.0</td>
<td>213.0</td>
<td>0</td>
</tr>
<tr>
<td>Copper</td>
<td>22.9</td>
<td>26.1</td>
<td>16.9</td>
</tr>
<tr>
<td>Platinum</td>
<td>15.0</td>
<td>16.1</td>
<td>7.4</td>
</tr>
<tr>
<td>Japan</td>
<td>172.6</td>
<td>152.5</td>
<td>-11.6</td>
</tr>
<tr>
<td>Taiwan</td>
<td>113.1</td>
<td>125.1</td>
<td>18.6</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>82.7</td>
<td>83.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>26.7</td>
<td>29.1</td>
<td>10.2</td>
</tr>
<tr>
<td>West Germany</td>
<td>128.5</td>
<td>132.1</td>
<td>2.9</td>
</tr>
<tr>
<td>France</td>
<td>139.5</td>
<td>140.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Germany</td>
<td>139.5</td>
<td>140.1</td>
<td>0.4</td>
</tr>
</tbody>
</table>

The major bear point for the market in the JSE's opinion is the effect of the current rate basis on SA non-empire exports. But with trading growth of over 5% in the local economy, and overall shareholding in the economy, trade sales growth and the rise in national income, the potential for domestic and export demand growth is more favorable than at any previous time in our history.
Interim statement of Unaudited Group Results for the six months

<table>
<thead>
<tr>
<th>Unaudited group trading results</th>
<th>6 months ended 31/3/80</th>
<th>6 months ended 31/3/79</th>
<th>Year ended 30/9/79 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income before taxation</td>
<td>9 708</td>
<td>7 961</td>
<td>19 669</td>
</tr>
<tr>
<td>Taxation</td>
<td>3 965</td>
<td>2 535</td>
<td>5 133</td>
</tr>
<tr>
<td>Outside shareholders' Interest</td>
<td>6 143</td>
<td>5 446</td>
<td>13 536</td>
</tr>
<tr>
<td>Provision for preference dividends</td>
<td>(365)</td>
<td>(240)</td>
<td>(705)</td>
</tr>
<tr>
<td>Net income attributable to ordinary shareholders of Dorbyl Limited</td>
<td>5 888</td>
<td>5 005</td>
<td>12 429</td>
</tr>
</tbody>
</table>

| Number of new ordinary shares in issue | 16 330 474 | 16 046 176 | 16 069 328 |
| Earnings per ordinary share          | 34.2 cents  | 31.2 cents | 77.5 cents   |
| Estimated capital commitments        | R8 100      | R4 200     | R7 732       |

Subdivision of ordinary shares

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

Allotment of ordinary shares

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

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

Restructuring of the group

Shareholders are advised that it has been decided to restructure group management of operations by placing similar or related specialised operating facilities under common management, within separate wholly-owned subsidiary companies. The directors are of the opinion that the restructuring of management and operations into these companies will provide improved services to the group’s wide range of customers and result in greater motivation to management and employees. The restructuring arrangement is designed to reduce operating costs and thereby, in the long term, have a positive impact on earnings of the group.

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

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

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

Establishment of new facilities

A new facility has been established at Sishen at a cost of approximately R1 200 000. This workshop will have as its base load the repair of off-highway vehicles mainly for locomotives.

A new workshop costing about R500 000 has also been established at Welkom to provide services for the mining industry in that region. The new facility at Mossel Bay has been established at a cost of approximately R123 000 and will provide services for the marine and local industries.

Directors

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

Predicted earnings

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

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

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

<table>
<thead>
<tr>
<th>Registration Date</th>
<th>Close of Registers (both dates inclusive)</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% Cumulative preference shares of R2 each</td>
<td>13/6/1980</td>
<td>14/6/1980</td>
</tr>
<tr>
<td>6.5% Cumulative preference shares of R2 each</td>
<td>to</td>
<td></td>
</tr>
<tr>
<td>5.75% Cumulative preference shares of R2 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30/6/1980</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Registration Date</th>
<th>Close of Registers (both dates inclusive)</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1% unsecured debentures 1981/1988</td>
<td>to</td>
<td></td>
</tr>
<tr>
<td>30/6/1980</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

Habitmat HT 80 The Swiss rapid telephone dialler
— microprocessor controlled
Why not call us on 706-1374
to arrange a free demonstration at your office.

Habitmat HT 80
Youngworth Enterprises
P.O. Box 69270, Bryanston 2021

Dorbyl Limited

African industry. DORBYL

Financial Mail May 23 1980

910
Why did Rand Bank go bang?

By DARYL BALFOUR and PETER MANN

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

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

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

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

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

The Port Natal Board invested R20 million in the Rand Bank — R17 million only days before the bank was placed under curatorship.

But yesterday the Registrar, Wynand Louw, denied he had been involved.

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

But Nieuwoudt insisted the "mystery" list existed and referred to "media reports during the weekend.

"Nonsense"

"Mr Louw is talking nonsense if he denies it exists. We got it and so do municipalities — we just didn't act on it. I am convinced it is a list of institutions approved by the Registrar, at which we will invest," he said.

"We let it from the Department of Cooperation and Development and it's approved by the Registrar — who else could approve it?"

Mr Nieuwoudt said the Port Natal Administration Board had to write off R17 million as a result of their Rand Bank investments.

Mr Rudy Rathe, Secretary for Cooperation and Development, also denied his department recommended any investments.

ANDIDATE MUST enter in the number of each question (in the order in which it has been asked); leave columns (2) and (3) blank.
Liquidity control is SARB aim

By HAROLD FRIDHON

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

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

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

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

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

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

Total sales of Government stock, Treasury bills, and special tap tax Treasury bills amounted to R1 508-million during the bank's past financial year. As the Government was reluctant to create new paper, the Reserve Bank was prepared to issue debentures, but was waiting for the removal of several constraints, such as exemption from stamp duties and marketable securities tax.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Although it was hard to persuade policy makers, the only policy that had so far been suggested that seemed to contain the appropriate ingredients will afford borrowers cheap access to the things money buys... the prices of the goods and assets so financed soon rise accordingly as the money used to buy them is artificially cheapened.

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

It was that of establishing a monetary standard based on a target growth rate for some nominal monetary aggregate.

This had been done in Canada.

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

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

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

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

There could be no separate exchange rate policy. This fell squarely within the domain of monetary policy.

- Off balance sheet financing which developed because of an unrealistic interest rate structure was here to stay.
- The aims of stable money could not include stability of interest rates; they need to be variable if money was to be effectively managed.

"The attempt to keep investible funds artificially cheap is usually made in the vain hope that access to cheap money..."
John Orr to repay 5c a share

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

The payout is proposed for end July.

The stores group had a loss of R2.3-million before tax in the year to February compared with a R16.6-million profit a year ago.

But a R3.7-million extraordinary credit, including proceeds from property sales, gave profits of R2.9-million after tax against R12.6-million last year.

Earnings a share were 61.4c (2.92c) before the extraordinary item and 50.2c (2.4c) after.

Turnover rose 9 percent to R44.3-million.

* Hunt Leechars and Hepburn is to make a one-for-10 rights issue, raising about R12-million for new shares. The price will be set in early June. The finance raised is to pay for expansion by the group.

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

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

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

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

A 6c dividend is being recommended by the Bank of Livingstone, the Orange Free State Bank, in spite of a 30 percent rise in earnings to R18.6-million from R14.5-million for the year to March.

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

Tom Hood

UNIT TRUSTS

<table>
<thead>
<tr>
<th>Name</th>
<th>Size</th>
<th>Buy</th>
<th>Sell</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>100</td>
<td>100</td>
<td>150</td>
<td>12.00</td>
</tr>
<tr>
<td>Industrial</td>
<td>150</td>
<td>150</td>
<td>200</td>
<td>15.00</td>
</tr>
<tr>
<td>Agricultural</td>
<td>200</td>
<td>200</td>
<td>250</td>
<td>18.00</td>
</tr>
<tr>
<td>Commercial</td>
<td>250</td>
<td>250</td>
<td>300</td>
<td>21.00</td>
</tr>
<tr>
<td>Retail</td>
<td>300</td>
<td>300</td>
<td>350</td>
<td>24.00</td>
</tr>
<tr>
<td>Total</td>
<td>1000</td>
<td>1000</td>
<td>1500</td>
<td>12.00</td>
</tr>
</tbody>
</table>

**THE NATIVE LANGUAGE**

* Anttal, L.D.
* The Republic of South Africa
* University of Cape Town
* Comparative Language Courses
* From Western and African Languages
* Xhosa and Zulu

**NOTES ON FORM AND STRUCTURE IN BANTU SPEECH**

AFRICA 15: 4-20

Includes examples from Shona and Zulu.
Consure is back on dividend list

Financial Reporter
CONSTANTIA Insurance has declared a $6c dividend for the year ended February — the first payment the former Marine & Trade group has made since 1976.
Kirsh Industries bought Consure in May, 1978, and it incurred a shock loss of R1 745 000 R21 340 000 after accounting changes for the year to June.

In the eight months to February 1979 a pre-tax profit of R75 000 was made — earnings of 1.9c a share.

For the 1979-80 year a profit of R75 000 was made (before and after tax because of previous losses), equal to 17.8c a share earnings.

A statement says: "Gross premiums written" rose from R9 700 000 in the eight months ended February 1979 to R11 000 000 in the 12 months just ended. This is a 45.2% improvement on an annualised basis.

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

The 1979 underwriting loss of R432 000 swung to a profit of R79 000, but net investment income dipped by 18% (on an annualised basis) to R952 000, "reflecting both the drop in interest rates during the past year and the fact that the company has a smaller balance of funds on deposit because it is settling claims more rapidly."

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

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

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

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

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

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

"It is planned to retain Alexhow's JSE listing, and to inject R5m into it in addition to the shares in Consure."

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

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

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

The results for 1979-80 and the share price rise to 150c sellers yesterday show how sensible most shareholders were to stick with Consure."
Horwood unveils new share proposals

This had created an untenable position as a married couple was able to make a tax-free investment of £300,000 through subscription shares while other tax-free investments could only provide for an investment of £250,000.

Sen Horwood proposed the following phasing out programme.

- 1981: No change
- 1982: Dividends on an investment up to £200,000 per person will be exempted. Any dividends on an investment over £200,000 will be exempted, as will the split of other shares (or bonds and not more than two-thirds of such dividends will be taxable.
- 1983: As for 1982 but dividends will be exempted on an amount of £50,000 per person.
- 1984: Dividends on an investment of £50,000 per person (includ - and if any investment will be exempted. Any dividend on the remaining of the investment over £50,000 will be partially taxable.)

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

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

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

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

In 1971 the Building Societies Act had been amended to restrict the total any person could contribute during a period of 12 months to £150,000.

However, a scheme had developed in which a single amount could be invested and re-invested in subscription shares.
R1-m lost to hamper clubs

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

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

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

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

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

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

In March, Super World, another hamper organisation, also went into liquidation.
The property division performed well — up to R2 million from R0.61 million — and is expected to maintain this standard.

The farming division converted a loss of R2.2 million into a profit of R6.4 million.

**C** READ 5

```
C
K
15

**C** BESTER Investments, which has been under a cloud for some years, has returned to the ranks of the dividend-payers with a final of 5c a share for the year to February 1980. The last dividend was a final of 7c in 1978, when a total of 10c was paid.

**C** GROUP operating profit before interest and tax was R6.17 million.

**C** Profit before interest and tax was R6.17 million for the year ending 30 June 1980, against R5.03 million for the previous year. Attributable profit increased from R1.30 million to R1.80 million, giving an earnings per share of 35.8c compared with 11.2c in 1979.

**C** Earnings from the construction division dropped from R6.4 million to R3.9 million. In their remarks with the provisional statement, the directors attribute this to contracts secured at low profit margins during the recession and completed in the past year. A "substantial" improvement in the results of the construction division is expected during the current year.

**C** C START A

```
FINANCIAL REPORTER

The property division performed well — up to R2 million from R0.61 million — and is expected to maintain this standard.

The farming division converted a loss of R2.2 million into a profit of R6.4 million.

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
{K=1+1}

```
Pressure on bank chief to quit

The Star Bureau

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

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

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

"PERSONAL"

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

Lord Barber, who said he first learned of Mr. MacKenzie's appointment when he read the Guardian on May 23, sought to assure shareholders that Mr. MacKenzie was able to distinguish between his two roles.

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

Until the chairman arrives back in South Africa on Monday no comment is expected.
Monetary policy for SA

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

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

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

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

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

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

The first problem for the Bank arises from the fact that the demand for central bank credit has grown at a rate well in excess of the monetary aggregates. The Bank has shown too many signs of attempting to respond to everything, rather than having a single-minded objective of attaining monetary predictability and stability.

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

Generating uncertainty

Since no one knows what the rate of inflation will be next year, no one can predict what the rate of monetary growth will be. The uncertainty concerning the inflationary implications of monetary policy in SA is exacerbated by the fact that the country itself is a net exporter of money. Furthermore, the uncertainty concerning the inflationary implications is heightened by the fact that the economy is highly levered. Interest rates, themselves, would become lower as inflation and inflationary expectations were reduced, and fluctuations in interest rates of an undue nature would be smoothed out by the stabilisation and speculative activities of private investors and intermediaries.

External sector

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

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

**Market Forces**

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

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

The foreign exchange rate movements would ensure that the overall balance of payments was always in equilibrium and would further ensure that the allocation of the balance of payments between the current and capital accounts was appropriate.
In brief, said Parkinson, "we had a monetary standard - a gold exchange standard, and we had a set of techniques of monetary control which were compatible with that standard.

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

US interest rates during the 1963-1965 period were held artificially low resulting in excess demand and a sustained rise in prices supported by sharply increased money supply growth. And in 1971, Rock-

Professor Flooden, Goodhue, brilliantly outlined the key issues faced by SA's monetary authorities in bringing about effective firmness in markets, notably in the gold-edged market, the foreign exchange market, the money market and the market for deposits. Said Goodhue: "It was hoped that official commitment to a target rate of monetary growth, however defined, would give market confidence to financial markets and create a viable monetary condition in which other economic objectives could be more easily pursued. That attempt, he noted, had had 'mediocre success.'

Goodhue pointed out that 'velocity-based credit controls present target concepts' and that the importance of this statistic could be gauged from the fact that bank deposits had stagnated over the past decade while bank demand deposits had risen at only half that rate.

But the question remained, was Goodhue really putting the strict monetarist approach.

Parkinson felt no one in doubt that he was advocating a pretty drastic, inflexible discipline in the form of a money target. Goodhue, on the other hand, while adopting a necessary minimum line in view of his position as a De Beers Commissioner, seemed to favour a more flexible approach to monetary policy.

Reserve Bank deputy governor, Chris Stals, came across in the words of Pretoria University's Jan Lombard, as an economist who was not 'going to sell himself out to any particular predictable state'. Nonetheless, one couldn't help feeling that Stals was at times valiantly attempting to defend the indefensible. For in essence, he defended the Reserve Bank's conduct in the foreign exchange market, in which it presently controls more than 70% of the market through its monopoly of gold proceeds.

Reserve Bank's Chris Stals . . .

confirmed agnostic?

and Nixon closed the gold window and the dollars flooded the world no longer justified the boast -as good as gold.

'The most serious of these years of chaos.' rapid money growth, high inflation rates, the interest rate and so on - which still continue.

In the face of political realities, said Parkinson, we need monetary standards. And these standard must afford some chance of deterring price instability or at least predictability while at the same time accommodating different national views on appropriate inflation rates.

The only policy that seems appropriate has shown itself to be reliable in empirical cases. One argues Parkinson, is that of establishing a monetary standard based on a target growth rate for some defined monetary aggregate. But then countries needed to exert their political will to carry this out.
ASSURA FM 30/5/80

Rates equestion (8)

Though the short-term insurance industry has been rocked at late with runs of claims over low rates and until recently, some of the larger operators, such as Assura, have managed to produce highly satisfactory results.

In the six months to end-March, Assura linked taxed profit by 23% to R3.7m, while turnover increased from R31 to R35. Though the rate of increase has in fact slowed since this time last year, MD Oosthuizen points out that rates, at the moment are anything between 19% and 20%, down on what they were a year or two years ago. With this in mind, he reckons the increase in volumes is fairly good.

The company's main operating subsidiary, Santam Insurance, took in R7.5m (R5.3m) in gross premium income in the first half. The group does not divulge details of investment income or underwriting profits income at this stage. However, Oosthuizen says the sharp drop in local interest rates has kept investment income pretty much on a par with last year, while underwriting profits have risen in line with premium income.

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

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

On dividend forecasts, Oosthuizen is reticent, and will be drawn only as far as saying that performance since March 31 has been "very satisfactory." The industry's profit performance is notoriously patchy, but it would not be unreasonable to assume an annual dividend in the region of 7.25c this year after 6.325c last year. At 78c, this would put the share on an attractive prospective yield of 9.3%.

Scott Hawker

Financial Mail May 30 1980
of the enlarged companies so that it can equal account its holding in accordance with New Zealand corporate practices.

The remaining 300,000 shares of 1968.25 will continue to be held by the minor shareholders unless they accept an offer of 13½ New Liberty Holdings. It is unlikely that any will.

One of the major benefits to the share- holders will be in terms of dividends. Whereas currently the fund is subject to a highly conservative distribution policy, the enlarged group will, for the first time, be able to pay larger dividends. In future, the enlarged group will distribute a minimum of 15%, something which is not possible in the current policy, and this does not guarantee any higher investment income.

Based on Guardian's 1967 results and estimates for the year ending June 30, the enlarged group could be expected to show total profits of £1,400,000, a higher rate of return than the new capitalisation. This is nearly 1½ less than for the current year 1969, but the new policy, the dividend will tend to be paid first to meet the requirements of the new shareholders. The dividend will be 3½% of the capital on a fully paid basis, which is an improvement over the current policy of 3½%

This increased dividend will be paid out of £1,400,000, which is equivalent of a 15% declared on the existing capital. In the view of the directors, this amount must be seen as encouraging results.

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

Independently, one would expect a group of insurance businesses to be more insulated from the economic conditions. In fact, the enlarged group is expected to see an increase in the top line of the short-term insurance industry.

Economies from the rationalisation of the two operations are expected to increase the dividend to an improved position to withstand the high inflationary conditions of the industry, hopefully leading to a more stable profit pattern.

The deal has no material impact on Liberty Holdings, although there could be some reduction in dividend income. In 1967 Guardian paid out a total of £1,270,000 of which Liberty Holdings received £1,000,000 from an investment in the enlarged group. Between the U.K. and the Life Holdings, the deal would total £1,200,000, an increase in profit in relation to the dividend income last year of over 12%.

EM 30/5/80
UNIBIC GUARDIAN (58)
Bigger and better

Unibic shareholders have hit the jackpot with the purchase of New Zealand company by Guardian Royal Exchange of the U.K. 2,700,000 at 13½% more than double its current market price. After an initial investment of the existing portfolio of £1,050,000, which is expected to grow, the enlarged group will have 12½% more, which is equivalent of a 15% share on the enlarged capital. In the view of the directors, this amount must be seen as encouraging results.

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

Independently, one would expect a group of insurance businesses to be more insulated from the economic conditions. In fact, the enlarged group is expected to see an increase in the top line of the short-term insurance industry.

Economies from the rationalisation of the two operations are expected to increase the dividend to an improved position to withstand the high inflationary conditions of the industry, hopefully leading to a more stable profit pattern.

The deal has no material impact on Liberty Holdings, although there could be some reduction in dividend income. In 1967 Guardian paid out a total of £1,270,000 of which Liberty Holdings received £1,000,000 from an investment in the enlarged group. Between the U.K. and the Life Holdings, the deal would total £1,200,000, an increase in profit in relation to the dividend income last year of over 12%.
RIOT COVER  FM 30/5/80

Unfortunate timing.

With strikes and boycotts flaring up all over the country, the SA Insurance Association (SAIA) seems to have picked a similarly unfortunate moment to stop it, incurring the wrath of the short-term industry. Providing political riot cover for loss of profits, known as “consequential loss”, the SAIA recently introduced a rule whereby if 75% of its members take a decision at a meeting, it is binding on all members. This was doubly so and intended and commendable attempt by the industry to discipline itself after the present trouble with the rate war, that several companies have been able to enter it excessively, while the rest of the market couldn’t afford to be left out. (FM, April

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

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

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

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

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

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

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

Perhaps that claim is extreme, but Old Mutual's moves have now been shown up for what they were — an attempt to preempt an up-coming partial bid for Tiger. At the time of the suspension, when Tiger stood at 1500c, its shareholders were not told of a pending paper bid by Metro for 50% of Tiger with a possible cash alternative of 2000c. That could be construed as suspicious. But with no formal offer in its hands, Tiger's Rudy Frankel had no concrete to tell his board or the company's shareholders.

So what was the succession of events that led to Old Mutual increasing its stake in Tiger's voting shares (ords and automatically convertible prefs) from 21.3% to 28.9% and Tiger, lifting its Ardenga interest from 51.1% to 67.2%?

Shortly before the suspension, Metro's Natie-Kirsh approached Tiger's Rudy Frankel with proposals for a bid for 50% of Tiger. That apparently went down well like the proverbial lead balloon with Frankel, though the proposals did have their merits. And it is surprising in that Tiger has a 30.4% stake in Metro. Mainly, the proposals centred on the synergistic benefits of rationalising both operations, plus an estimate by Kirsh that with Metro's cash flow and distributions. Tiger shareholders who accepted would receive significantly higher dividends than if they stayed in Tiger.

For the 52 weeks to February 23, Metro reported a cash flow of some R8.5m — an amount which is not wholly necessary for funding its now soundly-based distribution operations. Tiger, on the other hand, with current assets which rose from R180.9m to R225.6m during 1979, distributed ordinary dividends of only R7.4m from income of R56.9m after preference dividends.

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

If that were the end of the matter, in certain respects, Metro's bid terms could be construed as unattractive. On the basis of immediate conversion of Tiger's automatically convertible prefs, shareholders who accepted would see their 1979 earnings diluted from 231c to 220c and its end-1979 net worth from 1631c to 1200c.

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

Relations between Kirsh and Frankel have been strained ever since Kirsh gained control of Metro after some haggling in court over legal technicalities. And, according to Kirsh, once he had put his proposals to Frankel (who with his family owns less than 25% of Tiger) for discussion by the Tiger board and let him know that a bid was coming, Frankel turned to Old Mutual, as his company's largest shareholder, for defence.

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

As I said earlier (Fox May 21), the first plan was for Old Mutual to exchange all or part of the 25% ICS stake with Tiger for additional Tiger paper. That plan was kiboshed when Old Mutual and its advisers decided that the deal was not beneficial to all minority shareholders.

So while the shares were suspended, an alternative avenue to raise Old Mutual's stake to 28.9% was followed. First, in off-market deals — at 1750c — 4.3% of Tiger was bought from outsiders and Tiger subsidiary Lambert's Bay. Second Frankel decided to increase Tiger's stake in Adcock Ingram from 59.1% to 67.2% (some contend quite unnecessarily) by buying shares from Old Mutual with Tiger paper priced at 1500c. Some market circles consider this an unethical use of the suspension procedure.

So if we are not back to square one, we are not further than square two. Tiger returned to the boards at 1750c. And it is a safe bet that the share price will be supported at this level, at least in the near term.

But that may not be enough if Kirsh was to restructure his bid and offer Tiger shareholders paper or 2000c cash for their shares — a bid which now appears impractical. The whole deal by Mutual leaves several unanswered questions.

Natie Kirsh...gunning for the big...
Why, for example, as it was privy to Kirsh's proposals — Jan van der Horst is both Old Mutual's chairman and a director of Tiger — did it exchange its Adingra shares for Tiger at an effective Tiger price of 1 500c? That is all very well for Old Mutual policyholders, but pretty rough for Tiger's minorities. And why, if Tiger was only worth 1 500c in the Adingra deal, was it necessary for Old Mutual to pay 1 750c for the other 25% it acquired from Tiger's subsidiaries? That is something policyholders could question.

Old Mutual's Peter Bieber, however, feels the two different prices present no conflict. One, he says, is an exchange of shares and there was felt to be no point in Old Mutual holding a mere 8.1% of Adingra while its associate Tiger had 59.1%. The Tiger shares held by its own subsidiaries, Bieber contended, had to be paid for at 1 750c, the price at which all other negotiated deals were done.

As I see it, and as a further bid is unlikely from Metro, Tiger shareholders should now evaluate their shares on Tiger's own likely performance. Now that a bid was blocked has appeared which promised higher prospective dividend income, it would be possible to sell a share that might settle for a more generous payout policy.

In the meantime, shareholders would be justified in seeking their company's management for full details of everything that happened before and during the suspension. In this deal, perhaps more than any other in recent years, the air needs clearing.

Jan Jones

FH 30/5/80
UNSBIC/GUARDIAN

Bigger and better

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

The deal itself is straightforward. Unsbic is acquiring Guardian Assurance Company SA in exchange for 6.8m new shares, more than double its existing issued capital. After certain minor adjustments to the shareholdings of the various parties, GRE, which presently holds 75% of its SA subsidiary, will end up with just over 50% of the enlarged group, while Liberty Holdings, which has the remaining 25% of Guardian, will have only a 15.5% stake.

South British Insurance of New Zealand, the existing holding company of Unsbic, is acquiring 260 000 additional shares from GRE and Liberty Holdings, raising its stake from the present 2.2m to 2.5m (25% of the enlarged company) so that it can equitably account its holding in accordance with New Zealand corporate practice.

The remaining 960 000 shares (9.6%) will continue to be held by Unsbic minorities unless they accept an offer of 350c by Liberty Holdings — it is unlikely that many will.

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

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

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

nearly 13c less than Unsbic earned in 1979, under the new policy the dividend total would probably be 29c, or 66% more than last year's payment. This would yield 8.3% at the 350c offer price, compared with the 8% historic yield before the suspension.

The R4.4m taxed profit is made up as to R3.2m from Guardian and R1.2m from Unsbic, the latter being a one-third reduction on its 1979 results. It should be noted, however, that for the purposes of the merger this is the minimum profit which the company is warranting and it hopes to exceed its forecast. But in any event this R1.2m is the equivalent of 37.5c a share on the existing capital, so the terms of the merger must be seen as enhancing results.

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

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

The merger will create a group with short-term assets of about R95m and an annual premium income of around R85m (excluding life), placing it in the top league of the short-term insurance industry.

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

The deal has no material impact on Liberty Holdings although there could be some reduction in dividend income. In 1979, Guardian paid out a total of R2.2m, of which Liberty's share was R50 000. Based on a 29c payment from the enlarged group, however, the 15.5% stake of Liberty would yield only R450 000 — an insignificant difference in relation to total dividend income last year of over R11m.

ASSURA FM 30/5/80

Rates squeeze

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

In the six months to end-March, Assura hiked taxed profit by 25.2% from R2.8m to R3.5m, while earnings increased from 8.1c to 10.1c. Though the rate of increase has, in fact, slowed since this time last year, MD "Oosthuizen points out that rates at the moment are anything between 30% and 50% down on what they were a year or two years ago. With this in mind, he feels the increase in earnings is fairly good.

The company's main operating subsidiary, Santam Insurance, took in R71.5m (R68.4m) in gross premium income in the first half. The group does not disclose details of investment income or underwriting profits income at the half-way stage. However, Oosthuizen says the sharp drop in the local interest rates has kept investment income pretty much on a par with last year, while underwriting profits have risen in line with premium income. He believes that the current rate war will continue for some time. Before rate-cutting bottoms out, he says, there are

Financial Mail May 30 1980
Why, for example, as it was prone to King's proposals, Jan van der Horst is both Old Mutual's chairman and a director of Tiger, did he exchange its Amdra shares for Tiger at an effective Tiger price of R500? That is all very well for Old Mutual policyholders, but pretty rough for Tiger's minorities. And why, if Tiger was only worth R500 in the Amdra deal, was it necessary for Old Mutual to pay more for the other ordinary acquired from Tiger subsidiaries? That is something policyholders could question.

Old Mutual's Peter Biebcr, however, feels the two different prices present no conflict. One, he says, is an exchange of shares, and there was felt to be no point in Old Mutual holding a mere 31% of Amdra while its associate, Tiger, held 69%. The Tiger shares held by its own subsidiaries, Biebcr contends, had to be paid for at R500, the price at which all other negotiated deals were done.

As I see it, and as a further hint is unlikely from Metro, Tiger shareholders should now evaluate their shares on Tiger's own likely performance. Now that a bill (even though it was blocked) has appeared which promised higher prospective dividend income, Tiger itself might settle for a more generous payout policy. In the meantime, shareholders would be justified in asking their company's management for full details of everything that happened before and during the suspension. In this deal, perhaps more than any other in recent years, the air needs clearing.
...and of any seasonality pressures come to end at this point, the market could be high at the 81.7% level. Although seasonal pressures remain and the price of gold has recently increased, the market is expected to remain volatile. In addition, the dollar remains strong, with the dollar index reaching its highest level in several years. This could put pressure on commodities, particularly those related to energy and metals.

The CBOE Volatility Index (VIX) has been rising, indicating rising uncertainty in the market. This could affect the performance of stocks and could lead to increased volatility in the market. Investors are advised to monitor the VIX closely and adjust their portfolios accordingly.

In summary, investors should expect a volatile market in the near future. It is advisable to diversify investments and consider hedging strategies to mitigate risk.
New Think-tank

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

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

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

An interesting situation has arisen in this connection in Transkei. The Trans-
SUBSCRIPTION SHARES

Not so bad

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

Discussing the Finance vote in Parliament this week, Horwood reminded holders of such shares that the tax-free limit is to be rolled down from R50 000 per person to R30 000 per taxpayer, which, for some well-to-do family units, would mean a wind-down from R300 000 to R180 000.

But the phased switch should not be too painful. In the 1981 tax year there will be no change, in the following year the ceiling comes down to R180 000 per person, but dividends on investments in excess of this sum will be 30% tax-free.

In the 1983 tax year, the limit comes down to R50 000 per person and, as in 1982, not more than two-thirds of dividends earned on sums in excess of R50 000 will be taxed. In the 1984 year the ceiling drops to R50 000 per taxpayer and dividends on the excess will be 30% tax-free.

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

1981 year — no change — tax-free income R150 000

1982 7% tax-free on R150 000 each — R14 286 for the family unit. Tax payable on two-thirds of the R7 143 dividend earned on the excess R100 000 will be, say, 50% on R4 071 R2 333 50 an effective tax rate of 14.1% on the R2 333 gross income of the family unit. Net income R12 944.

1983 7% tax-free on R150 000 (R150 000 each) R10 500. Tax payable on 67% of dividends received on the R200 000 “excess” at 7% 2.8 of R14 286 R4 071 Tax at 50% R2 035 or 22.2% on total income. Net income R10 470.

1984 7% tax-free on R50 000 (jointly) R3 500. Tax payable on 2.3 of 7% on R50 000 “excess.” 2.3 of R10 500 R2 415. Therefore tax at 50% R1 208 or 23.5% of total investment income. Net income R9 292.

In view of these examples, says Horwood, there should be no great push to get out of this type of investment. He said the reason for diluting the sugar in subscription shares was that John de Loe's Standing Commission on Taxation had concluded that its attractions far outweighed those of other types of tax-free investments, the sum total of which added up to a mere R94 744 for a husband and wife combination, compared with a “massive” R300 000 that could be invested in building society subscription shares.
Constantia Insurance Company Limited

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

<table>
<thead>
<tr>
<th></th>
<th>12 Months to 28.2.80</th>
<th>8 Months to 28.2.79</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R 000's</td>
<td>R 000's</td>
</tr>
<tr>
<td><strong>Gross Premiums Written</strong></td>
<td>21 086</td>
<td>9 681</td>
</tr>
<tr>
<td><strong>Underwriting Profit/(Loss)</strong></td>
<td>79</td>
<td>(433)</td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td>626</td>
<td>509</td>
</tr>
<tr>
<td><strong>Net Profit before and after Taxation (1)</strong></td>
<td>705</td>
<td>76</td>
</tr>
<tr>
<td><strong>Non-Recurring Income (2)</strong></td>
<td>1 235</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total Net Income</strong></td>
<td>1 840</td>
<td>124</td>
</tr>
<tr>
<td><strong>Ordinary Dividend</strong></td>
<td>251</td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary Shares in Issue</strong></td>
<td>4 175 000</td>
<td>4 000 000</td>
</tr>
<tr>
<td><strong>Average Number of Shares in Issue</strong></td>
<td>4 087 000</td>
<td>4 000 000</td>
</tr>
<tr>
<td><strong>Earnings per Ordinary Share (excludes non-recurring income)</strong></td>
<td>17.2 cents</td>
<td>1.9 cents</td>
</tr>
<tr>
<td><strong>Dividend per Ordinary Share</strong></td>
<td>6 cents</td>
<td></td>
</tr>
</tbody>
</table>

Gross premiums written increased by 45.2% over the annualised premiums for the previous eight months period. More significantly, non-motor premiums accounted for 18% of business written, as compared with 6% in the previous period.

Premiums less reinsurance rose by 36.8%, resulting in an increase in the insurance fund of R1 646 000.

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

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

**DECLARATION OF ORDINARY DIVIDEND:**

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

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

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

**Transfer Secretaries:**

Hill Samuel Registrars S.A. Limited
The Corner House
63 Fox Street Johannesburg, 2001
(P.O. Box 62018 Marshalltown, 2107)

N. Kish (Chairman)
T.L. Ternent (Managing Director)
25 May 1980

A Kish Industries Group Company
GUARDIAN ASSURANCE COMPANY SOUTH AFRICA LIMITED

UNION NATIONAL SOUTH BRITISH INSURANCE COMPANY LIMITED

UNION NATIONAL SOUTH BRITISH INSURANCE COMPANY LIMITED

The...GUARDIAN ASSURANCE COMPANY SOUTH AFRICA LIMITED...LIBERTY HOLDINGS LIMITED

UNION NATIONAL SOUTH BRITISH INSURANCE COMPANY LIMITED

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

The merger of Guardian Assurance Company South Africa Limited ("Guardian") and Union National South British Insurance Company Limited ("UNSB") was announced on 30 May 1980 and is expected to result in a new holding company called Liberty Holdings Limited ("Liberty"), with Liberty being the ultimate parent company.

The merger is intended to create a leading player in the South African insurance market, with a strong financial position and a diversified business strategy.

The merger will also provide opportunities for synergies and cost savings, as well as enhance the company's market position and competitive advantage.

The merger is expected to be completed in the second half of 1980, subject to regulatory approvals and other customary closing conditions.

On behalf of:
GUARDIAN ASSURANCE COMPANY SOUTH AFRICA LIMITED
LIBERTY HOLDINGS LIMITED
UNION NATIONAL SOUTH BRITISH INSURANCE COMPANY LIMITED

Johnsbury
23 May 1980

Financial Mail May 30 1980
NOTICE TO SHAREHOLDERS

ASSURA LIMITED
HOLDING COMPANY OF SANTAM INSURANCE COMPANY LIMITED

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

<table>
<thead>
<tr>
<th></th>
<th>Six months to 31 March 1980</th>
<th>Six months to 31 March 1979</th>
<th>Year to 30 September 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after provision for taxation</td>
<td>R3 531 000</td>
<td>R2 820 000</td>
<td>R7 417 800</td>
</tr>
<tr>
<td>Percentage increase</td>
<td>25.2%</td>
<td>8.1%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>10.1</td>
<td>8.1</td>
<td></td>
</tr>
<tr>
<td>Percentage increase</td>
<td>24.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Six months to 31 March 1980</th>
<th>Six months to 31 March 1979</th>
<th>Year to 30 September 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross premium income</td>
<td>R71 512 000</td>
<td>R58 403 000</td>
<td>R135 699 000</td>
</tr>
<tr>
<td>Percentage increase</td>
<td>22.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premium income</td>
<td>R62 289 000</td>
<td>R52 218 000</td>
<td></td>
</tr>
<tr>
<td>Percentage increase</td>
<td>19.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

C.H.J. VAN ASWEGEN
CHAIRMAN

C.J. OOSTHUIZEN
MANAGING DIRECTOR
Goldfields Industrial Corporation Limited

Final results and dividend announcement

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

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>R434,629,000</td>
<td>R319,839,000</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>R14,049,000</td>
<td>R8,000,000</td>
</tr>
<tr>
<td>Taxation</td>
<td>R7,998,000</td>
<td>R6,499,000</td>
</tr>
<tr>
<td>Total profit</td>
<td>R6,051,000</td>
<td>R1,501,000</td>
</tr>
<tr>
<td>Number of ordinary shares in issue at end of year</td>
<td>177,973,600</td>
<td>177,968,600</td>
</tr>
<tr>
<td>Earnings per ordinary share</td>
<td>34c</td>
<td>24c</td>
</tr>
<tr>
<td>Dividends per ordinary share</td>
<td>16c</td>
<td>10c</td>
</tr>
</tbody>
</table>

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

Demand for the group's products continued to improve, particularly during the latter months of the year, and record turnover and profit levels were achieved. Turnover increased by 47%, and the higher levels of activity, combined with improved margins, resulted in an improved margin and a profit before tax of R14,049,000 compared with R1,501,000 in the previous year.

Earnings per share amount to 24 cents and the directors propose a final dividend of 11 cents per share, making a final distribution for the year of 14 cents per share on the capital as increased by the rights issue in June, 1979. The final dividend will be paid on 29th August, 1980 to shareholders registered on 15th August, 1980.

The Group is in a sound liquid position and the balance sheet strengthened by the rights issue in July, 1979, has been further improved by tight control of working capital and a reorganisation of the borrowing structure. Capital expenditure on buildings and plant amounted to over R7 million and more substantial expansion of the Group's manufacturing activities is planned.

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

M.J. BEER
M.J. GILBERT Joint Deputy Chairman

15ANDE
22nd May, 1980
BANK OF THE ORANGE FREE STATE LIMITED
REGISTERED GENERAL BANK

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

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

<table>
<thead>
<tr>
<th>YEAR ENDED</th>
<th>31/03/1980</th>
<th>31/03/1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax and transfer to internal reserves</td>
<td>R 900 000</td>
<td>R 650 000</td>
</tr>
<tr>
<td>Less: Profit attributable to preference shareholders in respect of preference dividend</td>
<td>R 135 094</td>
<td>R 74 994</td>
</tr>
<tr>
<td>Profit attributable to ordinary shareholders</td>
<td>R 764 906</td>
<td>R 575 006</td>
</tr>
</tbody>
</table>

* Number of shares issued:
  - Ordinary shares of 50 cents each: 943,492
  - 12 percent cumulative convertible preference shares of 100 cents each: 6,001,114
  - 11 percent cumulative redeemable preference shares of 100 cents each: 499,943

* Earnings per ordinary share:
  - 11.0 cents
  - 9.6 cents

* Dividend cover:
  - 1.8
  - 1.6

* 499,943 12 percent cumulative convertible preference shares of 100 cents each have been converted into 943,288 ordinary shares of 50 cents each on 1 July 1979.

* Bankov's capital base has been broadened by the issue at par of 2,000,000 11 percent cumulative redeemable preference shares of 100 cents each by a private placing. The preference shares were allotted on 15 September 1979.

* The profit attributable to ordinary shareholders for the past financial year showed a satisfactory increase of 33 percent in comparison with the corresponding profit for the previous financial year.

* In view of the favourable results, R685,000 was transferred during the past financial year from internal reserves to general reserve.

DECLARATION OF DIVIDEND

Preference Dividend
Notice is hereby given that a preference dividend of 11 percent (5.5 cents per share) for the six months 1 January 1980 to 30 June 1980 has been declared in respect of the 11 percent cumulative redeemable preference shares of 100 cents each. The dividend is payable to holders of such preference shares registered in the books of the bank at close of business on Monday, 16 June 1980.

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

Dividend cheques will be mailed on 23 June 1980.

Ordinary Dividend
Notice is hereby given that a dividend of 12 percent (6.0 cents per share) for the financial year ended 31 March 1980 has been declared in respect of ordinary shares. The dividend is payable to holders of such ordinary shares registered in the books of the bank at close of business on Friday, 13 June 1980.

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

Dividend cheques will be mailed on 30 June 1980.

Information applicable to both preference and ordinary dividend

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

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

Registered Office: Bankovs Building, 7 Elizabeth Street, BLOEMFONTEIN 9301.
Transferee Registry: Central Registrars Ltd., 29 Harriss Street, JOHANNESBURG 2001.
P.O. Box 51042 MARSHALLTOWN 2167.
DIRECTORS: HJ Samuels (Chairman), TD Potgieter (Vice-Chairman); PW du Plooy, DP Erasmus; AD Niemandt, JNR van Rensburg; RJ van Wyke, JA Venter; JJ Vermooten; ETJ van Rensburg (Managing Director)

BANKOVS
Convert your Rand to Super Rand
Bank of Lisbon in quest for Portuguese

By SIMON WILSON

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

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

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

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

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

"Portuguese citizens and descendants do feel a strong ethnic identification with the bank because we understand their problems and speak their language," he says. "But the increase in our business is also due to the commercial development and progress of the Portuguese community who have been here since before 1974. Our business with the rest of the South African community is also growing."

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

"We established an agency - a full-scale branch - at the new vegetable market in City Deep after the market manager told us that Portuguese greengrocers and farmers were responsible for more than 80% of the daily turnover at the market," Dr. Marques says.

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

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

The plan applies to fixed deposits and savings, but not current accounts, with a R10 000 ceiling and a premium of 50c a R1 009.

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

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

"But our priority is to consolidate our position in South Africa before moving to other Southern African countries," Dr. Marques says.
We want to buy (pro)
your bank

... says Volkskas

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

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

The R530,000 sale was handled by Tony Belf of Lucas Geshen, who also arranged the lease of Standard's new property.

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

The new office is expected to open on Monday June 10.

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

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

SANLAM SWING R3,5M

By Colin Vinnell

PEOPLE would have a laugh over the idea of the Pheasants, the once proud champions of the SANLAM Challenge, playing in a league that is not in the Guinness World Records. However, the current SANLAM Challenge is in its sixth season and is a far cry from what it was when it started.

The concept of the SANLAM Challenge, which started in 1986, was to provide a platform for young South African footballers to develop their skills and become professionals. It was seen as a stepping stone for players to move on to bigger leagues, such as the Premier Division.

Since its inception, the SANLAM Challenge has produced numerous talent, with several players going on to play for top clubs in South Africa and abroad. However, the league has also faced numerous challenges, including financial difficulties, poor attendance, and declining interest.

The SANLAM Challenge has undergone several changes over the years, with different tournaments being introduced and scrapped. The current format, which is a league competition, was introduced in 2012.

One of the main reasons for the popularity of the SANLAM Challenge is the cost. Unlike other leagues, the SANLAM Challenge is free to watch, making it accessible to a wider audience.

The SANLAM Challenge is also known for its innovative approach to football. The league has introduced several unique features, such as the use of a unique ball and the introduction of a new position called the 'goalkeeper'.

Despite its challenges, the SANLAM Challenge remains a popular league in South Africa. It has a dedicated fanbase and attracts a large number of spectators.

While the SANLAM Challenge may not be as prestigious as the Premier Division, it remains an important platform for young footballers to develop their skills and gain experience. It is a testament to the league's resilience and commitment to providing opportunities for players to succeed.
The House in Broomfield, which fetched a record $1,760,000

By COLIN EYRE

The house in Broomfield, which fetched a record $1,760,000, has been sold for the first time in its history. The property, which is situated on a large plot of land, was put up for sale last month and sold for $1,760,000.

The house is located on a quiet street in Broomfield and is surrounded by trees and gardens. It has four bedrooms, three bathrooms, and a large living room. The property also includes a garage and a driveway for parking.

The house was built in 1930 and has been well-maintained over the years. It is located in a highly desirable area of Broomfield and is within close proximity to local schools and shops.

The sale of the house has been met with much interest from potential buyers, who were attracted to its location and the size of the property. The seller, a local businessman, has been pleased with the result of the sale and has expressed his gratitude to the estate agents and the auctioneer for their assistance.

The house is now expected to become a valuable addition to the property market in Broomfield and is likely to attract further interest from buyers in the future.

Property Estate Agents

The house is located at 1234 Elm Street, Broomfield, and is available for immediate viewing. For more information, please contact your local estate agent or visit the website of the property estate agents.
chartered accountants
and other professional
bodies.

"A code of ethics was
published by both the
Estate Agents' Board and
the Institute of Estate
Agents, both of which
conveniently dropped the
controversial clause pro-
hibiting touting. I subse-
quently resigned from
the institute.

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

"So much for pro-
fessional ethics."

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

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

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

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

"An attorney will han-
dle the deposit in his
trust account, draw the
deed of sale and any
traps about an owner
breaking the law by sell-
ing his own home is
bunkum.

"The above will illus-
trate the negative atti-
ude adopted by both the
board and the institute in
keeping professional status
to estate agents," said
Emanuel.

---

Allied may develop
black housing in PE

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

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

"We have nothing in the Eastern Cape at pre-
sent, but it is our intention to spread our develop-
ment all around South Africa."

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

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

Vester was born in Port Elizabeth and com-
pleted his education at the University of Natal, where
he graduated with a degree in quantity surveying.
MURRAY & ROBERTS

Tollgate is a well-diversified group of

port, town and port companies, insurance

undertakings, properties, short-term

cover, and related

manufacturing and servicing.

The accounts state that the

profit of the Tollgate Insurance

Group was £4.65m for the year to June 29, 1973,

with an asset of £11.8m at that date.

The capital, as at December 31, 1972, was £25m, and

the profit was £4.65m, which gave a profit

on an annual basis of £3.31m.

The accounts also state that the

whole of the Tollgate Insurance

Group was sold to another company. It might be

possible that the holding could continue as

an investment, but it is not possible to

say who might be interested. The group's assets

were included other than as an

investment. The profit of Mr. T. Murray's

tree division was £4.65m.

The accounts state that the

return on Tollgate Investments

was £4.65m, which has been steadily

diversified. It is important to note that all

the Tollgate Investments are

covered by the insurance

assets, except for the insurance

assets.
Tollgate: what it offers

M & R

By HAROLD FRIDHON

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

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

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

The price at suspension was 430c, which gave a yield of 6.75%. The last accounts, those for the year to June 30, 1979, showed a net worth of 430c, with net assets of R55 million.

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

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

If Shield is left out of the deal, it might continue as a separate entity or it might be sold to another insurance group. The group's assets are R55 million.
Sanlam sees 5% growth

Financial Report:

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

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

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

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

Because of indications that the rate of economic activity will accelerate further in the next 12 months, the Sanlam survey expects that the demand for skilled and semi-skilled labour will increase to such an extent that enterprises will find it increasingly difficult to satisfy their labour requirements.
Building societies take in R1700-m

Financial Editor

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

He told a gathering of Government and building society officials that the building societies increased their capital and deposits by R1700-million in the 12 months ended March, even though some societies restricted the inflow of funds.

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

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

LOW RATES

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

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

DISAPPOINTING

It was disappointing that the tax-free limit on subscription shares was to be phased down from R120 000 a person to R50 000 a taxpayer by the end of 1984.

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

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

This could take the form of allowing deductions or rebates for purposes of home mortgage interest.
Anglo strides on—assets hit R8000m

By Colin Campbell  
Deputy Financial Editor

Market value of Anglo American Corporation's listed investments at March 31 had swept past the R5000m mark from the previous year's R3000m level, to bring the corporation's total assets to R78 177.3m.

All round, it was a very good year for Anglo whose profit to ordinary shareholders was R306.6m against R292m previously, and whose total dividend payment rose by 32.2 percent from 45c to 70c a share.

Net earnings translate into 356.1c a share against 290.2c a share previously, but if the share of undistributed profits of the investments in which it and its associates have 20 percent or more were taken into account, the estimated total earnings for the year ended March would have been 260c a share against 194c a share previously.

RECORD

Fuller details of the record year will be furnished in the annual report due at the end of the month, but gold contributed a good half of the corporation's investment income, which moved ahead from R292.6m to R321.4m, or by 26.5 percent.

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

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

The total dividend of 70c a share covered 1.9 times returns 4.8 percent on last night's share price of 1.495c.

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

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

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

All round, Anglo remains a solid and promising share.
'Dawn raids' battle 'not worth fighting'

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

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

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

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

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

But The Times considers that possible rules
Bank sets up bursary fund

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

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

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

Argus Correspondent

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

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

For the four-month period the total value of building plans passed hit R1881,4m — a 72.5 percent increase over the R832,9m for the same time in 1979.

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

Plans for all forms of residential building — the figures represent about 50 percent of total building work in South Africa — have peaked at more than R328,3m, compared with R188,9m last time.

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

For the first four months of this year, plans for new homes were valued at R1355,6m against R130,2m previously, and while much of the increase can be put down to building under pressure and inflation, it is a strong indication of a building boom which must prove well for the rest of the year.

Indeed, "residential" plants passed for the whole of last year totalled R677,4m, which shows that the comparable figure this year is over 103.5 percent of the annual 1979 amount — and there is still eight months of 1980 to go.

The same applies to the rest of the building sector, and with the total reaching 1081,4m for the four months, there is undoubtedly a record ahead for the overall 1980 value of R1326,4m.

BUSINESSES

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

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

Industrial and commercial premises are being built in greater numbers — with the figures showing a 57 percent rise over the first four months of 1979 (R180,6m compared with R108,9m).
R1 000m
UBS 5% loans

Financial Reporter

HOME LOANS totalling more than R1 000-million were granted by the United Building Society in the year to March. That is equivalent to about R3 300 000 each working day.

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

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

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

Total assets of the UBS increased by nearly R464-million to more than R3 100-million in the last year; the annual report shows...
The African Bank is showing steady growth and its capital base will have to be increased.

Taxed profit for the six months to last April rose to R44 000, from R33 000 in the previous full year to October 1978, enabling the bank to start recouping initial losses.

Customer deposits increased to R14 093 000 from R12 189 000 at the end of October 1978 and advances were up at R7 930 000 from R6 207 000.

Prospects are good for the remainder of the year, say the chairman, Mr S M Motsuenyane, and director S J J Lesolang in the interim report.
FINANSBANK is assured of growth for the next few years and dividends should show reasonable increases, but the chairman, Mr P Liebenberg, warns that cover will have to be 2.5.

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

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

Finansbank's disclosed capital and reserves should pass R15-million this year (almost R19-million at the end of last March) and assets should rise to above R200-million (R133-million at the 1980 year-end).

The bank's taxed profit increased to R1 300 000 in the year to last March from R1-million in 1979, equal to earnings of 39c a share before the rights issue against 31.9c last year. The dividend total was raised to 56c from 12c.

The yield on shareholders' funds rose to a record 20.6%.

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

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

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

The UBS says in its annual report that share capital increased by R266.6-million to nearly R1 476-million, made up of R633.7-million in indefinite period shares, R306.8-million in tax-free shares, R233.6-million in fixed period shares and R294.8-million in subscription shares.

Deposits rose R268-million to R1 565-million, made up of R739-million in fixed deposits, R755.8-million in savings deposits and nearly R108-million in the recently introduced transmission deposits.

A total of 23 new branches and sub branches was opening during the year, bringing the number of United branches and agencies to more than 760.

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

PROPERTY REPORTER

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

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

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

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

There was an underwriting loss of R32 000 for the year ended December 31, 1979, compared with a profit of R45 000 the previous year.

However, increased investment income resulted in an after-tax profit for the year of R475 600 compared with R260 000 in 1978.

An unchanged dividend of R900 000 was declared. The total assets of the company now exceed R28 500 000.
Consure’s strong base for growth

Financial Reporter
CONSTANTIA Insurance Company’s stronger asset base — improved by the injection of a R3,4 million profit on the sale of the Nedbank Mail — will provide the necessary resources for development this year, says the chairman, Mr Nattris Kirah, in the annual report.

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

The company was successful in broadening its business base last year, increasing non-motor premiums to 15% from 8%. This represents a three-fold increase over the 1979 non-motor contribution.

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

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

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

In its underwriting account, Constantia turned around a loss of R433 000 in 1979 to a profit of R39 000 for the year to February.

Earnings rose to 17.2c from 1.9c and a 6c dividend was declared. There was no dividend in 1979.
Hosken in R1,54m bid for Cape Trustees

BY PAUL DOLD, Financial Editor

Hosken Consolidated, the Johannesburg-based quoted insurance group is the mystery bidder for Cape Trustees and Executors. The identity of the bidder became known yesterday when it was disclosed that Hosken had made a formal R21 bid for each share in Cape Trustees which puts a price tag of some R1.511.880 on the offer.

With Cape Trustees board recommending acceptance, Hosken looks set to take over the company and more specifically gain control of a valuable general banking licence. The Registrar of Banks has approved the deal in principle.

The offer is conditional on at least a 50 percent acceptance.

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

By pitching its bid at R21 - well above the balance not asst value of R14.76 - Hosken should ensure acceptance by the majority of shareholders.

The R21 offer places a value of about R450 000 on the group's banking licence and trust company rights.

**Liquidation**

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

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

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

The offer is valid from yesterday until 4.30 pm on June 21 and this can be extended if necessary.

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

Hosken has reserved the right to invoke the provisions of Section 32 of the Companies Act for compulsory acquisition of outstanding shares. For this section to become operative not less than nine tenths of the shares must have been cast for the offer.
Activities: Property investment and development. Offices and parking provide 47% of rentals. Shops 36%

residential 14% and industrial properties and hotels 4% of income. SA Wreccies owns 32% of the equity.


Capital structure: 65.2m ordinary shares. R1 Market capitalisation 1,357.2m

Financial: Year to February 28 1980


Share market: Price 57c. (1979-80 high, 75c. low, 70c. trading range last quarter. 3.5m shares. Yields 4.5% on ordinary, 3.2% on preference.

Cover 1.3. P/E ratio 32.9

Return on cap. 9.1

Return on sales 13.3

Operational profit (Rm) 1,404

Operating profit (Rm) 1,404

Profit before taxation 612

Dividends (c) 6.0

Net assets value (c) 100

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

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

reduce vacancies last year by 18%. Gross rental income, however, was up only 7% - partly reflecting the fact that the improvement came fairly late in Rentco's year - and the benefits were eroded by a 13% increase in expenses. Thus, of the R1.1m additional income which the group received from its properties, R56,000 (51%) was absorbed through operating expenditure, leaving gross profit from properties before charging interest only 7% higher at R102,600 (107,300).

Even this gain was offset by lower property sales and a 28% increase in net interest payable, leaving overall group profits lower for the fourth consecutive year.
However, management is satisfied that the property cycle, which is considerably longer than those of other sectors of the economy, has bottomed and that improved returns can now be expected. But it must be emphasized that the recovery is likely to be gradual, hence some warning to shareholders not to expect too much in the short-term.

Apart from the rental aspect, the improvement in the property market should have another positive influence on the company’s earnings potential. The company has sold undeveloped, non-income producing land. Last year sales dropped from £570,000 to £143,000. Disposal of vacant land, in fact, one of the keys to the future, represents as it does almost 18% of the total property portfolio. Even developed properties, on average, are showing a gross return of only 9%. However, interest charges, but after taking into account non-monicom profit-making assets, the gross return on capital employed is only 7.6.

This is about 3.5 percentage points less than the group’s average cost of borrowings, and to eliminate the negative gearing on the existing portfolio, gross profits would have to increase to over £12m, or half as much again as the £18m earned last year. By way of contrast, if the non-monicom area of the portfolio is excluded and assuming a conservative reduction in total capital employed, the increase in gross profits necessary to overcome the gearing problem would be only £11m.

It is probable, however, that instead of

remaining capital employed, funds released through property sales would be used in the refurbishing of some of the group’s older properties, particularly in the department store, which includes £9m. This would not only increase the rental potential but would also involve some capital expenditure. However, management is confident that, with the current levels of rental returns, the group will be able to increase its cash holdings by £16m to £36m despite its liberal dividend policy and the internal financing of a £10m purchase of an apartment block in Brando. Since the company has no debt and has bought another block at 90% of the market price from Sappho for £15m.

The Finance Act 1968 will bring further changes in the taxation of property, which is an inevitable under present market conditions. The price is however, limited by the fall in interest rates, and management has indicated its willingness to sell at the yield price.

The interest rate falls to a point where the money is increased, it will not increase and it (IE) is in the future. Keynes said that in the interest rate, there is an investment of GNP.
Midwits doubles final

Midwits, which investment portfolio includes Phelps, Puff add, Durama and Rands, has raised its final dividend to 35c from 25c, which lifts the year's total by 40% to 125c from 90c in the prior year's total of 90c.

Mining's profit climbed by 32% to £13.4 million in the year to June from £10.3 million.

The top company, Anglo-American Consolidated, achieved a record basic profit advance of 24% to £27 million equal to 65c a share, compared with 51c a share earned last year.

The final dividend on the ordinary and preference shares has been increased to 12½c from 10c, raising the total to £18.3 to 28c from 18½c. The dividend is in line with market expectations.

Anglo-American's profits have more than doubled over the past two years.

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

The final dividend of the company's participating preference shares has been lifted by 30c to 25c, bringing the total to 12½c from 9½c.

Anglo-American's final dividend has been increased by 8c to 12½c, giving a 30% increase in the year's total at 22c compared with 14½c paid last year. Estimated taxed profit was £22.7 million higher at £33.4 million.

Anglo-American's dividend has been increased by 6c to 25c from 24c on a 44% rise in taxed profit to £31 million from £21.7 million. The dividend is better than expected estimates having put distributions at 20c.
SANLAM FM 6/6/80 53

Bayside bargain?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Tough measures, and they'll probably help. But if the board thinks it can fully control the industry at a time when there are thousands 'passing through' it's surely in for a disappointment."
way. Well points out that rentals may have risen considerably over the last year, but the higher rates usually apply to only a small portion of the buildings. Hopefully, that will adjust as time goes on, but it's just another indication of the folly of tying up long leases at low escalations in the recession.

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

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

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

BUILDING MANAGERS

Cost-squeezed

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

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

The management game operates on a high break-even anyway, so he has a point when he says that the 2.5% of collection is too low. Elsewhere in the country, the figure is 5% to 8%. That's what it costs most institutions, for example, to do the work for themselves.

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

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

Many others are being caught the same

Isaacs' Well... the managers need more

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

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

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

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

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

Notes sent into circulation at the end of last month for wage and salary payments are now returning and the market is flush with cash, which is putting some downward pressure on short-term rates. The discount house call rate was lowered by 10 points on Tuesday to 4.56%, its mid-May level, but the official rate for 90-day acceptances is still holding up at 5.20%. Most demand is focused on September BAs and on the Reserve Bank’s tax Treasury Bill, which is said to carry a rate of 4.80%.

The secondary capital market, by contrast, remains extremely quiet, and the rising rate pattern reflects continued investor disinterest. Depending on the coupon, long-dated RSA’s are currently trading between 9.50% and 9.60%, and long-dated Escoms between 9.95% and 10%.

The Escom rate has risen 20 points in the last fortnight and the RSA rate by about half that. Dealers report that the Public Debt Commissioners have recently bought around R30m worth of RSA stocks, which has kept the rate from hardening too severely. So far the PDC has concentrated solely on giltts, but experts say it could perform the same stabilising service for Escoms if the rate moves towards the 10.10% level.

Imminent softening?

There is a school of thought that believes we are witnessing a phenomenon similar to last year, when rates moved up in an artificially thin market until Escoms were at 10.10%, at which point the large institutional investors came back as buyers and rates eased again. Institutional cash flow imperatives, the build-up of premium and investment income, will not permit them to stay out of the market much longer, it is argued. And they cannot afford to invest in low-yielding short-term paper indefinitely. This factor and the underlying liquidity in the economy point to an imminent softening of rates, by as much as 20 points.

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

This is the month of the municipalities
The most noticeable trend among the big five commercial banks is that cheque deposits have continued to grow at a much faster rate than total deposits. According to experts, with call rates at about 2.5%, and other interest rates at low levels, depositors have had little incentive to move money into interest-bearing deposits. Inflationary expectations, the psychology of spending before prices rise further, are another likely factor.

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

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

But until overdraft demand picks up and liquidity tightens, the banks themselves see no point in paying up to 6.5% on 12-month NCDs, when they cannot profitably deploy the extra funds obtained in the short term.

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

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

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

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

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

As the tables show, banks involved in hire purchase and leasing saw yet again a dramatic rise in this type of lending. Installment credit demand from individuals continued its remarkable growth, but banks report that loan demand from the
News of Stillfontein's strike and the way it was settled sent shivers down the spines of foreign investors who were already prepared to write SA off in the wake of Sasol and unrest throughout the country. As one London broker put it: “I'm getting right out of gold shares and into bullion.”

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

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

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

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

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

Foreign unease was reflected in the sudden dip in the financial rand after Sasol. After trading fairly steadily for most of the week, the Rand fell sharply to 91c on Wednesday as overseas selling built up.

Following gold upwards, free market platinum closed at $610/oz on Wednesday compared to $557 the previous week. Consequently, Impala moved up from 690c to 690c.

The local interest rate picture is hazy. Although the TB rate moved up slightly last Friday from 4.64% to 4.66%, the rate of climb has slowed and dealers point out that, contrary to earlier expectations, there was no shortage of cash at the month end. Liquidity remains high and the indications are that interest rates at the short end of the market must be bearish.

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

With fears of unrest peaking on June 16, industrials have been affected by nervousness. Not surprisingly, Sasol fell from 390c to 380c.

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

Jim Jones
Horwood promises action on insurance

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

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

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

Apart from the adverse effect this has on our balance of payments, the practice is not in the best interests of South Africa. By exporting these reinsurance premiums the training of manpower, job opportunities, investible funds for development, profits and taxation profits were also exported.

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

Regarding the problem of rate wars, he gave the assurance that he had no intention to criticise free competition. "However, when competition reaches fever pitch to the point that business is written on unsound terms, even possibly threatening the solvency of insurers, or generally retards the sound development of a self-sufficient industry growing in harmony with the rest of the economy, then there is good reason for disquiet."

He said the answer perhaps lay in higher solvency margins which would not only introduce a measure of stability but bring the industry more into line with international practice. His department was also looking into this aspect. — Sapa.
Miserly Volkskas profit jumps 33%"}

By DAVID CARTE

Deputy Financial Editor

AFTER an eventful year, in which it acquired large chunks of Metkor and Legal & General Assurance, Volkskas Group has announced a 33.4% increase in taxed profit to R39 383 000 and a 22% rise in group assets to R3 758 000 000 to the end of March.

Earnings a share gained 31% to 134.3c (1979:102.5c), but ahead of the rights issue of 6 500 000 new shares at 470c after the yearend, dividend cover was stepped up to 4.5, with the result that the dividend rose only 15% to 30c (28c).

The bank contributed R15 600 000, or about half of taxed profit, and after an astonishing turnaround, Bonuskor weighed in with an attributable R5 100 000 (R1 280 000). Bonuskor’s Honda motorcycle agency, Midmacor, and its timber interests performed exceptionally. The riddance of the bank’s bankrupt Vesting was also a boon.

The balance of taxed profit came mainly from Transvaalse Suikerkorporasie, Volkskas Merchant and Industrial Bank, Transvaal Malleable Foundries, Mercedes manufacturers, United Car & Diesel, and Volkskas “investments” in Metkor and Legal & General.

The profits of Transvaalse Suikerkorporasie are not disclosed, but are believed to exceed last year’s contribution of R5 500 000. Volkskas Merchant Bank contributed an attributable R1 200 000 and the industrial bank R1 300 000. All other operations traded profitably during the year, although UCDD’s profits were inhibited by the fuel crunch of last June. The subsequent recovery of Mercedes sales is not reflected in these results because of UCDD’s early year-end.

The declared profits are after substantial transfers to hidden reserves. They reflect a return of 15% on group shareholders’ funds of R19 100 000 at the year-end.

Stated returns in the bank represented a return of only 12% on shareholders’ funds of R129 500 000. A bank spokes-

man says falling interest rates were a problem, with the bank exposed on some hefty fixed interest lending, although much lost ground was recouped in the money market.

The 6 461 024 shares created by the rights issue brought in R30 988 000. The additional capital will be used as and where needed. Merely to maintain earnings on the enlarged capital base, the group must increase taxed profits R8 600 000, or 28%. To maintain the 16% return on shareholders’ funds, equity earnings must be raised R4 800 000. A constant dividend will cost R1 400 000 more next year.

The disclosure provisions of the Banks Act leave all banks with much discretion in the declaration of profits and ahead of a rights issue there was good reason for Volkskas to state things conservatively.

Metkor and Legal & General Volkskas are not consolidated or equity accounted, so, remembering provisions tacked away in reserves in all the banking subsidiaries, earnings are, if not understated, of exceptional quality and dividend cover seems absurdly conservative, even in the wake of the rights issue.

At 610c, Volkskas yields 4.9%, which is much in line with the other Big Five banks. Its PE of 4.9 is way out of line though, and on the face of it, makes it look cheap against the average of 8.6 for the Big Three.

But the sort of conservatism demonstrated by these figures lends credence to the view that Volkskas is not motivated solely by financial considerations and concern for shareholders. Power, patriotism and “the people” come first. So, while the dividend yield may stay in line with the other banks, these earnings will not get due recognition on the market until Volkskas is a bit more generous — with paycuts and with information.
Old Mutual has over 40% of Tiger

BY DAVID CARPE

WITH some heavy buying last week, Old Mutual - South Africa's biggest stock-market investor - has built up its stake in Tiger Oats to 'more than 40 percent'.

The word is that Mutual bought between 1,500,000 and 2 m Tiger shares at 1,750c for most of last week out of a sense of 'moral duty'.

It did this instead of extending an offer of 1,750c to all minorities, following its purchase of shares off the market at this price while Tiger was suspended after a bid by Mr Natco Kirsh for control of Tiger.

At the time of Mr Kirsh's first offer to the Mutual for control of Tiger Oats, the Mutual had about 31 percent of Tiger, by far the largest single stake. The Mutual's response to the bid was to suspend the share and then to buy shares off the market from Lamberts Bay and other Tiger associates, increasing its stake to 39 percent. For these shares, Old Mutual paid 1,750c compared with the pre-suspension price of 1,900c.

After the relisting, trading in Tiger Oats was extremely heavy at 1,750c and higher. More than 1,500,000 shares traded last week.

Old Mutual now admits having been a heavy buyer since the relisting of the share and says its stake now 'exceeds 35 percent'. Old Mutual has apparently stopped buying and its share price has dropped back.

Some critics are not satisfied with the Mutual's gesture. They believe there should have been an announcement and that the offer should have stood for at least two weeks.

Market observers in Johannesburg speculate that the Mutual was mandated with stock while it was buying and that its holdings could exceed 50 percent.

Mr Kirsh is not entirely a loser. Before his bid, he is believed to have built up a significant stake in Tiger. Rumour has it that he sold this to Old Mutual at a healthy profit.

Rand firms

JOHANNESBURG - The rand closed firmer at 1.2335/49 compared with the previous 1.2350/60 close and the 1.2355/60 opening in a fairly quiet last-week trading.

Dealers noted a couple of export orders in spot trading but overall activity was subdued with operators maintaining long rand, short dollar positions over the weekend. Forward trading was negligible.

The Reserve bank's indicated rand-dollar spot rate rose 11 points at the opening to 1.2356/59 and thereafter held steady, while forward discount rates were adjusted an 0,25 pet. above the board.

Other closing rates were: Str: 161,595/595, 1 DMkt 2,400/00, 1FR 2,920/30, 1 Yen 282,40/60.

- Reuters
Hurt Some SA Exports

THE ORDER COMMERCIAL RAND TEL (F.I.N.)
(85) 81/80 35

By Jack Brackhill
BMW seeking big money

BMW is raising finance locally to help fund a R52-million expansion programme. Negotiations with banks for loan capital indicate an unprecedented loosening of the reins by the Pretoria motormaker's West German parent company.

Managing director, Eberhard von Koerber, tells me the cash will be used immediately to increase manufacturing capacity as the Rosslyn plant gears up for a worldwide export drive.

He adds that another 200 workers will be added to the present 1,500-strong payroll in an attempt to satisfy snowballing local and overseas demand for BMW's up-market range of luxury models.

BophutaTswana's President Lucas Matige, is also being told this weekend that his country will not be getting a car factory.

After months of low-key talks, aimed at getting BMW to set up the extra capacity plant inside the neighbouring state's border, the company has decided on a 4-ha site adjoining its present factory.

"It is simply a matter of timing," says Dr Von Koerber. "We need the extra output quickly and could not talk any longer."

Most of the R52-million is coming from West Germany and the local company's revenue over the next three years.

Dr Von Koerber declines to say how much local banks will be putting up.

"Finacial Rand discounts were among the things that influenced us into going ahead with this expansion," he adds.

"BMW is big enough to finance the project itself but, as I have said before, we are quite open to the idea of local money and local participation."

Dr Von Koerber adds that BMW has considered selling off part of its 100% holding but stresses that there are no such negotiations nor likely deals in the offing.

"We talk about these things, just as Siemens and Mercedes have local participation, and remain open to ideas. That's all," he adds.

BMW sales of 1,200 units in the January-May period were 20% up on the first five months of last year.

Dr Von Koerber says present Rosslyn plant production of 600 vehicles a month is 20% short of order demand.

He adds that BMWs "by the hundred" are being shipped monthly to Argentina, despite Buenos Aires showroom price tags starting at around R25,000.

The company is also exporting to several European countries and assessing southern hemisphere markets from Latin America to Indonesia.
Govt whisk through

Finance Bill

HOUSE OF ASSEMBLY — The Limitation and Disclosure of Finance Charges Amendment Bill was extremely complex legislation of great importance to both consumers and financial institutions, but did justice to neither group in its present form, Mr Harry Schwarz (PPF Yeoville) said yesterday.

Mr Schwarz, chief Opposition spokesman on finance, proposed that the Bill be referred to a Select Committee with the power to hear representations and make amendments.

"This is a classic case for a committee, and it was referred to one, right at the end of the session," Mr Schwarz said.

The committee's report said that owing to the limited time it had not been able to complete its task.

Prestigious organisations such as the Association of Law Societies, Assocom and banking associations had submitted written memoranda. Some had pointed to the great complexity of the provisions and had asked to make oral submissions.

Because of a desire on the part of NP members to end the session on June 13, those interested parties had been asked to submit further written representations by June 6.

"But the committee was dissolved on the Thursday. A proposal that the committee should continue sitting was voted down and it was resolved a decision should be taken later. Then the committee suddenly dissolved."

"The committee did not do the job for which it was appointed. There is some magic about why this House does not want to sit after the 13th of the month."

"We are making a farce of Parliamentary procedure."

Mr Schwarz said the legislation was therefore not being passed in as good a form as it could have been.

"This measure must go back to the committee and it must do its job. The measure is highly technical, involved and complicated and consumers will not understand it."

"If Parliament is to do its duty it will not go home on June 13 but will present people with the kind of good legislation to which they are entitled."

Mr Schwarz said the Bill's provisions did not provide enough protection for those who really needed it, and provided too much for those who did not need it.

Mr George Burtlett (NRP Amanzimtoti) supported Mr Schwarz's suggestion that the Bill be referred to a Select Committee.

The Deputy Minister of Finance, Mr Pleetie du Plessis, said the Government could not permit exploitation of people who needed protection.

"If we want to promote the private enterprise and free market system among the other peoples, we must protect the system against those individuals who try to exploit it in such a way as to bring it into discredit," he said in reply to the debate.

"The provisions will afford debtors reasonable protection and will allow credit grantees to carry out their business in an orderly manner at finance charge rates which are market-related," Mr Du Plessis said.

The Government was not, as alleged by the Opposition, acting against the free market system.

By the imposition of a maximum limit on finance charge rates it was simply granting protection where it was necessary. Where a maximum limit might have been against the free market mechanism, the maximum limit meant market forces and competition would determine the level of the rates, but keep them within reasonable bounds.

Referring to the Opposition charges that there had been inadequate discussion and consultation, the Deputy Minister admitted the Bill was complicated and technical, but said he did not know of a measure concerning which there had been more consultation with interested organisations.

He would be open to attempts to improve provisions in the Committee Stage.

The Bill was read a second time after a division, with the PPF and NRP voting against, and the SAP voting with the Government.

FOOTNOTE: The Bill provides for a maximum finance charge limit on credit transactions for moveable property with a value up to R180,000, and includes within its ambit, for the first time, credit transactions in the form of leasing and credit card agreements.
Sharp drop in tyre profits

PROFITS from tyres dropped sharply but industrial rubber sales to the mining industry more than offset the fall, reports General Tire's chairman, Mr H Khoza.

Tire contributed 47 percent of profit in the 14 months to December against 43 percent in 1973. While 63 percent came from industrial rubber sales in 1974, 47 percent is expected in 1975.

Total sales of R100.5 million were 27 percent above 1973 levels but 1.3 percent lower than profit improved to only 1.3 percent from R7.0 million.

NOTE CA

1. Enter of the quest

2. Blue answerable

3. Nam

(e.g. graph paper) where sheets additional to examination book(s) are used.

4. Do not write in the left hand margin.

ANY DISHONESTY WILL RENDER THE CANDIDATE LIABLE TO DISQUALIFICATION AND TO POSSIBLE EXCLUSION FROM THE UNIVERSITY

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered); leave columns (2) and (3) blank.

<table>
<thead>
<tr>
<th></th>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>50</td>
</tr>
</tbody>
</table>

Examiners' initials

NG

books, notes, pieces of paper or other materials may be brought into the examination rooms. All candidates are so instructed.

Candidates are not to communicate with other candidates or with any person except the invigilator in part of an answer book to be torn out. Answer books must be handed to the invigilator before leaving the examination.
PRETORIA. — A R52-million investment programme was announced by BMW South Africa this week.

The managing director, Dr E. von Koerber, said in Pretoria the BMW Plant at Rosslyn, would be extended to create the capacity and the infrastructure to cope with the growth in the demand for BMW cars locally and abroad.

The programme can eventually also lead to the creation of 800 additional employment opportunities, mostly for blacks.

This announcement follows on the decision by BMW AG of West Germany in February this year to substantially increase its investment in South Africa.

The attractiveness of the financial rand, and Government's recently announced export incentives, have provided an additional stimulus.

"We believe exports will play an increasingly important role in our local operations as soon as the required additional production capacity has been created," Dr von Koerber said. — Sapa
Du Plessis defends Finance Bill

"The Assembly. — The Deputy Minister of Finance, Mr. Pietie du Plessis, yesterday defended a Bill aimed at limiting the maximum credit that can be granted to the public.

Replying to the Third Reading Debate on the Limitation and Disclosure of Finance Charges Amendment Bill, he said its chief aim was to protect the public.

"The purpose of the Bill is to protect the public, but at the same time to allow sufficient room for the effective operation of the free market system," he said.

It provided for a maximum finance charge limit on credit transactions for moveable property with a value up to R100 000, and would ensure the orderly handling of financial transactions of this kind.

He rejected Opposition allegations that the Select Committee appointed to study the Bill had not had sufficient time to complete its work.

"I wish to make it very clear and to state categorically that I do not know of any other legislation where more opportunity has been given to interested persons to give evidence."

The Government wished to protect the public and he was, therefore, not prepared to delay the legislation any longer.

It determined the maximum finance charges that could be asked and would prevent exploitation of debtors.

The PFP's chief spokesman on finance, Mr Harry Schwarz, opposing the legislation, said the Bill did not afford enough protection to the ordinary man-in-the-street from unscrupulous people.

The legislation was so complicated that lawyers themselves had difficulty in coming to grips with it.

"We regret that it has been presented in this way. We feel it should have been made more simple so that the public could understand it."

Although the Minister had accepted about 16 amendments, the Bill nevertheless emerged from the Committee Stage in an imperfect state, Mr. Schwarz said.

The Bill was read a third time. — Sapa.
Blunderbuss credit curb
Bill passed

BY HAROLD FRIDJHON
PARLIAMENT has passed in a
rush the third reading of the
Limitation and Disclosure of
Finance Charges Amendment
Bill, a complicated piece of
legislation which will have far-
reaching implications not only
in the business world but will
also affect closely the man-in
the street.

While the purpose of the
measure, according to the Deput
Minister of Finance, Mr Pietie du Plessis, is to protect
the consumer and the small
businessmen, the sledgehammer-to-crack-a-nail approach
will result in many normal big
business transactions being
constrained by its scope.

The Act applies to credit,
money-lending and leasing
transactions under R100 000. It
also applies to installment sales
agreements, including credit
card transactions, home
improvement loans, as well as
mortgage transactions.

One of the big differences
between the amending Act and
the principal Act is that
previously restrictions applied in
credit transactions in which the
buyer was a natural person.
Now companies have been
brought under its wing.

The Limitations and Disclo-
sure measure has to be taken
along with the Credit Agree-
ments Act which the House of
Assembly passed recently. The
reason why there are two laws
to regulate what really are sin-
gle transactions is that the
Credit Agreements Act controls
centralized obligations and
falls under the Minister of Indus-
try, Commerce and Consum-
er Affairs.

The other Act, known popu-
larly as Ladocha, is mainly con-
cerned about financial charges
and falls under the Minister of
Finance and through him under
the Registrar of Financial In-
nstitutions.

The new Ladocha fixes the
maximum rates for debts in
excess of R1 000 at 12%, for
credit transactions at 18.25%,
and for leasing transactions at
a rate to be determined by the
Minister from time to time.

Brokers must in future re-
cieve their commissions from
the lender and not from the
borrower, but attorneys and ac-
countants are permitted to re-
cover their commissions from
the borrower.

The area of the legislation
which will cause the biggest
collision and will in many
cases lead to litigation is where
a money-lending agreement is
terminated ahead of due date.
The procedures are cumbersome and complicated and, as
an authority said last night,
they will baffle the little man
who will probably in despair
turn to the loan sharks instead
d of dealing with the reputable
institutions.

Termination of loan agree-
ments is at present standard
procedure in many lending
transactions. When interest
rates fall, as they have in the
past year or more, business-
men organise themselves out of
either-priced leases and hire-pur-
chase deals to take advantage
of a lower interest rate struc-
ture.

In future the unravelling of
knots might be so intricate that
lawyers will be brought in for what
was a simple and standard pro-
cedure.

What has seriously disturbed
the business and banking com-
unity, as well as the legal
profession, is that the Ladocha
legislation was sent to a Select
Committee in the third last
week of the session. Evidence
was called for from the two
bank associations, Assonam
and the Law Society. But be-
fore the evidence could be stud-
ed, the Select Committee de-
deided to proceed with the Bill
in virtually an unchallenged form.

Although the Minister ac-
tcepted 16 amendments, none of
these really changed those
parts of the Bill against which
objections were raised.

The Government has been
implacable in its resistance to
any changes in both the Credit
Agreement Act and the Limita-
tions and Disclosure Act, and a
source of deep concern to fi-
nancial circles is that in sensi-
tive areas power is delegated
to the Minister who make
changes by regulation.

Mr Harry Schwartz, MP,
who was a member of the Se-
lect Committee where he and
the other Opposition members
opposed the rushing through of
the legislation without hearing
more evidence, said last night
that while he was conscious of
the need to protect consumers,
the Ladocha measure was a
clear example of overkill.
M&R confirms Tollgate bid

Deputy Financial Editor

AS BUSINESS Mail foretold on June 3, Murray & Roberts is the bidder for Tollgate Holdings, the large Cape-based transport, insurance and property group.

M&R's executive chairman, Mr Des Baker, confirms that "complicated" negotiations are in progress and will say no more, not even when an outcome is likely.

Sources close to the deal say the negotiations have been going on for a fortnight and may go on for up to three months.

This suggests the proposals may involve stripping out certain assets not compatible with M&R's industrial nature.

Shield Insurance, a highly esoteric business which the controlling families operate and may like to retain, seems a likely exclusion. Because of its "different" nature, Shield has never been consolidated, even though Tollgate owns all of it. Insurance assets are not easy to value and this could be one complication in the deal.

Before suspension, Tollgate, at 490c, was capitalised at R47 300 000, compared to M&R's current capitalisation, at 590c, of R56 600 000.

So, in terms of value, the prospective deal is certainly "material" to M&R. The fact that M&R has not been suspended suggests that the price to be paid will be a full one, having no material effect on earnings or net assets a share.

Tollgate's pre-tax profit, excluding Shield, in the year to the end of June 1979 was R16 500 000 and earnings were R10 184 000. Earnings a share were 91.6c and the dividend a 4.6 times covered 30c. Net asset value was 490c.

At the interim, earnings were 3% ahead at 96.1c and the dividend was pegged at 10c because of capital expenditure of R10 800 000 ahead of the group. Net assets rose 17c following the sale at a capital profit of R3-million of Athlone Trust's quoted shares.

Assuming constant earnings and dividends, by the end of the year there will be another 70c odd of retained earnings in Tollgate, suggesting a net asset value by June of about 525c. This and the low PE of 4.7 represented by the pre-suspension price of 430c suggest that an offer for all of Tollgate except Shield will have to be a big premium on 430c.

Sources in the bus transport industry say that if Murray & Roberts does not clinch the deal there would be at least one other suitor for Tollgate. Hungry Amic is also a large bus operator.
Standard links with Visa

By SIMON WILLSON

STANDARD Bank has joined the Visa bank card association — and will invest in R2-million of American card-scanning hardware this year to cope with the extra workload.

The deal is seen as a sign of South Africa's steady credit, expansion, and a further pointer to the growing role of the booming economy for plastic cash.

Standard formally joined Visa on May 22, but the dual processing system and the single voucher which will accompany the combined card will not be operational until August.

The move entails no changes for existing Standard Card holders, but may lead to the introduction of another credit card later in the year.

"We joined Visa to give us the ability to process additional paper, and once we had established that the move was a success we went ahead with our new investment in scanning equipment," says Mr. Rannie Carter, general manager of Standard Bank Card.

The new equipment is based on a major innovation in data processing — Optical Character Recognition (OCR), which has now the rage in the United States.

The high costs of card printers which process vouchers by optical scanning means that high-volume retailers will get first 'crack' at Standard's new card.

But Mr. Carter expects that, as the rapidly growing base of South African cardholders increases, the service will be extended to lesser retailing outlets.
"It did not take me long to realize the business was wrong. Money was being taken from blacks and nothing given in return.

"This business is as good as the man in the chair. It is up to him to give members a fair check."

Consistent efforts were made to ensure the business was operated fairly. Members were encouraged to voice their concerns and suggestions to improve the system. The "black and white" system was reviewed and modified to ensure fairness in the distribution of funds. The "black and white" system was eventually phased out, and a more equitable approach was adopted to provide members with a fair share of the benefits.

"It was quite right," said Mr. Elder Beekley, who operated a small bank in the town of Precia. "It was a fair system that ensured no one was taken advantage of.

"This business is as good as the man in the chair. It is up to him to give members a fair check."

The society's leadership recognized the potential for exploitation and worked diligently to maintain integrity. They ensured that the benefits were distributed fairly among all members, regardless of their race or economic status. The "black and white" system was abandoned, and a more transparent system was implemented to ensure that all members received their just dues.

"I have been a member of the society for over 30 years," said Mr. Beekley. "I have seen many changes, but the principles of fairness and honesty have remained unchanged."

The society's efforts were recognized by the local community, and they were eventually awarded a "Certificate of Appreciation" for their contributions to the town's economic development. The "black and white" system was abandoned, and a more equitable system was implemented to ensure that all members received their just dues.
Blacks warned on and 28
Frankfurt listing
for Barlowts (£8)

Financial Reporter

BARLOWS, South Africa’s largest industrial company, will be
listed on the Frankfurt Stock Exchange on June 19.
It will be the third South African company to be listed in
Frankfurt. The others are Anglo American and Highveld Steel.

A consortium of banks led by Commerzbank, and including
Deutsche Bank, Dresdner Bank and BHF, is sponsoring the listing.

Frankfurt will be the seventh stock exchange on which Bar-
lowts will be listed. It is quoted

in Johannesburg, London, Par-

is, Brussels, Antwerp and Eto-

hout.

The executive chairman of
Barlowts, Mr A M Botha, says
there are two main reasons for
the listing:

As Barlowts is a large com-
pany with international opera-
tions it is appropriate that it
should be listed on the impor-
tant stock exchanges. In addition,
West Germany is one of the largest and most important
capital markets and the board
considers it important that
Barlowts should be known in
that market.
Indsel, Natsel higher

Deputy Financial Editor

INDUSTRIAL Selections and National Selections, the IDC's twin listed investment trusts, both reported sharply higher profits, earnings and dividends in the year to end-June.

Indsel pushed up pre-tax profits 72% to R5 920 000 (1979: R3 960 000), taxed profit 71% to R5 710 000 (R3 910 000), earnings per-share 37% to 96c (62c). The final dividend was lifted to 70c (30c), making a 55% better total for the year of 78c (46c).

Natsel holstered pre-tax profit 88% to R6 550 000 (R3 590 000), taxed profit 94% to R6 460 000 (R3 520 000) and earnings a share 60% to 112,6c (67c). The final dividend was raised to 55c (32c) making a total of 85c (56c) for the year, a 78% improvement.

On the new dividends both Indsel and Natsel yield 8%.
Hillsam rights
320c 12/6/80

By ELIZABETH ROUSE
THE HILL Samuel Group's rights offer is larger than previously announced at R2 800 000, compared with the expected R2 500 000, and the terms are attractive.
Basis of the offer is 15-for-100 at a price of 320c. Current market price is around 365c.
Hillsam is cautious about making an earnings forecast on the increased share capital, but predicts that the dividend total should not be less than 27,5c for the year to March 1981.
As the rights issue funds are being used to expand Hillsam's banking and financial services in a favourable economic climate, distribution could well be more on the increased capital.
Hill Samuel (SA), the wholly owned merchant banking subsidiary of Hill Samuel Group (SA), recently completed a private placement of R4-million redeemable preference shares which expanded the group's capital base.
Hill Samuel & Company of the UK has arranged for two of its subsidiaries to subscribe for 71,49%, or 625 824 of the 875 000 shares being offered. The remaining 249 176 shares will be underwritten.
The new shares will not be entitled to the 16,5c final dividend payable on July 31, 1980.
More hassles

The Select Parliamentary Committee charged last week with inquiry into and reporting on the Limitation and Disclosure of Finance Charges Act (known simply as the Limitations Act) must have had one of the shortest sittings in the House's history. And it is certainly going to make history.

After requesting on June 2 all persons and institutions wishing to make representations on the bill to submit their views in writing to the Committee before Friday, June 6, the committee's hearings were abruptly terminated.

Not surprisingly, private sector bankers are none too happy with the bulldozer tactics — giving them only four clear days to reply to a complex matter — employed by government in forcing through the bill.

The Association of General Banks and Finance Houses, the private sector body which co-ordinates the activities of those institutions involved in leasing and hire
purchase, has grudgingly adopted an official line of support for legislation to protect the man-in-the-street but only in so far as goods and services for household and personal purposes are concerned.

Bankers generally hold the view that mere credit agreements which fall outside this broadly defined category should be regulated by free market forces. In fact one "is entirely unnecessary to protect the broad spectrum of the consumer commitment."

The legislation now before parliament traces its origins back to the early Seventies when the Registrar of Financial Insti-

tutions lost an action against Wesham over its credit card charges. Eventually this led to the appointment of an inter-departmental committee headed by Dr. Ernest Pemser, whose proposals reported in 1977 subsequently led to the setting up of the Consumer Credit Act, which came into effect in 1979. Since then, the Consumer Credit Protection Act, 1982, has been enacted. The Act provides that a bank must now give 30 days notice instead of the previous ten of its intent to repudiate the contract in order to ensure that the consumer is given a reasonable opportunity to agree to the terms of the contract.

The early settlement provisions contained in the amendments are another welcome feature for the banks that could lose them at a cost disadvantage and entail a reworking of their expensive computer programs. Under previous regulations, if a credit balance existed at the time of repudiation, the bank was entitled to charge the consumer the full balance of interest for the full year. Thus, new regulations enable them to recover only a third of the costs incurred in obtaining the business and the finance for the dealing in the first place.

Now banks are required to recalculate the effective rate of interest from the date the deal was written until the date of repudiation. Banks, therefore, stand to lose out on their finance charges since they pay motor dealers for their commitments at the beginning of the contract. These charges are spread out over the entire duration of the contract, enabling banks to earn a constant yield over the life of the loan. Revenue earned during the first few months of the contract could now swell the bank's profits and reduce the need to recalculate the deal with another bank at a lower rate. In this way, the whole industry will be choosing itself round in circles.

Bankers are equally insistent that any attempt to control lending rates will eventually be rendered ineffective. There are always loopholes. The amendment reduces existing money lending rates from 24% to 18%, on amounts under £1000, from £1000 to £3000, between £3000 and £5000, and from £5000 to £10,000. By setting limits that some industry experts, business will be stimulated at the lower end of the market including business among many blacks and coloureds. And, if banks could simply push up the retail prices to get round the lower rates. But the question is, what happens when interest rates begin to rise again? Among the other provisions in the new measures, a bank must now give 30 days notice of its intention to repudiate the contract in order to ensure that the consumer is given a reasonable opportunity to agree to the terms of the contract.
INSTITUTIONAL POWER

Use and abuse

The country’s top three life insurers — Old Mutual, Sanlam and Liberty Life — control assets exceeding R5,5 billion; their income, every working day, is more than R1 billion. These assets, and that income, must be invested for the benefit of policyholders (and shareholders as well, in Liberty’s case).

Inevitably, where one is dealing with money of this magnitude, conflicts must arise. The growing power of the big institutions is a matter that evokes concern throughout the Western world. Yet it is not necessarily — by any means — a bad thing. Recent events — the Kirsh/Tiger Oats/Old Mutual situation — have made this massive money power a matter of debate in SA — and the questions posed on these pages, and the answers thereto by Old Mutual, and the comments on them by Sanlam’s Dr Fred du Plessis, shed interesting light on some of the knotty problems that exist.

But first, let’s have a closer look at these faceless giants. Old Mutual, with assets of R2,5 billion, is, as its very name demonstrates, a mutual society. That is, it has no shareholders; it is “owned” by its literally, thousands of policyholders. Its management is largely self-perpetuating, and it owns very large chunks of SA.

Sanlam, with about R2 billion of assets, is a similar animal — with the important difference that it is, and always has been, a major weapon in the Afrikaner’s rise to economic parity in South Africa.

And in this it has been eminently successful.

The difference with Liberty Life (just over R1 billion) is that it is owned, and theoretically controlled, by its shareholders. But since effective control is wielded by one man — founder and master-mind Donald Gordon — the difference in practice is negligible.

The giants (the next 17 SA life companies, incidentally, control a mere R3,5 billion of assets) and the power that is theirs for good or for ill, are effectively controlled by a handful of immensely powerful men.

This, as Sanlam’s Du Plessis argues well, need not be a bad thing. And Old Mutual’s joint managing directors, Frans Davin and Dick Lloyd, put up a reasonable case for their intervention (together with their chairman, Jan van der Hoest) in the Tiger/Kirsh affair.

Nevertheless, and despite the validity of much of the argument, two major issues arise from this matter. They are:

- JSE suspension procedures, and their possible abuse; and
- The responsibilities to minority shareholders in a bid situation.

Suspension, in recent years, has become an increasingly controversial issue. It’s interesting to recall that, up to only eight years ago, suspension was an act of last resort; it meant that the company concerned was about to go bust.

Incidentally, the first use of suspension in the current idiom — because of events that might have major impact on a share price — was at the instance of the present Editor of the FM who advised Gordon at Liberty Life when it bid, in 1972, for Manufacturers Life. The concept originated on the New York Stock Exchange.

The FM put the following questions to Old Mutual. The replies are from the joint managing directors.

FM: In view of the controversy over the role played by the Old Mutual in the Tiger Oats/Kirsh situation would you please comment on...?

OM: We believe that this controversy is more apparent than real.

FM:... The use of the JSE suspension procedure in a situation of this sort.

Suspension of Tiger. ICS and Common Fund was requested solely because Old Mutual had every intention of restructuring its interests in the food and related industries and much discussion and work were directed to this end. The result however was that no way could be found to give benefits to all parties, including minorities, in equivalent measure, hence no major restructuring could take place.

The desirability, or otherwise, of any involved party buying shares of another, off the market, during suspension.

The only “undesirable” situation would be where some shareholders were totally excluded from any participation. We were very conscious of our responsibility in this regard and advised all major shareholders of our intentions and subsequently provided an opportunity for all shareholders to obtain a price of 1750c per share via the market.

The use of the financial strength of a big institution to block a potential bid for any company, by means other than making a counter-bid.

“Big institutions” your words) should and must watch their major investments and should be prepared and willing to take action to protect these investments when they believe this to be in the long-term interests of their policyholders and the companies’ shareholders.

The desirability of institutions forming major power bases in a particular sector of the economy — for example Sanlam in food (Fedfood) and mining

(General Mining), Liberty Life in finance (Fugit) and Old Mutual in food (Tiger and ICS).

There is nothing inherently desirable or undesirable in an institution, by virtue of its expanding investment base, building major holdings in certain sectors of the economy. It is the use that institutions make of such substantial holdings that should be examined and not the fact that they hold them.

The ethics of direct institutional involvement in the management and/or policies of companies in which investments are held.

It is the duty of institutional investors to look after their investments. Old Mutual has traditionally taken the attitude that in general practice it is not its intention to use major or other shareholdings to become involved in the management and/or policies of the companies concerned. Old Mutual sees its role as a significant investor in the widest sense to ensure that all investors obtain a fair return in respect of their investment.

The special responsibilities to the financial community as a whole of institutional executives to set high standards.

We concord that institutional executives have special responsibilities to set high standards in the execution of their tasks as investors.

Do you consider that the purchase, by Old Mutual, of Tiger shares, at a price below that of a potential bid was in the best interest of Tiger minorities?

The question is hypothetical in that there was no bid and a potential bid is not a bid. It is easy to talk of a possible bid. The difficult part is to present a formal bid which offers investment merit and makes sense to all parties. We do not believe you should confuse a potential or possible bid and a formal bid.

Is it desirable for the chief executive of an institution to sit on the board of a company in which the institution holds a major stake?

It is natural and desirable that the chief executive or one of the senior
The European arena

A senior FM staffer, recently returned from Europe, comments on eco-political trends.

The economic policies of Britain's Margaret Thatcher and France's Raymond Barre appear undeniably to hold out a great deal of hope for free enterprise in general and for exporters of raw materials, such as South Africa, in particular.

They certainly give the impression that these two flagging, albeit important, European economies could, after some temporary tribulation, swing sharply into a new era of revived and invigorating growth, inspired by a return to the profit motive.

But a closer examination of political realities, after the post-war decades of associating increasingly, but mistakenly, prosperity with government intervention and social welfare, suggests that they hold out no more than hope.

Experience has shown that time is essential for the success of monetarist policies, such as those being implemented in Britain and France. And for both leaders it is an ingredient in short supply.

It takes at least two years for monetary policies, generally speaking, to begin to show tangible results, depending on the degree to which previous governments were profligate and the degree to which administered prices are allowed to reflect supply and demand. Moreover, there is controversy among monetarists themselves over the precise nature of the controls they advocate.

Needless to say, there is widespread support among European businessmen for these policies. However, there is also widespread scepticism over whether their application (and the success they promise) will be politically possible.

First, the victory of both governments at the polls was much more a reaction to the disruption of frequent and demoralising strikes, constantly rising prices, unemployment and general economic stagnation than a direct endorsement of monetarism, with all that it entails.

These resolutions in Europe, a deep-seated suspicion of free markets, which are seen popularly — although incorrectly — as the cause of social and economic inequalities, rather than it being governments' failure to bust monopolists, preserve competition and restrict its role in the economy.

To both blue and white collar workers in Europe, the prosperity of the Sixties was achieved because of government interference in markets and rising government spending. They are far from convinced that rising inflation and unemployment now is the price being paid for that folly. Indeed, they want more of it.

Faced with having to accept that a reduction in government's role in the market place is probably politically impossible and with considerable market distortions — particularly in the labour and energy markets — many European economists see no other practical solution to inflation than direct price controls.

Moreover, there are some, influential among them, who claim that there is empirical evidence that the decline of Western economies began towards the end of the last century, long before social welfare became a reality. That decline, they argue, was interrupted and temporarily reversed by two world wars and has now been resumed once again.

They have no rational explanation for this slow but progressive economic malaise; they merely argue that it was not simply because of increasing centralisation and rising social welfare handouts. Others argue that evidence from a much longer period is needed before conclusions such as that can be justifiably reached. Equally, it can be argued that government interference in free markets began in earnest at roughly the same time and that economic decline was the inevitable result.

Wherever the truth may lie — and the FM believes it is in the latter — the hard political fact is that many voters in Britain and France cannot yet be counted upon as convinced supporters, with a fund of patience, of unrestrained free enterprise and monetarist policies. They are waiting to see what will happen.

Second, the European trade unions are implacably opposed to any policy that would even temporarily increase already severe unemployment in the hope of more jobs later. They demand from government an immediate commitment to full employment, what the Americans call the 'quick fix'.

They are unlikely to be persuaded to compromise in view of the declining trend in business activity in developed countries and because of redundancy fears as major technological innovations are introduced to counter the rising cost of labour.

There are already 5.5 million registered unemployed in the European Common Market, a further three million have dropped out of the labour force and, for demographic reasons, about one million new jobs will be required each year.

Apart from strong tendencies towards monopoly and cartelisation in their organisation, European trade unions are the most important private groups lobbying in favour of demand management. They are able, moreover, by using their muscle in wage negotiations, to cushion, if only temporarily, their members from the rising trend in prices.

Consequently, they fear unemployment to a much greater extent than rising prices.

Third, there is a growing tendency for large employers in Europe to avoid union confrontations. This is because of high fixed cost structures that are a continuing liability during a strike. Instead, when price rises cannot be passed on any longer to customers — or financed from relatively cheap capital markets — they lobby powerfully for government intervention and protection.

There are those who believe that this is a form of creeping socialism that poses one of the most serious threats to what remains of the free enterprise system.

Nevertheless, although the success of monetarist policies takes time, it does progressively become more manifest. So the FM is confident that Thatcher and Barre will not be entirely without supporting evidence soon.

Moreover, their monetarist policies are being implemented at a time when consensus politics is giving way to more radical stances on both left and right. They are, therefore, policies that are indicative of and appropriate to modes of contemporary political thought.

Nor are either Thatcher or Barre lacking in resolve. They are not going to give up easily. But time is short, particularly for Barre — a presidential election is only 12 months away. And time is of the essence if these societies are to avoid sinking into the collectivist morass which eventually smothers both economic growth and personal liberty.
That suspension lasted only a few days. And, ideally, suspensions should never be longer — and they should, almost invariably, involve bid and/or takeover situations. They should not, in the FM's view, embrace a situation in which an institution, however venerable and powerful, wishes to "restructure" certain interests and which then proceeds to trade in one of the suspended shares.

The JSE was also asked for its comments on the questions posed here but, understandably in view of the fact that one of its biggest customers was involved, this was not forthcoming. Nevertheless, one gets the impression that the JSE is concerned about the situation — particularly about the current view that suspension must automatically be granted if requested by a company — and it will be surprising if suspension procedures are not reviewed. They certainly need to be.

The bid aspects, and the position and protection of minorities, present even knottier problems. The London Stock Exchange, following the "raid" by which Anglo and De Beers gained control of Cons Gold, and the more recent Charter attack on Anderson Strathclyde, is considering a number of measures to ensure it is not merely the big battalions that get the gravy in bids.

In the US, the government watchdog, the Securities & Exchange Commission, has gone so far as to suggest that any party which solicits more than 10 investors to sell over 5% of a company's equity within a period of 45 days must make a similar offer, at least on a partial tender basis, to all shareholders. Such a cumbersome procedure would be decidedly unwelcome here.

A more practical procedure suggested in London is that a buyer in this type of situation should enter the market with the announced intention of buying a fixed number of shares at a set price. This, in effect, is what Old Mutual did when it claimed to have "subsequently provided an opportunity for all shareholders (in Tiger) to obtain a price of 1 750c per share via the market."

Sanlam's Dr Fred du Plessis offers the following views:

"As I see it your questions relate to two major issues. One is the procedure followed by the Old Mutual to prevent a possible take-over of Tiger Oats and the second is the issue of the relationships between investment companies and their associated companies.

I find it very difficult to comment on the first issue because I do not know all the relevant facts.

The second issue is very interesting, from both the practical and philosophical point of view. Let us first look at the possible effects on minority shareholders if an investment company holds a major stake of the equity of an operating company. Minority shareholders should derive a certain measure of comfort from the knowledge that the major investing house has the investment expertise and the money to intervene if anything goes seriously wrong with the operating company, even if it only means replacement of existing management with new management bought in the market place. It is of course true that minorities, if they are not happy with management, can opt out by selling their shares but by the time they may find out about the problems of the company only when it is too late to sell and in this case I believe that it could be a great comfort to them if they know that a highly respected major investor is also involved with the future of the company.

The major investor does not have much flexibility to make capital profits on its investment because it cannot disinvest from a particular company without disrupting the market completely. Its main aim must therefore be to derive the highest possible long-term income from its investment. To allow minority investors the freedom to get the best of both worlds by giving them long-term protection on the one hand but by having to stand back and allow them to take the short-term advantage of a takeover bid seems to me to be pushing it a bit too far.

Let us look next at the relationship between a major investor and the management of an operating associated company. The existence of a major shareholder in a particular company has certain advantages to the management of that company. First of all, management has a measure of protection against take-overs. One of the most frustrating situations for any management team to be in is to know that the moment you are performing well you may have to face a take-over with the new major shareholders having the ability to change your management philosophy and even to dismiss you or your team.

When things go wrong

I do not want to create the impression that a major investor should interfere with the day-to-day management of an associated company. All I want to say is that a major investor, because of his locked-in position, must have the ability to intervene if things start going wrong. By means of intervention, namely through a change in management, the major investor can protect his investment to some extent and it therefore goes without saying that a take-over bid which could lead to a replacement of existing management with new management not acceptable to the major shareholders, would call for action on the part of the major shareholders to try and prevent the take-over from taking place."

Financial Mail June 13 1980
There has been a sharp upturn in the demand for this type of cover, available only from SA Special Risks Insurance Association (SASRIA), the government-sponsored reinsurer, from May 30.

Until recently, business and industrial users appeared to regard the premium structure as too expensive in relation to their subjective perception of risk, a perception that has now unpleasantly been corrected by recent events. Short term insurers feel, however, that rates for this type of cover are still far too high, especially for the smaller industrial-
ier. Discounts recently allowed for larger
policies have alleviated the problem for
larger industrialists only.

Insurers complain, too, of the continued
lack of riot cover for consequential losses
other than rents; and especially losses of
profits.

Government's obduracy on the issue of
consequential loss is hard to fathom. By
accepting the formation of Sastha, the
government has, by implication, already
acknowledged the existence of a signifi-
cant level of political risk in doing busi-
ness locally. To permit insurance against
consequential loss is only a logical follow-
through of that admission, and would ac-
cord far better with the new free-market
philosophy than current reluctant atti-
dudes.

Any businessman knows that riot insur-
ance without cover for consequential loss
is only half a loaf. Please, will govern-
ment - as major reinsurer of Sastha-
make it financially possible for the insur-
ance industry to provide the very neces-
sary other half?
C.G. SMITH INVESTMENTS LIMITED


SECOND INTERIM REPORT TO SHAREHOLDERS FOR THE TWELVE MONTHS ENDED 31ST MARCH, 1980

CHANGE OF YEAR END
Barlow Rand Limited acquired control of C.G. Smith and Company Limited with effect from 1st January 1980 and is now the ultimate holding company of C.G. Smith Investments Limited. As a result it has become necessary to change the financial year end to 30th September. Accordingly, financial statements will be prepared for the 18 month period ending 30th September 1980. It is considered desirable, however, to advise shareholders by means of this second interim report of the financial affairs of the company at 31st March 1980.

RESULTS
The unaudited results for the group for the year ended 31st March 1980 are as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1979</td>
</tr>
<tr>
<td>Income before taxation</td>
<td>10,616</td>
</tr>
<tr>
<td>Less: Taxation</td>
<td>19,075</td>
</tr>
<tr>
<td>Income after taxation</td>
<td>10,541</td>
</tr>
<tr>
<td>Less: Interest outside shareholders</td>
<td></td>
</tr>
<tr>
<td>Net income attributable to shareholders</td>
<td>10,541</td>
</tr>
<tr>
<td>Shares in Issue</td>
<td>31,739,502</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>3.34c</td>
</tr>
<tr>
<td>Interim dividend paid 13/2/1980</td>
<td>6c</td>
</tr>
<tr>
<td>Second interim dividend payable 4/8/1980</td>
<td>3c</td>
</tr>
<tr>
<td>Final dividend paid 6/6/1979</td>
<td>27c</td>
</tr>
</tbody>
</table>

SUBSIDIARY AND ASSOCIATED COMPANIES

C.G. Smith Investments Limited is an investment holding company with investments in Romatex Limited, C.G. Smith Sugar Limited and S & T Investments (Pty) Limited which in turn holds 55.5% of Hulett Corporation Limited. The subsequently published results of these companies for the twelve months to 31st March 1980 are as follows:

<table>
<thead>
<tr>
<th>Romatex Limited</th>
<th>C.G. Smith Sugar Limited</th>
<th>Hulett Corporation Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective percentage of equity held</td>
<td>54.9%</td>
<td>31.0%</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>18,067</td>
<td>20,130</td>
</tr>
<tr>
<td>Percentage increase</td>
<td>13,191</td>
<td>14,065</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>79.9c</td>
<td>105.6c</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>35c</td>
<td>70c</td>
</tr>
<tr>
<td>Percentage increase in dividends</td>
<td>55.9%</td>
<td>21.4%</td>
</tr>
</tbody>
</table>

Consumer spending, particularly in the area of semi-durables, improved considerably during the six months ended 31st March 1980. Romatex Limited took advantage of this, and again reported improved turnover, profits and dividends. Capital expenditure amounting to R25,345 was incurred during the year in replacing plant, increasing capacity and in new acquisitions, the full impact of which will be felt in the future. Under current market conditions, indications are that earnings for the six months to 30th September 1980 will be higher than those for the corresponding period in 1979.

C.G. Smith Sugar Limited was able to increase sugar production and by curtailing cost increases was able to improve sugar profits. The company's non-sugar activities also added to the increase in profits. The severe drought, however, throughout the industry's cane supply areas persists and will have the effect of reducing the sugar industry's production well below that of the past year. Nevertheless indications of increased income from other sources could result in profits for 1980/81 which would enable the group to maintain its dividend. Despite the drought Hulett Corporation Limited reported increased earnings.

DIVIDEND POLICY

The second interim dividend of 22 cents, which is payable on 4th August 1980, has been declared on the same basis on which a final dividend would have been declared had the year end not been changed.

A final dividend taking into account the results for the 18 month period to 30th September 1980 will be paid in February 1981.

DIRECTORS

Mr. J.C. McCough, who was chairman of the company, retired at the end of March 1980. The board of directors would like to thank him for his considerable contribution to the affairs of this company over a long period and wish him well in his retirement.

Mr. W.A.M. Clewlow, an executive director of Barlow Rand Limited, joined the board on 1st April 1980 and was appointed chairman.

DECLARATION OF DIVIDEND NO. 15

Notice is hereby given that a second interim dividend No. 15 in respect of the 12 months ended 31st March 1980 of 22 cents per ordinary share has been declared payable on 4th August 1980 to shareholders registered in the books of the company at the close of business on 27th June 1980. The share transfer books and register of members of the company will be closed from 28th June 1980 to 13th July 1980, both days inclusive.

In terms of the Income Tax Act of 1982, as amended, non-resident shareholders' tax of 15% will be deducted from the dividend payable to shareholders whose addresses are outside the Republic of South Africa.

Ch. of the Board
W.A.M. Clewlow Chairman
W.M. Shorten Director
6th June 1980
Durban

Transfer Secretaries:
Natal Securities Trust (Pty) Limited
9th Floor, Nedbank Centre
Durban Club Place
DURBAN 4001.

Registered Office:
11th Floor, Eagle Building
369 West Street
DURBAN 4001

Member of the
Barlow Rand Group

Financial Mail June 13 1980
SUIDERLAND

Diversification pays

Activities: Investment holding company with interests in timber and fishing. Holds 35% of Kaap-Kunene and 7% of Diroyal.

Chairman: P G Neethling.

Capital structure: 22.8m ordinaries of 50c. Market capitalisation: R13.2m.

Financial: Year to December 31 1979.

Borrowings: long- and medium-term, R3.2m; net short-term, R363 000.

Debt/equity ratio: 30.7%. Current ratio: 1.1. Net cash flow: R1.3m. Capital commitments: R209 000.

Share market: Price: 58c (1979-80: high, 65c; low, 22c; trading volume last quarter, 797 000 shares). Yields: 13.6% on earnings; 8.0% on dividend. Cover: 2.3. PE ratio: 7.3.

<table>
<thead>
<tr>
<th>Year</th>
<th>'76</th>
<th>'77</th>
<th>'78</th>
<th>'79</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap %</td>
<td>24.9</td>
<td>18.8</td>
<td>14.2</td>
<td>15.3</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>8.4</td>
<td>9.9</td>
<td>11.3</td>
<td>12.7</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>2.0</td>
<td>1.7</td>
<td>1.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>28.1</td>
<td>23.6</td>
<td>18.8</td>
<td>23.0</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>6.9</td>
<td>6.5</td>
<td>5.8</td>
<td>7.9</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>0.35</td>
<td>0.38</td>
<td>0.40</td>
<td>0.58</td>
</tr>
</tbody>
</table>

At this stage of the game in the fishing industry, there is one ground rule worth following — diversification. To an extent, that is what Suiderland has done. Last year, timber's contribution to taxed income increased from 52.9% to 57.4%, while that of fishing eased from 38.9% to 37.7.

3.3. The timber division's R1.1m (R1.7m 1979) contribution was due, according to the board, to its quick response to the economic upswing which was partly aided by the recent programme of mechanisation in the mills.

While profit contributions from other interests are expected to be maintained to the current year, those from timber should show a further improvement.

Suiderland was hit by the downturn in the building industry a few years ago and was also hurt when the gold price dropped and demand for mining timber fell. Now, with an improving building sector and increased mining developments, timber demand is "tremendous," says chairman Piet Neethling.

Despite the possibly patchy future which faces fishing because of reported depletion of the S.W.A. Namibia resource associate company Kaap-Kunene has nevertheless managed to take attributable profits to R3.9m (R3.5m) and its dividend to R1.25c. Despite smaller fishing quotas, the board is optimistic that this division will continue to yield a satisfactory return.

The balance sheet is considerably more healthy, partly aided by the effects of a conservative dividend policy over the past few years. Borrowings have been reduced to R3.6m (R4.7m); the lease burden is down from an annual R130 000 to R90 000.

With net cash flow up from R97 000 to R3.4m and capital commitments at only R29 000 (R53 000), the group has few problems so far as cash is concerned.

Stocks have also been reduced from R1.3m to R953 000 and cash balances have risen from R29 000 to R192 000. Overdrafts have been almost done away with altogether R1.2m last year, and creditors were reduced from R1.6m to R1.5m.

Despite the healthy cash position the group has no specific plans to expand or diversify at the moment, says Neethling.

At the same time, he adds, trading since the year end has been at record levels and the group is confident of a "very good year".

After four years of an unchanged 3c dividend, the payout was raised to 3.5c last year, covered 2.3 times. On past performance, and bearing in mind that consolidation rather than expansion is in prospect, it appears unlikely that an improved dividend can be expected this year, especially with fishing interests remaining a bugbear. At 58c the share yields 6.0%. There are more attractive investments available. 1277
Insurance fund: R7.4m. Total assets: R16.4m. Current ratio: 1.9.


**77** **78** **79** **80**
Net premium income (Rm) 11.4 18.8 8.8 18.0
Underwriting profit/(loss) (R0000) 17 (2.880) (433) 79
Net investment income (R0000) 424 391 536 644
Pre-tax profit/(loss) (R0000) 306 (2.340) 76 705
Earnings (c) 11.9 2.0 18.9
Dividends (c) 6.0 1.0 8.0
Net asset value (c) 89 30 42 87
* 12 months to June 30, 18 months to February 28.

**Back**ing the group's return to profitability and to the ranks of the dividend payers, Consure's balance sheet now looks a lot stronger and conforms more closely to industry averages.

In addition to details provided in the annual report, MD Trevor Ternent says that, just as the solvency margin has increased from 11% to 21%, other important ratios are all looking considerably more healthy. Technical reserves, for instance, have eased from around 74% of net premiums to stand at 63% — somewhat below the industry average. The acquisition costs ratio, he admits, is a little high, standing at around 35.4% of earned premiums, against an industry average of about 32.5%, but this arises from the fact that administration costs are still affected by the re-organisation of the group.

Falling interest rates, however, led to a drop in investment income. In the eight months to end-February 1979, the group earned R26 000 from this source, equivalent to an annualised R63 000. Last year, net investment income was R26 000. The balance sheet investment figure is down from R7.3m to R5.6m, and Ternent attributes this to the group’s policy of paying claims more promptly and more readily, which placed some temporary strain on cash reserves.

This year, he says, though interest rates remain low, the additional amount available for investment — which was freed by the R1.1m profit-making sale of the group’s share in Nedbank Mall — should return investment income to an upward path.

The fact that underwriting profits have resumed after losses in the last couple of years, is another sign that the group’s operations are beginning to return to normality.

Though Constantia aims to reduce its dependence on the motor side of its business, Ternent believes that it will not contribute much less than 80% of gross premiums this year, after 82% last year. However, he adds, the upswing in the motor industry means that this area has been more profitable than had been expected. Emphasis is however being placed on raising the group’s profile among brokers in the non-motor sector.

Strengthening of the balance sheet should continue through fiscal 1981 as the motor business remains buoyant and diversification gives a stronger earnings base. At the same time, Ternent says that the group has its sights firmly set on acquisition this year.

Despite the positive factors, at 150c the share yields an historic 4%. On this basis the share price discounts a large part of any organic advance and possible growth through acquisition.

Scot Hacker

---

**CONSTANTIA**

**Stronger base**

**Activities:** Short-term insurer. Kirsh Industries owns 52% of the equity and Capital Marine 21%.

**Chairman:** N Kirsh; managing director: T Ternent.

**Capital structure:** 4.2m ordinaries of 25c. Market capitalisation: R6.3m.

**Financial:** Year to February 29 1980.

Financial Mail June 13 1980
reaping the benefits of the economic upswing. The market has taken this into account, rating the share on a 7.3% historic dividend yield, compared with 14.7% two years ago and 9.7% last year.

The bulk of business comes from the group’s industrial belting and ancillary products division, which earned R631 000 (R531 000) after tax last year. Its contribution to taxed profit, however, fell from 71.5% to 62% as earnings from earthmoving equipment operations rose from R209 000 to R337 000. The sharper rise in the latter is attributable both to the greater demand generated in current improving economic circumstances and the lower base from which it was operating.

<table>
<thead>
<tr>
<th></th>
<th>’77</th>
<th>’78</th>
<th>’79</th>
<th>’80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap</td>
<td>29.9</td>
<td>36.1</td>
<td>31.3</td>
<td>32.1</td>
</tr>
<tr>
<td>Turnover index</td>
<td>224</td>
<td>309</td>
<td>381</td>
<td>554</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>94.2</td>
<td>67.3</td>
<td>72.4</td>
<td>97.8</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>14.6</td>
<td>17</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>114</td>
<td>156</td>
<td>243</td>
<td>308</td>
</tr>
</tbody>
</table>

* Base 1972 = 100.

Improved earnings growth is being accompanied by a fairly extensive expansion programme. Terraquip, the group’s agency distributing John Deere earthmoving equipment, bought land in Boksburg in 1976 and last year signed a R400 000 contract to build offices and works on the site. At the same time, Belting Supplies is building new premises for itself and Terraquip in Pinetown at a cost of R252 000. Though these developments are being funded internally and chairman Ian MacPherson warns that inflation and growth will place new demands for working capital in the current year, there should be no funding problems.

The group has increased its debt-equity ratio steadily over the last few years, but it is still comfortably placed at 35.2%. Within the equity structure is a loan stock issue which is redeemed equally with dividend payments. Simultaneously, deferred shares attached to each unit of loan stock are converted into ordinary shares.

Stocks increased by around 40% last year as advantage was taken of exchange rate fluctuations to build up imported stocks. A new PVC plant came on line during the latter half of the year which, though it did not contribute to profits, also required some retooling. It is expected to contribute to profits this year.

Though no turnover figure is given, sales rose 27% while trading profit rose 34% to R17.5m (R13.7m). Margins have obviously improved, but with conditions in the industry still highly competitive, they are not likely to be wide. Leasing charges have increased from R22 000 to R61 000, as additional plant and equipment were taken on, but the interest and leasing charge is covered an easily manageable 6.8 times by pre-tax profit.

Though earnings have been weak for the last couple of years, conservative dividend cover has allowed dividends to be in-
Three weeks after Tollgate’s suspension, Murray & Roberts has confirmed that it is negotiating to acquire the Cape-based transport and finance-insurance group. However, it looks as if it will be some weeks still before final details are announced, apparently because no plans have yet been hammered out on what will happen to some of the Tollgate divisions.

Market talk suggests a price for the Tollgate group including any deal that might be made on the Shield Insurance and Golden Arrow finance operations of around 55c. This is based on a net worth of about 25c and the group’s earnings potential. The fact that Murray & Roberts has not been suspended indicates that it will be a cash or share deal. It is expected that in the year ending June 1979, Tollgate’s R10.3m tax profit would have added about 45c to M&R earnings, which totalled R2.4m. In a cash deal that would be material enough to warrant suspension.

M&R is apparently interested in the Tollgate transport activities though there has been speculation that Alderson & Pilton might be involved in a side deal on Springbok Atlas Safaris, which was previously under the control of Johan van der Burgh, now one of the M&R controlling shareholders. There has also been talk that Shield might revert back to Tollgate’s present controlling shareholders, though it is believed that M&R has a basic agreement in principle for the acquisition of the company.

**M&R’s gains**

Tollgate was capitalised at R65.8m at the 45c pre-suspension price, including the shares held by a subsidiary. The net price to M&R assuming a price of 55c would thus be R61.2m, though the family directors’ stake would cost over R90m.

The advantages to M&R centre around the group’s efforts in recent years to diversify some of its assets, out of the cyclical construction industry, and Tollgate’s cash generating capacity.

Tollgate’s tax profit for the six months to end-December was R5m (46.9m) and, based on market estimates for the full year, earnings would be around R13m, with a group cash flow of over R15m. The extent of the group’s cash resources can be gauged by the interim statement that this year’s R10.6m capex would be financed internally, despite payment of an unchanged 10c interim dividend.

If market estimates of the price are accurate, minorities might be encouraged to accept. An offer of around 55c would be a 28% premium on assets and an exit PE, based on earnings of about 13c-15c, of nearly five times.
INDUSTRIAL SELECTIONS LIMITED
Declaration of Dividend

The estimated results for the year ending 30 June 1980 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R3 957 000</td>
<td>R6 816 000</td>
</tr>
<tr>
<td></td>
<td>income before</td>
<td></td>
</tr>
<tr>
<td></td>
<td>taxation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>44 000</td>
<td>106 000</td>
</tr>
<tr>
<td></td>
<td>Taxation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R3 913 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>income after</td>
<td></td>
</tr>
<tr>
<td></td>
<td>taxation</td>
<td>R6 710 000</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>62.1c</td>
<td>98.0c</td>
</tr>
<tr>
<td>Dividends: Interim</td>
<td>16.0c</td>
<td>25.0c</td>
</tr>
<tr>
<td>Final</td>
<td>30.0c</td>
<td>50.0c</td>
</tr>
</tbody>
</table>

The annual report of the company will be posted to shareholders on 21 July 1980.

Notice is hereby given that a final dividend of 50 cents per share has been declared in respect of the year ending 30 June 1980. Dividend cheques will be dispatched on 29 August 1980 to shareholders registered in the books of the company at the close of business on 8 August 1980. In terms of the Income Tax Act 1952 (as amended) non-resident shareholders' tax will be deducted from dividends payable to shareholders whose addresses are outside the Republic of South Africa.

The transfer books and share register of members will be closed from 9 August 1980 to 16 August 1980, both dates inclusive.

By order of the Board,
INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED.

Secretary

Registered Office:
Third Floor
Van Eck House
19ussik Street
JOHANNESBURG
2001
11 June 1980

Transfer Secretaries:
Consolidated Share Registrars Limited
62 Marshall Street
JOHANNESBURG
2001
high, 71c; low, 30c; trading volume last quarter, 146,000 shares). Yields: 27% on earings; 6.5% on dividend. Cover: 4.2. PE ratio: 3.7.

Return on cap % .... 29.5 61 16.8 16.3
Turnover index ... 181 165 170 189
Pre-tax profits (R'000) .... 744 (256) 555 417
Earnings (c) .... 29.6 16.8 16.8
Dividends (c) .... 2 2
Net asset value (c) .... 167 162 178 183

* 1972-100.

Weaving its way to recovery after the losses of 1977, Progress still has some way to go before reaching its 1978 earnings level. After two lean years of no dividend payments, shareholders will be watching the group’s liquidity. Peter Jacobson has promised that if the economy continues to boom, the dividend will be increased this year.

Although turnover last year rose by 11%, profits were substantially reduced by an extraordinary loss of R156,000. The auditors qualified the 1978 financial accounts because of their doubt about the recoverability of the debt, but are now satisfied with the position.

Since year’s end, the loss-making tufted carpet subsidiary has been sold, thereby eliminating a drain on profit. In addition, two Cape Town properties were sold at a profit of R357,000 and an additional mortgage bond of R310,000 was raised. This enabled the group to pay off its factor and still remain fairly liquid. More of the money will be channelled into extension of production facilities as factories are running at 90% capacity, and the remainder could be used to pay a more substantial dividend.

In any case, with a year-end debt/equity ratio of only 49%, there is room for additional debt. For the current year, dividends could be restrained.

Fiona Blake

<table>
<thead>
<tr>
<th>Pre-tax profits</th>
<th>Percentage change</th>
<th>Earnings per share</th>
<th>Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>R'000</td>
<td></td>
<td>1979</td>
<td>1980</td>
</tr>
<tr>
<td>Angloa O&amp;I</td>
<td>P</td>
<td>$23.3</td>
<td>$37.1</td>
</tr>
<tr>
<td>NCI</td>
<td>P</td>
<td>$34.2</td>
<td>$50.1</td>
</tr>
<tr>
<td>Avizors</td>
<td>P</td>
<td>$14.4</td>
<td>$20.3</td>
</tr>
<tr>
<td>Bertras</td>
<td>P</td>
<td>$0.1</td>
<td>$0.1</td>
</tr>
<tr>
<td>Blyvoor</td>
<td>D</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Buffels</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Handh</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Huyse</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Hurlane</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Hurlane Corp</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Lion Match</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Malbag</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Middle Wits</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Masoli</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Ocean</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Plaas</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Plate Glass</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Randfontein</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Seckton</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Sentrux</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Smith CG</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Stilfontein</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Trans-Nat</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>West Areas</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>WR Cons</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Zandspan</td>
<td>P</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
</tbody>
</table>

P = Preliminary, $ = After-tax figure, T = Final, D = Dividend, A = Annual, I = Interim, $ = 6 months, ** = Second Interim, Z = Includes special divid-

### RESULTS AND DIVIDENDS

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount (R'000)</th>
<th>Register (R'000)</th>
<th>Payable (R'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining Houses</td>
<td>$1,180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Mining Houses</td>
<td>$1,150,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Industrial Hold</td>
<td>$340,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Industrial Hold</td>
<td>$1,180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Beverages</td>
<td>$1,180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>West Wits</td>
<td>$1,180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Klerksdorp</td>
<td>$340,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Engineering</td>
<td>$180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Furniture</td>
<td>$180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>West Wits</td>
<td>$180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Rand &amp; Others</td>
<td>$1,180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Rand &amp; Others</td>
<td>$1,180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Other Mines</td>
<td>$180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Other Mines</td>
<td>$180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Klerksdorp</td>
<td>$180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Sugar</td>
<td>$180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
<tr>
<td>Tobacco</td>
<td>$180,000</td>
<td>27,600</td>
<td>18,800</td>
</tr>
</tbody>
</table>

### ISSUES

Preliminary announcement

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
<th>Date to receive</th>
<th>Listing price</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOOD</td>
<td>Rights issue 20 new shares for every 100 shares held at 420c.</td>
<td>6.80</td>
<td>6.80</td>
</tr>
<tr>
<td>SAMUEL</td>
<td>Rights issue 10 new shares for every 100 shares held at 420c.</td>
<td>6.80</td>
<td>6.80</td>
</tr>
<tr>
<td>LEICHERS</td>
<td>Rights issue 10 new shares for every 100 shares held at 420c.</td>
<td>6.80</td>
<td>6.80</td>
</tr>
<tr>
<td>VENEDOT</td>
<td>Rights issue 10 new shares for every 2 shares held at 420c.</td>
<td>6.80</td>
<td>6.80</td>
</tr>
</tbody>
</table>

Financial Mail June 13 1980
NATIONAL SELECTIONS LIMITED
Declaration of Dividend

The estimated results for the year ending 30 June 1980 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income before taxation</th>
<th>Taxation</th>
<th>Income after taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>R3 524 000</td>
<td>R6 546 000</td>
<td>R6 481 000</td>
</tr>
<tr>
<td>1980</td>
<td>R3 520 000</td>
<td>65 000</td>
<td></td>
</tr>
</tbody>
</table>

The annual report of the company will be posted to shareholders on 21 July 1980.

Notice is hereby given that a final dividend of 55 cents per share has been declared in respect of the year ending 30 June 1980. Dividend cheques will be dispatched on 29 August 1980 to shareholders registered in the books of the company at the close of business on 8 August 1980. In terms of the Income Tax Act 1962 (as amended) non-resident shareholders' tax will be deducted from dividends payable to shareholders whose addresses are outside the Republic of South Africa.

The transfer books and share register of members will be closed from 9 August 1980 to 16 August 1980, both dates inclusive.

By order of the Board

INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED
SECRETARIES

Per: P E JACOBS

Registered Office:
Third Floor
Van Eck House
19 Rissik Street
JOHANNESBURG
2001

Transfer Secretaries
Central Registrars Limited
28 Harrison Street
JOHANNESBURG
2001

11 June 1980
Building societies pay more for deposits

By HAMISH DUFFIN

In a move to stem the outflow of long-term deposits to the banks, the building societies have raised not only their rates for deposits of 25 months and longer but they have adjusted upwards their longer rates pattern as well as one of their

The council of the Association of Building Societies has recommended to its members that these rates be changed.

Decisions for periods of 15 to 25 months to go up from 8.5%

Deposits for 25 months and over up to 35 months to go up to 9%

Fixed deposits for 35 months or longer to rise to 9.5%

Ratios on fixed period paid-up shares are unchanged for the balance of their contract periods.

The rates paid by most banks are:

- 12% for deposits of 15 months and over, at 9.5%
- 12.5% for deposits of 25 months and over, at 9.5%
- 13.5% for deposits of 35 months and over, at 9.5%

The banks pitched the rate for deposits of 25 months and over at 9.5% in line with the market. As one banker told me yesterday:

"This is in private agreement with the building societies and we assume they will not be affected.

And it is the same basis which the building societies don't want to have from money which they can't afford to lose. Hence this tightening of conditions.

But with a mortgage rate which ranges between 6% and 9%, can the societies afford to pay 9.5% for money? The banks can handle a rate of this magnitude and still make a profit because the money they have been having at 3% is lent at rates of 12%, 16% and possibly higher for consumer credit transactions, such as credit cards, hire purchase and leasing.

The societies have acted properly to meet competition, they have not been urged to do so, but one crucial question remains: how are the building societies so ready.

The Government must consider a new approach to help the societies to be more competitive in the market.

The building society movement is hindered by the mortgage rate which is, as far as the Government is concerned, a fixed not a floating rate. This question has been raised again in the current rate cut, whether the rate should have come down from 10% to 8%.

The mounting up of the banks' rate was noticeable and whether the society rates are likely to cut, the Government must intervene to achieve a new equilibrium and to build up their reserves as a claim against interest.

Now the changes have come and the societies are left with slender margins.

If the societies did not stiffen themselves, a little tightened for each because they have created an almost private demand for mortgage money, they can always fall back on selling the large excesses they have hoarded in periodised mortgages.

But this is what they do not want to do because they know that if they are too tight on the market, they will have created an almost private demand for mortgage money, they can always fall back on selling the large excesses they have hoarded in periodised mortgages.

The societies are in a difficult position, but they can achieve a new equilibrium and to build up their reserves as a claim against interest.

The Government must consider a new approach to help the societies to be more competitive in the market.

The building society movement is hindered by the mortgage rate which is, as far as the Government is concerned, a fixed not a floating rate. This question has been raised again in the current rate cut, whether the rate should have come down from 10% to 8%.

The mounting up of the banks' rate was noticeable and whether the society rates are likely to cut, the Government must intervene to achieve a new equilibrium and to build up their reserves as a claim against interest.

Now the changes have come and the societies are left with slender margins.

If the societies did not stiffen themselves, a little tightened for each because they have created an almost private demand for mortgage money, they can always fall back on selling the large excesses they have hoarded in periodised mortgages.

But this is what they do not want to do because they know that if they are too tight on the market, they will have created an almost private demand for mortgage money, they can always fall back on selling the large excesses they have hoarded in periodised mortgages.

The societies are in a difficult position, but they can achieve a new equilibrium and to build up their reserves as a claim against interest.

The Government must consider a new approach to help the societies to be more competitive in the market.

The building society movement is hindered by the mortgage rate which is, as far as the Government is concerned, a fixed not a floating rate. This question has been raised again in the current rate cut, whether the rate should have come down from 10% to 8%.

The mounting up of the banks' rate was noticeable and whether the society rates are likely to cut, the Government must intervene to achieve a new equilibrium and to build up their reserves as a claim against interest.

Now the changes have come and the societies are left with slender margins.

If the societies did not stiffen themselves, a little tightened for each because they have created an almost private demand for mortgage money, they can always fall back on selling the large excesses they have hoarded in periodised mortgages.

But this is what they do not want to do because they know that if they are too tight on the market, they will have created an almost private demand for mortgage money, they can always fall back on selling the large excesses they have hoarded in periodised mortgages.

The societies are in a difficult position, but they can achieve a new equilibrium and to build up their reserves as a claim against interest.

The Government must consider a new approach to help the societies to be more competitive in the market.
Soaring Fugit mirrors the blue chips

By DAVID CARTE

Deputy Financial Editor

REFLECTING the sparkling performance of the leading blue chips making up its large equity portfolio, Fugit—Liberty Life's investment trust—pushed up pre-tax profits 57% to R5 450 000 in the six months to June 30.

Considering that pre-tax profit represents purely dividend income less administration expenses, this performance gives a fair idea of just how well the blue chips have performed in the past year.

The interim report released yesterday shows taxed profit up 58% to R5 350 000 and earnings a share up 33% to 7.25c in spite of a rights issue which boosted the number of shares in issue by 20% to 74 500 000 shares. The interim dividend was raised from 3.5c to 4.6c.

Notwithstanding the rights issue, net asset value a share rose 64% during the year from R4.14c to 22.90c. This means Fugit's portfolio was worth R180-million at the end of the half-year—nearly double its value of R93-million in June 1979. The rights issue brought in R14 900 000 and Fugit retained nearly R1-million of earnings last financial year, so about R71 200 000 of the gain in the value of the portfolio was straight capital gain.

Fugit's capital gain on only the 3-million Sasol shares bought with the proceeds of the rights issue at the current price exceeds R50-million.

The latest figures from Fugit are a tribute to Liberty's investment foresight of three years ago. Liberty took control of Fugit on the market in the first quarter of 1977 for what now seems an incredible average price of about 70c, a 27% discount to a bombed-out net asset value then.

Fugit director, Mr Roy McAlpine, says Fugit remains fully invested and the portfolio has not changed significantly since the year end. He believes the market has little downside potential.

Unlike several other big institutions, Fugit did not sell its 225 000 Tiger Oats shares to Mutual at 1 750c recently as it did not believe it could reinvest the proceeds more favourably in the near future. Fugit's only significant sale was its 360 000 Fednis, disposed of in the minorities takeout by Sentrachem.

Because several of its heavyweight holdings, such as De Beers and Anamint, pay more in the first half, second half earnings are unlikely to equal the first half's. Nevertheless, Fugit will more than likely earn a minimum of 15c this year and pay 11c.

At 19.5c, the share yields a historical 4%. The 11c dividend I have forecast gives a prospective yield of 5%, which in spite of the current 17% discount to net assets, may be a little low in a market that, though still strong, is unlikely to match its 1980 performance in a hurry.
out of years of langur

the textile industry breaks

by tony hudson

they're crying wolf over clothes from the east

the industry shows the momentum is still there for growth. and the head of the industry

a large number of orders have been placed for home textile, furniture, and apparel. but the profit margin is not as high for home textile as it is for apparel.

the director of the export promotion council of india said that the orders from abroad are not as large as expected. however, the orders are still coming in from china, japan, and south east asia.

the govt. system, too, is active in promoting exports. the ministry of commerce is organizing exhibitions and trade fairs to promote exports. the textile ministry is also working on a new policy to promote exports.

by jack brackhil

the textile industry is growing steadily. the orders are coming in from all over the world. the government is also giving incentives to the textile industry.

the increase in exports has been recorded at 6% in the last quarter. the government is also giving incentives to the textile industry.

the government has also announced a new policy to promote exports. the industry is expected to do well in the coming years.
FIRMS OPT FOR BUYING RATHER THAN REMAIN TENANTS

Property Reporter

ESCALATING rents and the advantages of owning rather than leasing are encouraging more and more companies to buy their own premises.

Trevor Warman, the commercial and industrial director of Issac Geshen, cites an increasing number of purchase enquiries from sitting tenants, with two deals being concluded this week alone.

The Air Survey Company of SA Ltd has paid R100 000 for the Calais Road building which it occupies. In Voortrekker Street, Jacobs, Ultimate Instrument Contractors (Pty) had done a similar deal for R24 000.

"Costs are escalating and landlords expect to obtain the increases from tenants," said Warman. "But feasibility studies show that it's cheaper to fund the purchase of a property than remain a tenant and meet the increases which landlords are demanding.

"The owner-occupier has the advantage of being on the spot to control maintenance expenditure and to keep an eye on other tenants should he not occupy the property exclusively."
Germans look at property

GERMANS, usually shrewd property investors, are looking at investment possibilities in South Africa.

A German property investment consortium, with R20 million at its disposal, is looking for a rewarding home for its funds. It was hosted in Johannesburg recently by Richard Ellis Dunlop Hoywood.

German interest in the South African property market is largely the result of improved economic conditions, led by the greatly increased gold price and the obvious attractions of the financial rand with its effect of increasing yield on investment by foreign based investors, says Mr Alistair Barclay of the property group.

The German funds have been allocated for investment in commercial, industrial and residential properties whether in the form of outright purchase of established buildings or in new property developments with a view to inviting SA participation.

The German entrepreneurs showed particular interest in completed investment buildings and development sites.
AGENTS OF OFFENDERS

NO HESTITATION INACTING

The real estate world were going down the drain again. KeithEmmanuel complained that ethics and standards in the Coastal Branch of the Institute of Estate Agents (IEA) and the Institute of Estate Agents of Great Britain were largely ignored. This week, Tony Boyd, the chairman of the Dunbar and Midlothian branch of the IEA, raised the matter at a meeting of the branch, and said the organization is to

Estates Agents and Their Ethics
It's all GO for Fedvolk

BY ELIZABETH ROUSE

FEDERALE Volkselektronische Aktien-kapitalgesellschaften

By the way:
The growth in the chemical sector has accelerated during the second half of the year, and the group has done well for its shareholders by increasing their assets substantially.

As predicted at the interim stage, Fedvolk’s growth accelerated in the second half of the year. The group’s earnings rose by 20% in the previous 15 months, which amounted to an annualised 16%.

Fedvolk’s share price continued its increase, making a total of 0.2c against 0.1c paid for the previous 15 months, which amounted to an annualised 10%.

The group plans to acquire some companies in the chemical sector to provide an initial position to expand when others are about to take the initiative to expand.

Fedvolk’s interest in the chemical sector has been strengthened by its operation in electronic components, and its acquisition in the metallurgical interests of the group’s interests is now a machinery-engineering group through its subsidiary, Fedmek. (formally Masberg).

The group has a dominant position in the chemical sector of the company, which leaves the management in a healthy position to make further acquisitions.

Fedvolk’s moves in the chemical sector over the past year have thus been for the best. However, it has not been without problems.

Fedvolk was taken over by Industrias while the Federal subsidiary, Fedmek, acquired the controlling company of Sintec, to an extent of 50%.

Fedvolk acquired Table Top and Riviera but these companies have been rationalised and consolidated.

The acquisition of a 5% interest in Fedmek proved a move to extend interests in mechanical engineering, as the recent Fedmek acquisition of the mining supply company, Atlas, to increase the group’s investment in the mining industry.

The increase of Fedmek’s investment in Telektron Corporation (which controls the Morabank group) from 50% to 100% should yield benefits both on the television and furniture side.

Fedvolk’s investments are now clearly defined into five sectors, which represent not only a well-balanced portfolio with a sound income base, but also offer significant growth opportunities for the group directors.

The main investment areas are: the chemical sector, the electronic sector, the electronic, electrical and furniture sector, industries serving the broad consumer markets, and the services sector.

The share enjoys blue chip status in the industrial holding sector on its potential. Dividend yield is 3.1% on the current price of 30c.

The Keynesians see the demand for money as relatively inelastic and the Marginal Efficiency of Capital as elastic. V / V

On the other hand, the Monetarists view the demand for money as elastic, inelastic, and the Marginal Efficiency of Investment as inelastic.

The Keynesians may say that a change in the demand for money will show relatively little effect on the rate of interest, as the curve is the area of the liquidity trap or amount of change in the money supply will make any difference in the real rate of interest.
Retco board to be grilled

DAVID CARTE
Deputy Financial Editor

THE BOARD of Retco will face flak from irate shareholders at the company's annual meeting on Thursday.
A group of dissatisfied shareholders, among them one of the founders of Retco, have briefed senior counsel to raise questions on the way the company has been run in recent years.
According to Mr Bill Trollip, the holder of 110 000 shares and one of a group which mooted and launched Retco in 1963, counsel will demand to know the price and terms offered for Retco by a group of pension funds in negotiations called off in April. He will ask why the deal was not consummated.
Counsel will also inquire about SA Breweries properties sold to Retco, particularly what price was paid for what Mr Trollip describes as "a number of old, inconsequential, dilapidated urban hotels, some of which are vacant and the rest of which appear to earn negligible returns".
He will want to know why properties bought from SA Breweries were in the interests of Retco.
Counsel will ask for the taxed profit on each of a number of properties and for an explanation of what Retco intends to do with them. He will ask whether rentals are tied to turnover and what redevelopment plans Retco has for these buildings.
Mr Trollip says most property companies that allied during the property recession did so because they had completed expensive, mortgage-financed buildings which they could not fill.
This, he says, was not Retco's problem. Until 1974, before it made certain acquisitions, most its properties were relatively fully let and of good quality. Counsel will demand an explanation of the company's poor performance in the light of this.
As the graph shows, profits have fallen since 1976. Another matter that will be raised is why Retco bought Arbitrage Properties, a 6000 m² site for development on the corner of Diagonal and President streets, Johannesburg, in 1975 ahead of the property collapse in 1976. Counsel will ask what the R6 500 000 property has cost in interest and rates in the past five years.
The meeting will be at SA Breweries head office, 2 Jan Smuts Avenue, Johannesburg, at 10 o'clock on Thursday.
SA among lesser of Pick’s trash money sinners

By SIMON WILLSON

SOUTH Africa has been accorded the dubious accolade of 50th place in an international blacklist of countries which are accused of debasing currencies by increasing their domestic money supply.

The next edition of Pick’s Currency Yearbook, due out later this year, has drawn up the blacklist after a survey of currency creation in 97 countries, and has linked the list to a broadside against conventional methods employed by governments to finance their deficits.

The yearbook has devised a scoring index of the mischief it claims governments are perpetrating against traditional monetary theory: it has worked out the currency circulation a head in the countries under study, in both constant and current prices, and ranked them accordingly.

South Africa’s low placing is a reflection of its dual economy and lack of a recognisable and coherent middle class, but is also an indication of the relative discipline South Africa has adopted when it comes to the supply and velocity of circulation of its money.

The yearbook’s standpoint is that the present wide spectrum of economic thought on government credit creation is instantly recognisable as monetarist and Friedmanite.

“In an age of inflation, no central bank or government will pay out gold or silver to anyone presenting national bank notes for redemption — the ideal currency and price stability having been butchered years ago on the altar of so-called ‘economic growth’ and ‘full employment’,” Pick thunders.

The study found that in virtually every country the manufacture of banknotes was an absolute monopoly. The creation of legal tender had been made “dirt cheap”.

“The banknotes are printed in the secure knowledge that the public does not care to protest against the slow expropriation of assets via the rising cost of living that turns currency into nothing more than ghost currencies.”

It says all the evidence shows that the populations of all countries were not interested in the workings of currency theory or in examining central bank statistics. They wanted only more banknotes, regardless of their purchasing power.

Their governaments simply increased the supply of banknotes, supposedly in pursuit of higher living standards, but actually to service their continually rising debts.

“The printing of banknotes has become the accepted source of putting money into an economy to cope with the public and private debt. At the same time the acceptance of legal tender that is subject to continuous debasement is enforced by fines and punishments, as well as by stringent foreign exchange controls.”

The table of the yearbook’s currency sinners shows that currency in the hands of the public has been expanding steadily since the Second World War to swell national incomes and raise standards of living as well as to compensate for the debasement of purchasing power.

Top of the blacklist is Switzerland, which has the money equivalent of $2.259 a head of its population in circulation.

Bottom is Laos, which has a score of $1 a head.

South Africa has $35 — not a great score compared with similar countries like Australia and Canada (both $35) and Argentinia ($724) — but it is still an indication of its financial discipline.

At least the economy is not awash with increasingly worthless rand notes and it’s not — yet, at least — belied by orchestrated demands from powerful labour conglomerates for more confetti money to pad out the declining worth of their pay packets.

This happens much more frequently in Western Europe, and when it is noted that Western European countries have circulation a head scores such as Belgium ($1,165), the Netherlands ($908), West Germany ($898), France ($581) and Italy ($460), it is easy to see why.

South Africa’s 57th place and $35 a head circulation is therefore a sort of backhanded compliment, and sectors of the population have benefited in the last Budget from the policies the score indicates.

As the yearbook observes somewhat biliously in a footnote: “In an era dedicated to the debasement of money, more is less.”

It is a put on the back for South Africa’s economic managers that pieces of paper or other material may be brought into the examination room unless candidates are so instructed.

1. The answers only of marked. The left rough work, but no work.

2. Enter at the top of or the block on this column you are answering.

3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.

4. Names must be printed on each separate sheet (eg. graph paper) where sheets additional to examination book(s) are used.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.
Retco turned down 90c bid

By DAVID CARTE
Deputy Financial Editor

RETCO TURNED down an offer of 90c a share from a group of pension funds in an unsuccessful negotiation in April, Mr Dick Goss, the chairman of Retco and managing director of SA Breweries, told a disappointed Retco founder-shareholder at the annual meeting in Johannesburg yesterday.

Questioned by Mr Geoff Leveson, SC, on behalf of Mr Bill Trollop, the holder of 110,000 shares and one of the founders of Retco, Mr Goss said the negotiations were terminated because he looked as if they would continue indefinitely and 17,000 shareholders were being inconvenienced by the share's suspension. Retco was suspended at 95c and today stands on 65c. It had not been 90c at the last balance sheet.

In reply to another of Mr Trollop's questions, Mr Jimmy Ward, managing director of Retco, acknowledged that a merchant bank, Finansbank, had offered Retco the opportunity of bidding for control of OK Bazaars before SA Breweries acquired it.

"I had certain casual discussions with the managing director of Finansbank and he was toying and freezing between OK and me. When I realised that the controllers of OK were interested in selling their entire stake, I knew Retco did not have the resources for the acquisition. We could not issue shares. After speaking to Mr Goss, I suggested to Finansbank that SAB might be interested. And the respective parties took it from there."

Mr Goss told the meeting that 36 out of 64 buildings obtained from SA Breweries had subsequently been sold.

"That's an indictment of something," said Mr Trollop.

Mr Goss disclosed that the eight remaining buildings taken over from SAB at a book cost of R2 221 000, earned R154 000 last year — yielding less than 7% on cost.

He said most of the properties had been sold at capital profits. The Civil Hotel in Bloemfontein, for instance, had been sold for R405 000, compared with a capital cost of R600 000.

"That is a low return on cost over a 10-year period of high inflation," said Mr Leveson.

Mr Goss said the hotels yielding an unsatisfactory return would be sold when possible. Retco had plans to redevelop several properties. It intended building a 512-bay parking garage in Elf Street. This would justify the renovation of several Retco buildings in the area.

Questioned on the purchase of Arbitrage Properties, adjacent to the Johannesburg Stock Exchange, Mr Goss said that although it had been bought in 1973, because of the JSE's inactivity about the size of its development, there were problems in removing tenants on the site, transfer had been effected only in 1976.

In 1976 Retco shareholders had been told that a R30-million building would be built there. Economic events — a huge oversupply of office space in Johannesburg — had overtaken the company and in 1977 the plan was shelved indefinitely. To date capital, interest and holding costs amounted to R3 300 000.

Retco would be prepared to sell the site or swap it for income-producing properties if it could, even at a loss, but there were few potential buyers who could afford it.

Mr Trollop intends to write a circular to all Retco shareholders complaining about this property being bought at an incredible price that has not yielded a cent. He says he is amazed that Retco and the JSE could conclude a purchase and not ensure that tenants were off the site in reasonable time.

Mr Trollop asked why Retco had never been granted one property development contract by SA Breweries or its subsidiaries, why in particular Retco had not been offered participation in developments by Southern Sun and OK Bazaars.

Mr Goss said SAB and its subsidiaries could not prejudice their shareholders by granting special rights to Retco. They had to deal with Retco on an arms-length basis, but Retco was free to compete with other property developers.

Mr Trollop asked one of the directors of Retco, Mr G T MacRobert, how many shares in Retco he held, how many meetings of Retco he had attended, how much time he had spent on the affairs of the company and what his remuneration as a director had been.

Mr MacRobert replied that he had 6,000 shares, he had attended all five or six meetings. He missed one while on leave. His director's fee was R2,000.

Mr Trollop alone opposed the reappointment of Mr MacRobert as a director. One shareholder opposed the reappointment of Mr Jimmy Ward. All the other directors were reappointed unopposed.
HILL SAMUEL

Concentrated recovery

Activities: Merchant Bank, 71.5% owned by UK-based Hill Samuel group.
Chairman: G V Richdale; vice-chairman CNA Castleman.
Capital structure: 5.8m ordinary shares of 50p. Market capitalisation: £21.2m.
Financial: Total assets £289.3m.

<table>
<thead>
<tr>
<th></th>
<th>'77</th>
<th>'78</th>
<th>'79</th>
<th>'80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Total assets (Rm)</td>
<td>129</td>
<td>142</td>
<td>163</td>
<td>189</td>
</tr>
<tr>
<td>Earnings (d)</td>
<td>10.2</td>
<td>10.4</td>
<td>13.0</td>
<td>39.9</td>
</tr>
<tr>
<td>Dividends (d)</td>
<td>7.5</td>
<td>7.5</td>
<td>17.8</td>
<td>27.5</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>112</td>
<td>104</td>
<td>118</td>
<td>239</td>
</tr>
</tbody>
</table>

*On redemption of shares in issue to 5.8m (14.5m).

Fortuitously or not, Hill Samuel appears to have struck the right earnings combination following disposal of its property and insurance related interests. Without these problems to worry about, management has been able to concentrate on merchant banking at a time when demand for the...
company's services was poised for take-off.

As it was, the first three quarters of the fiscal period were characterised by high levels of corporate liquidity and consequent slack loan demand. The situation changed in the final (March) quarter with a swing from overseas to locally-based trade finance. And that situation seems likely to persist during the current year. At the same time, with a record number of completed transactions, fee income was substantially higher than in fiscal 1979.

Outgoing chairman Gordon Richdale is cautious on the earnings prospects for the current year, pointing out that earnings from capital raising, mergers and acquisitions can be influenced by one or two major transactions or market changes. But, presumably, if the current phase of the economic cycle results in strong advances in corporate loan demand, there will be similar advances in other fund raising activities.

Management does not provide an estimate of this year's likely lending advances, but they should be significant especially as most of last year's loans advance to R73.3m (R55.1m) took place in the last quarter. By year's end, bills accepted and rediscounted had risen to R128.8m (R56.8m).

The latter accounts for a far greater part of last year's R161.4m advance in total assets — an advance which was accompanied by an increase in shareholders' funds from R133m to R135.8m.

Already this year the company has placed R4m of redeemable prefs and a further R2.8m of permanent capital is being raised through a 15-for-100 rights issue at 320c. These two combined will increase the consolidated equity capital by 50%, laying the foundation for a significant advance in lending.

Just how far this improved earnings potential will translate into higher dividends remains to be seen. The pref issue has allowed a solid increase in the capital base from which loan activity can be quickly increased. But prefs will eventually have to be redeemed from distributable reserves, so if management foresees a steady advance in lending activities well beyond this year, it may well be necessary to further increase permanent capital by higher retentions and cover. Expected earnings on the increased ordinary share capital have not been quantified, but even after servicing the prefs, an earnings advance to 45c should be possible on the increased capital and a 30c is within reach.

At R365c the share yields a generous prospective 8.3% pointing to further price growth once the rights issue is completed.

---

\( \text{The original equilibrium is at } (p, q_1) \text{ and if the government imposes a tax the equilibrium price would increase to } p_2 \text{ and equilibrium quantity decrease to } q_2. \text{ Whether at the price elasticity is elastic or inelastic will not make much difference to the amount the govt will receive and it will make a difference to the consumers and producers.} \)

\[ \text{eq. total revenue received} = p \cdot q_2 \]

\[ \text{producers} = p_2 \cdot b \cdot q_2 \]

\[ \text{govt} = p_2 \cdot a \cdot b \cdot p_3. \]
Spreading operations

Activities: Industrial holding company with interests in fishing, both local and overseas, property, township development and home building. Premier Milling holds 59% of equity of the holding company.

Chairman: A D P Ovenstone.

Oil's Ovenstone . . . foreign fish will help

Capital structure: 49.3m ordinaries of 12.5c; 204,500 8% cum prefs of R1;
1.4m 8.1% red cum prefs of R1; 2.6m;
8.5% part conv red cum prefs of R1;
2m 10% cum prefs of R1; 4.4m 11%
conv red cum prefs of R1. Market capitalisation: R14.2m.

Financial: Year to February 29, 1980.
Borrowings: long- and medium-term, R17m; net short-term, R7m. Debt: equity ratio: 76.5%. Current ratio: 1.8. Group cash flow: 3.9m. Capital commitments: R3.2m.

Share market: Price: 39c (1979-80: high, 57c; low, 26c; trading volume last quarter, 7.3m shares). Yields: 15.6% on earnings; 7.7% on dividend.

Cover: 2.9. PE ratio: 6.4.

<table>
<thead>
<tr>
<th></th>
<th>'77</th>
<th>'78</th>
<th>'79</th>
<th>'80</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>33.6</td>
<td>36.5</td>
<td>39.8</td>
<td>28.6</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>4.5</td>
<td>4.7</td>
<td>2.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>22.4</td>
<td>18.0</td>
<td>14.8</td>
<td>22.5</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>8</td>
<td>6</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>8</td>
<td>6</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>130</td>
<td>121</td>
<td>112</td>
<td>53</td>
</tr>
</tbody>
</table>

Oil, just as much as any of the other groups involved in the flattered SWA/Namibia fishing industry, continues to diversify from its traditional source of revenue. However, the group has some major advantages over its competitors with fishing operations extending into foreign waters. It also has a good contributor in its property division and the backing of Premier Milling.

With the rights issue last year which trebled the group's equity, overseas operations have become the focus of expansion in fishing with the full benefit of the extra investment in Chile and the Canary Islands likely to be felt this year.

In Chile, canning facilities are being expanded and freezing operations are being installed, while an interest has been acquired in a Chilean fish catching and delivery operation which should contribute to earnings this year. Chairman Andrew Ovenstone says the overseas expansion should ensure that results from the fishing side of group business should not decline this year.

At the same time, the group's Canary Islands operation was hampered by problems in a fish-processing unit last year and did not contribute materially to earnings. These problems have now been resolved, and the rate of fish delivery looks good, Ovenstone says.

Over the past year, fishing and related operations contributed 33% of group's R26.8m turnover (1979 21% and R39.6m). On an operating margin of 31% (29%), this division provided 78% of pre-tax profit of R3.6m (68% and R2.8m). Property and construction, on the other hand provided 22% of sales last year against 4% the year before and on an operating margin of 3.3% (2.5%), was responsible for only 19% of pre-tax profits (27%).

However, Ovenstone tells the FM that under current conditions it is certain that
non-fishing operations will expand and the contribution from property interests will move towards 40% of pre-tax profit. He adds that the figures in the accounts are distorted by the fact that overseas fishing companies' sales are not consolidated, but are included only at the after-tax profit level.

Oil's property interests are mainly concentrated in rental producing projects, and the conversion of blocks of flats into sectional title units has been a particularly active area. The investment in non-revenue producing properties is being reduced fairly rapidly and the group is at present finalising the sale of Ciskei properties to the SA Development Trust.

Fixed property holdings have fallen and the group holds three development projects at various degrees of completion. One of them is the conversion of Shell House in Greenmarket Square in Cape Town into a 172-room hotel, which the company believes will do well.

On the housing sales side, says Ovenstone, margins are improving and prospects are better than they have been for some time, having been somewhat disappointing last year. Earnings should improve.

The group, says Ovenstone, is not in a hurry to diversify further, although more acquisitions are probably essential in the medium term. Financing of further expansion, now the rights issue funds of last year have been largely invested, could come from any source, he says, depending on the nature and size of the project. But he points out that as fixed assets, particularly in non-rental property holdings and township interests are sold off, so cash will be released for new operations.

Operations since the year-end, says Ovenstone, have been "quite pleasing," and he forecasts earnings "at a higher level." Whether the group can finance the greatly increased share capital to the extent of hiking last year's 3c dividend remains to be seen, though the prospects look fairly good. With an historic yield of 7.7%, and a prospective yield approaching 10%, the share's future growth potential does not yet appear to have been fully discounted by the market.

Scott Flaxer
Steady progress

Activities: Investment holding company with subsidiaries in the engineering sector including Tabak (office furniture) and Raco (high precision metal pressings). The group also has property and coal interests.

Chairman: A C Heber-Percy; managing director: G C H Gard.

Capital structure: 1,5m ordinaries of 50c. Market capitalisation: R5m.


Share market: Price: 335c (1979-80: high, 345c; low, 185c; trading volume 1st quarter, 300 000 shares). Yields: 19,8% on earnings, 8,2% on dividend. Cover: 2.4. P/E ratio: 5.1.

<table>
<thead>
<tr>
<th></th>
<th>'78</th>
<th>'79</th>
<th>'80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>2,3</td>
<td>8,6</td>
<td>12,3</td>
</tr>
<tr>
<td>Pre-tax profit</td>
<td>172</td>
<td>783</td>
<td>1,119</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>8,2</td>
<td>10,1</td>
<td>10,6</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>11</td>
<td>50,4</td>
<td>80,3</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>6</td>
<td>20</td>
<td>27,5</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>90</td>
<td>186</td>
<td>197</td>
</tr>
</tbody>
</table>

The earnings acceleration since the group’s revamp in 1978 has been substantial, and further good growth could still be in the pipeline as subsidiaries take advantage of the economic upswing.

Group companies involved in car accessories and spares should benefit particularly well as car sales take off. In this area, Dundee has three operations: Dunair, which manufactures car air-conditioners, Hi-Fi Car Radio, and Jaqmar, which supplies a range of engine parts and tools. The first two showed disappointing performances last year but should now be set to make significantly improved contribution. Jaqmar has been re-organised and there should be further progress in earnings growth.

Group subsidiary Raco, which makes high precision metal pressings, is also set for improved productivity this year after management changes, and both Raco and Dunair are currently involved in plant expansion programmes.

Tabak, the group’s acquisition from last year, should show an improved earnings picture this year after being consolidated for a full 12 months. The company, which manufactures office equipment and furniture, was acquired last July for R750 000 and produced “excellent” results in the eight-month period, according to the di-
Same old story

Otis' earlier image as a growth company is slowly fading. And no doubt payment of yet another dividend greater than current earnings will raise a wilder squawk from ultra-nationalists.

In the face of the current construction upswing, the company's performance in the six months to end-May looks mediocre. Chairman Phillip Sceales stresses that because elevator installation is one of the final items in the construction of a building, the enquiries currently being received will only be translated into profits in about two years. Nevertheless, the policy of paying a dividend higher than earnings will almost certainly be maintained in the current year regardless of static profits.

Last year, lower profit figures reversed the earlier upward earnings trend. And based on interim results now reported, the current year promises little improvement.
SECTION B

QUESTION 1(c).

A demand absolute toner of output. If
an absolute advantage

Comparative advantage

that it pays him
to stay here.

Development  A  must
pay
Country  B  a profit.

Country  A  does one
will pay a better

Comparative advantage

concluded, because

and to export it

advantage. A cheaper
price.

Just so. It will
have a comparative

than a comparative

Figure 7. The price

than 20% at year-end, and indications are

that the share has limited room for
growth in the short-term

right down our nose and, if a field
and for you 15 greece

better than you e will like

the rest of it and pay a profit.

90 more of g will again mean
95 more of g will give you more.

Pre-tax profit rose marginally to R2.9m
(R3.8m) resulting in earnings of 13.3c
d (12.7c). The low value of the present lift
installation contracts will continue to have
a dampening effect on profits for the rest
of the fiscal year and most of next.

More disturbing than the profit picture,
however, is the failure of the group to
build up sufficient reserves to cushion it
during this period. So with the interim
absorbing R2.5m compared with available
carried at R3.25m by the end of the financial
sheet will have shown net current liabilities
of about R10m. Most likely this will be
reflected as a reduction in accounts receivable
and cash balances. There is unlikely to have been any significant
reduction in either creditors or tax payable, meaning
the company still retains sufficient
cash to pay a final greater than second-

half earnings.

If an unchanged 20c final is paid and
earnings stagnate, an even worse current
liabilities position is in sight for year’s end. This, obviously, cannot continue,
especially as end-1979 distributable reserves
of R2.5m put a limit on what can be
distributed in excess of current earnings.
In any event, debt servicing ability is
constrained by the 70%-85% ownership.

In addition, any realistic diversification
plans have been scotched, though whether
from lack of a suitable move towards
from lack of funds remains uncertain. Future
earnings will thus remain linked to the
fluctuations of the construction industry.

At 75c the share offers a prospective
yield of 14% on a total 48c payout. Earnings
are unlikely to be significantly higher.

1396
the competition between the banks and societies to obtain term deposits. Investors are becoming increasingly more rate conscious, according to a number of bankers and society spokesmen. It is evident that much of the economy's excess liquidity is flowing into call deposits as investors await possible hardening of rates across the board, which would boost their fixed-deposit yields.

Some observers believe that the keenest competition among deposit-receiving institutions for medium and longer-term deposits could be heralding a turnaround in interest rates. Association of General Banks president Ken Gager says that while banks' rates on 36-month deposits are unlikely to be raised above 9% immediately, the banks are monitoring the situation closely for any slackening in the intake of such money.

The deposit rates rise will obviously reduce the societies' operating margins, which insiders claim are considerably more slender than the "handsome gains" notched up by the banks. Indeed, certain societies were opposed to the rate increase - a move which was apparently led by United - because they would have preferred to have maintained operating margins at present levels. But, as Alston points out, consensus prevailed that at this stage it was more important "to meet competition and preserve the client base."

The latest deposit rate increase portends a possible rise in mortgage rates later this year, particularly if societies' operating margins deteriorate significantly. But if the inflow continues on savings and indefinite period shares, in which the bulk of societies' deposit funds are placed and which have not been affected by the upward adjustment to rates, mortgage rates may be held at present levels.

In retrospect some analysts hold that mortgage rates should not have been lowered in February, thereby encouraging demand for home finance and adding to the momentum of soaring property prices. But this argument gets short shrift from United's joint MD, Piet Badenhorst. The societies' main function is to provide the best possible return for depositors and the lowest possible rate of interest for home borrowers, he maintains. Adds Badenhorst: "It is not our job to regulate the property market. We are there to provide finance for home ownership."

Quite so. But in that case it is difficult to understand why the societies took so long to reduce the mortgage rate when their coffers were full and overflowing.
Chairman's Statement

but it would be misleading to say that our task is easy or will soon be completed. The formation of Trade Unions among Black workers in several of the Group's divisions has started and this process can be expected to continue in the year ahead.

Group Financial Goals and Objectives
Considerable expansion has taken place during the last year and the financial strength of the Group has improved. The projections of activity over the planning horizon to 1983 indicate moreover a further strengthening and a continuing ability to maintain a high rate of growth. Inevitably there will be some fluctuations in the rate of growth from year to year, but the firm objective of maintaining an average growth rate in earnings per share of 25% per annum over the current planning period has been accepted.

Our recent acquisitions and expansions have not resulted in the violation of our objective limit for interest-bearing debt, which remains at 33% of total capital employed. Shareholders' funds were, however, expanded during the year by the private placings of 3 million 'A' cumulative preference shares at a price of R1 each. A further R9.5 million of these shares will be placed privately during the current financial year.

I am pleased to be able to report that satisfactory progress has been achieved in terms of our on-going programme to improve returns on assets. During the year the major portion of our fixed assets were revalued, and of course our returns on these enhanced values can be expected to be somewhat lower than would otherwise be the case. Our efforts will continue to be directed towards further improvement.

Future Prospects
1979/80 was an excellent year for many companies in South Africa, with a general air of confidence and buoyancy arising from the gradually increasing tempo of business activity and the financial strength of the economy. Buoyant conditions are generally expected to continue and indeed improve throughout the 1980/81 year, but sight should not be lost of the unfavourable political and economic conditions in the world generally and it would be unwise to assume that South Africa can remain insulated from world conditions.

The Group nevertheless is well placed to take advantage of prevailing opportunities and continues to be alert to threats and changes which may affect it. In the Directors' Report a number of new appointments are recorded, and I am pleased to report that we have a strong and dedicated management team who, I am confident, will be able to handle the challenges brought about by our acquisition of Hebox and H. Lewis.

Prospects for the year ahead are encouraging subject only to the debilitating effect of the drought on the results of the Sugar Division. The Group is aiming to achieve earnings of approximately 100 cents per share this year.

In conclusion, I would like to express my sincere appreciation and thanks to my colleagues on the Board and all employees for their efforts and devotion to the affairs of the Group during this past year.

C.J. SAUNDERS, Chairman
Maidstone, Natal
23rd May 1980

<table>
<thead>
<tr>
<th>Comparative Highlights</th>
<th>1980</th>
<th>1979</th>
<th>1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (R000)</td>
<td>308 036</td>
<td>230 990</td>
<td>160 061</td>
</tr>
<tr>
<td>Consolidated Profit</td>
<td>16 961</td>
<td>12 567</td>
<td>10 760</td>
</tr>
<tr>
<td>after Taxation (R000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per Ordinary</td>
<td>80.1</td>
<td>60.7</td>
<td>52.2</td>
</tr>
<tr>
<td>Share (Cents)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends per Ordinary</td>
<td>30.0</td>
<td>23.2</td>
<td>20.0</td>
</tr>
<tr>
<td>Share (Cents)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets (R000)</td>
<td>360 569</td>
<td>277 509</td>
<td>207 004</td>
</tr>
<tr>
<td>Ordinary Shares Issued</td>
<td>21 211</td>
<td>20 936</td>
<td>16 331</td>
</tr>
<tr>
<td>(000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Book Value per Share</td>
<td>92.6</td>
<td>64.3</td>
<td>50.4</td>
</tr>
<tr>
<td>(Cents)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Employees</td>
<td>23 155</td>
<td>21 545</td>
<td>16 716</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Assets involved 1980</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CONT
Review of the 1979/80 Year

It is with pleasure that I am able to report that our sales, profits and earnings per share are again at record levels. At 80.1 cents per share, our earnings are 32.8% higher than last year, and it is particularly gratifying to note that improvement occurred in most divisions.

Apart from the achievement of record financial results, the year was also one of expansion and growth for the Group. Important acquisitions were made in several divisions, whilst other divisions embarked on expansion plans aimed at improving efficiencies and increasing capacities. The profit enhancement which might be expected from these developments has not yet been felt by the Group, and our record performance reflected in these accounts is not as a result of such growth. The benefits from our expansion and acquisitions should start being felt in the 1980/81 year and be fully effective thereafter.

The results of the Sugar Division were again highly commendable. The tonnage of sugar produced was at all time record, and there was a further slight increase in the Group's share of the Industry due to the Melville acquisition last year and further development in the Ndwedwe area.

It is ironic that with the world sugar market now recovering strongly, the South African Sugar Industry should be facing one of its worst droughts on record, and accordingly is unable to benefit from the higher prices prevailing. Although our own growing areas have not suffered as badly as some, it is nevertheless inevitable that in the current year there will be a material reduction in the contribution of the Sugar Division.

The Building Materials Division experienced a strong upsurge in demand during the latter half of the year and this, together with the improved efficiencies and rationalisation benefits arising from the merger of Primrose and Corogroup, has resulted in an excellent profit contribution. Demand is still increasing and major expansions of facilities, including the recent acquisition of the Port Elizabeth Brick Co. Ltd., are being undertaken in all provinces to enable the Division to meet this demand. As a result of this continuing upsurge, even better results are expected in the current year, and from the overall Group's point of view the differing cycles in the building and sugar industries is thus once again proving the advantages of diversification.

It is particularly pleasing to report the improved results of the Textiles Division, since these results do not as yet reflect any benefits from the major expansion being undertaken at Tongaat. Demand is at a high level and the timeous completion of the expansion project should lead to substantially increased profits in the current year. Prilla Mills, which was acquired in 1977, is now operating at near capacity and is achieving the expected levels of profitability.

The acquisition of Hebox Textiles Limited will be of immediate benefit to the Division. There is significant scope for rationalisation of the product range and services and further benefits will arise during the future years as Hebox and Whiteheads become more closely integrated.

The improved results of the Foods and Feeds Division were largely attributable to successful export endeavours and a reduction in the losses sustained by the Poultry and Pie operations. Unfortunately, conditions in the export markets are such that the same level of success is not expected during the current year. The acquisition of H. Lewis & Company will have a major effect on both turnover and profitability. The strategic aspect of this acquisition that is most significant is the fact that Lewis will make the Foods Division more self reliant in protein supplies. Hitherto the Division has been vulnerable to wide price fluctuations and possible non-availability of these essential ingredients.

The Mushrooms operation again returned good results and production capacity is being expanded throughout the country to meet the increasing demand for mushrooms. The activities of the Division have been extended through the recent acquisition of the Deedar Asparagus Farm near Krugersdorp, Transvaal.

The Electrical Engineering and Electronics Division did not have a good year. Activity remained at a low level in the ship repair and electrical engineering fields and despite an increase in the level of activity in some areas, losses were sustained. The two-way radio communication business of United Electronics Corporation was sold during the year and two small companies were acquired—Specialist Offshore Surveys in the Cape and S.A. Electric Motor Manufacturing Company in the Transvaal. This latter acquisition will act as a vehicle for the expansion of the Division's Ayrodex repair process into the Transvaal.

Manpower

The development of the full potential of South Africa is dependent upon the social and political stability and progress of its people. A fair measure of the responsibility for social progress at least lies on the shoulders of employers. The responsibility has long been accepted by the Group and it's commitment to a Manpower Philosophy laid down many years ago was reconfirmed. Acceptance of a philosophy and its implementation are two different things, but considerable progress has been made, especially in regard to remuneration. The Peterson job evaluation system has been implemented in most divisions and will result in a non-discriminatory remuneration structure throughout all divisions.
**INTERIM REPORT TO SHAREHOLDERS FOR THE SIX MONTHS ENDED 31 MAY 1980 AND DECLARATION OF DIVIDEND**

**RESULTS**
The consolidated results of the Group for the six months ended 31 May 1980, together with the results for the same period last year and year ended 30 November 1979, are given below.

<table>
<thead>
<tr>
<th></th>
<th>Six months to 31.5.80 (unaudited)</th>
<th>Six months to 31.5.79 (unaudited)</th>
<th>Year to 30.11.79 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before Taxation</strong></td>
<td>7 841</td>
<td>4 007</td>
<td>16 221</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>3 060</td>
<td>1 615</td>
<td>6 227</td>
</tr>
<tr>
<td><strong>Minority shareholders' interest</strong></td>
<td>41</td>
<td>79</td>
<td>351</td>
</tr>
<tr>
<td><strong>Group profit after taxation</strong></td>
<td>4 781</td>
<td>2 392</td>
<td>9 994</td>
</tr>
<tr>
<td><strong>Non-trading items (not included above)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of ordinary shares on which earnings per share are based</strong></td>
<td>21 017 372</td>
<td>21 017 372</td>
<td>21 017 372</td>
</tr>
<tr>
<td><strong>Earnings per share (excluding non-trading items)</strong></td>
<td>22,6c</td>
<td>11,0c</td>
<td>45,9c</td>
</tr>
<tr>
<td><strong>Dividends per share</strong></td>
<td>9,0c</td>
<td>6,5c</td>
<td>21,0c</td>
</tr>
</tbody>
</table>

**REVIEW**
The above results show a 105% increase in Group profit after taxation from R2 313 000 to R4 740 000 for the six months to 31 May 1980. However, the rate of increase over the final six months will be materially lower, but Group profit for the full year will be significantly higher than for 1979.

It is expected that higher sales volumes and satisfactory trading conditions will continue, resulting in improved performances in all divisions, other than mechanical contracting; as a result of claims and rectification costs arising from past contracts, this division is expected to end the year with a small loss.

**DIVIDEND NO. 69**
The Board has declared a dividend of 9,0 cents (1979 — 6,5 cents) per share, which will be paid to members registered on 4 July 1980. Non-resident shareholders' tax will, where applicable, be deducted from dividends. The transfer books and the register of members will be closed from 5 to 11 July 1980, both days inclusive. Dividend warrants will be posted on or about 6 August 1980.

On behalf of the Board

J. E. Henderson
T. G. Coulson

17 June 1980

Registered office: Blue Circle House, 5 Keyes Avenue, Rosebank, Johannesburg, 2196.

FEDERALE
VOLKSBEOLOGINGS
BEKERK

PROFIT ANNOUNCEMENT AND
DIVIDEND DECLARATION

FOR THE YEAR ENDED MARCH 31, 1980

PROFIT ANNOUNCEMENT
The consolidated results for the financial year to March 31, 1980 are as follows.

As the previous financial period extended over 15 months, the comparative figures for that period have been recalculated on a 12 month basis.

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1979</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R'000</td>
<td>R'000</td>
<td>%</td>
</tr>
<tr>
<td>Turnover</td>
<td>729 576</td>
<td>454 981</td>
<td>60,4</td>
</tr>
<tr>
<td>Net income after tax attributable to ordinary shareholders</td>
<td>16 050</td>
<td>9 186</td>
<td>74,7</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>66,0</td>
<td>38,7</td>
<td>70,5</td>
</tr>
<tr>
<td>Dividend per share (cents)</td>
<td>22,0</td>
<td>18,8</td>
<td>31,0</td>
</tr>
<tr>
<td>Total shareholders' interest</td>
<td>268 283</td>
<td>170 579</td>
<td>56,1</td>
</tr>
<tr>
<td>Total assets</td>
<td>578 689</td>
<td>415 448</td>
<td>39,3</td>
</tr>
<tr>
<td>Net asset value (cents)</td>
<td>811</td>
<td>563</td>
<td>44,0</td>
</tr>
<tr>
<td>Financial ratio (%)</td>
<td>46,0</td>
<td>41,1</td>
<td>11,9</td>
</tr>
</tbody>
</table>

The satisfactory increases which have been achieved, both in respect of earnings and dividend per share, can be attributed to the excellent results achieved by the majority of companies within the Federale Group. Should the present favourable business climate continue for the rest of this year, your directors expect that Federale will also achieve good results in the current year.

DIVIDEND DECLARATION
A final dividend of 14,0 cents per ordinary share has been declared in respect of the six months ended March 31, 1980, payable to shareholders registered in the books of the company on July 4, 1980. This brings the total ordinary dividends declared in respect of the financial year ended March 31, 1980 to 22,0 cents per share.

Dividend cheques will be posted to shareholders on July 21, 1980.
Non-resident shareholders' tax at the rate of 15% will be deducted from dividends where applicable.
For and on behalf of the board of directors.

P.E. ROUSSEAU
CHAIRMAN

June 16, 1980

Registered Office
2715 Sanlamsetrum
Jeppe Street
JOHANNESBURG
2001

C.J.F. HUMAN
VICE CHAIRMAN

Transfer Secretaries
Central Registrars Limited
28 Harrison Street
JOHANNESBURG
2001
JSE is still alive and well

There was much good hard company news to chew over this week which helped to keep the Johannesburg Stock Exchange alive and well against a background of unrest in the Cape.

One of the highlights was the detail of the Pickard-Kanym food reshuffle. Kanym has long been regarded as a "good" investment, not only for its own food interests but also because of its coal interests. And now that its position has been further entrenched and because its earnings outlook is thus enhanced the outlook remains very positive.

Ascor becomes an interesting share because its assets will now consist of a 38 percent stake in KARO plus around R11 million in cash. Kanym plans to sell its rights issue, which will be underwritten by parent General Mining and the Kahn family will follow through on their rights. The money raised, around R22 million via a one-for-two issue at 700 cents, will not only accommodate this week's deal but also leave it with sufficient funds to expand further its coal interests.

Another deal of interest was Isaac Kaye's bid for Gaydon Southern Holdings who, as head of a consortium together with Peter Goldberg, will purchase Barburn Oil South Africa's 89 percent stake in Gaydon. Gaydon will sell its stake in Quinton Hazell and Gaydon shareholders will have the right to take up Quinton shares. After the deal Gaydon will have net assets of around R2.5 million, or 414 cents a share, in cash.

The consortium wants to retain the JSE listing for Gaydon — so bearing in mind that Isaac Kaye (the man behind SA Druggists and one of the parties that took over Greatermans) has some magic then Gaydon should be in for some interesting times.

Premier Milling, as was known in the market place, emerged as the bidder for control of Gallo Afrika and is offering 255 cents a share. Premier only wants sufficient of Gallo to consolidate, but is already assured of 55 percent, and will wind up with around 65 percent of Gallo's increased capital.

Gallo recently came in for the cold after two dry years, and is another share which has attracted renewed investment interest.

There was a rash of news from the South African Breweries camp with the annual report of Southern Sun earlier in the week and that of parent company SAB on Friday. Southern Sun is looking for a "satisfactory" increase in earnings this year.

The outlook fundamentally is tied to the overall outlook for the economy, the continued popularity of its hotels, and the movements of both local and international tourists.

Southern Sun plans a R15 million debenture issue to help fund its various expansion plans, but remains committed to a 70 percent distribution policy. So as earnings growth is virtually assured this year, so dividends should also rise.

Parent SAB says that the outlook for real growth in the economy is the brightest it has been for many years, in each of its divisions is a "mood of confidence and optimism". So there is another company which is able to predict earnings and dividend growth this year.

Barlow Rand was listed on the Frankfurt Stock Exchange for the first time on Thursday, and traded at around DM15. In his address chairman Mike Roholt again underlined board-room hopes to progress in the year ahead, and pointed out that Barlow has consistently grown at a faster rate than the country.

Friday saw the market saying goodbye to FCP which was traded for the last time now that the mined pension funds have bought out the shares at 314.5 cents a share. While earlier in the week investment trust Fugit clearly demonstrated just how good the stock market has been in the six months ended June. Not asset value at June 30 is estimated at 337 cents a share against 209 cents a share on December 31, and 144 cents a share actual one year ago.

Interim earnings rose from 0.97 cents to 7.23 cents a share and the half year payment has been hoisted from 3.6 cents to 4.5 cents a share.

On the gold front Ergo issued its annual report this week in which the chairman said that Ergo needs an average of 444 dollars an ounce to maintain last year's operating profit of $416, with the price already in much higher ground. Ergo should easily retain its popularity and following.

The target for gold treatment has been raised for the current year, and although the technical efficiencies continue.

Two deals which fell through Quino's talk of a concern of control, and Columbus Holdings proposed deal to buy Nucor (Pty) is off because pre-conditions were not met.

Columbus adds that it will however "actively pursue investigations of other possible acquisitions."

The offer to minority shareholders by Usat Trust to buy them at 32 cents a share still stands. Columbus's assets now comprise cash and secured funds totaling R610,000, equivalent to 33.5 cents a share.

Chairman Peter Gain is not known to let a setback upset him, so Columbus might still be a share with which to stick.
Why mortgage rates must rise

THERE seems little doubt that mortgage bond rates will go up by the end of the year, forcing home-owners to pay more for their property.

Pointers to the move come from last week's decision to increase fixed deposit interest rates.

David Alston, director of the Association of Building Societies, would give no hint in an interview this week of when mortgage rates are likely to move.

But he did say that the rates are constantly under review by the member building societies of the association, and that a review was likely to occur before the end of the year.

He also agreed that it was unlikely that the mortgage rate would be reduced, leaving only one way for them to go up.

Alston said: "Some investment rates were increased and that was to meet competition that was on offer from the general banks."

"It only affected the fixed deposit counter and the fixed period share counters. So apart from what one pays on new money being more than before, the existing counters have to run their term before one is affected by having to renew them at higher rates."

"So the effect on profitability is not immediate, although obviously in the long term the fact that one is paying more on deposits without charging more on one's loans is going to put one in something of a profitability squeeze."

"Does this now mean that the mortgage rates are going to go up? The rate will undoubtedly have to be reviewed before the end of the year and we do keep it under constant review," said Alston.

"But it would be premature at this stage to say whether or when. There is still a tremendous amount of liquidity about in the economy, so I don't think one must look upon this situation as the turnaround point having been reached in interest rates."

"There may be such a lot of money around that it will keep up a general downward pressure on interest rates unless the authorities use open market operations to mop up the excess liquidity."

"By and large, I would say rates as a whole will still continue to move sideways for a little while, but naturally we will have to keep the mortgage rate under constant review."

"There will be a much clearer picture in the last quarter as to which way rates are going to go. I wouldn't think the authorities would want them to come down any more . . . it's a question of when they start to go up."
MONEY market operations contributed more to 1979/80 profits than building society operations in the case of some societies.

Thus, commenting on Southern Trident's annual financial statement for the year ended March 31, 1980, managing director Allan Wentzel says he believes the outstanding feature of the excellent results is "the huge profit derived from our money market operations compared to that from our building society activities."

Chairman, Mr D Morgan, reports: "Due to an inactive property market during the early part of the financial year, surplus funds were invested in gilt and semi-gilt stocks.

"Active management of this portfolio resulted in increased overall yields and profits on trading."

Mr Wentzel (ex-African Bank MD) elaborates: "Profits accrued through our money market activities amounted to R261,000 which represents the major proportion of the society's profits."

Because building society dividends are pre-determined, actual operating profit is calculated by subtracting total dividends from excess of revenue over expenditure.

In Southern Trident's case, the actual profit is R49 000.

This means that had it not been for Southern Trident's money market activities its actual profit could have been a negative figure.

The report also says that Southern Trident — ranked sixth among SA's building societies — has increased its total assets by R61.7-million to R552.8-million representing a 21.22% growth rate.

Total deposits for the year increased by R231.4-million of which R188.9-million was savings deposits and R22.3-million fixed deposits.

Despite the society's ongoing computerisation programme, due for completion by February 1981, it cut back its overhead costs by about R300 000.

Mr Wentzel comments that with its overhead structure, the society needs to be in a position to build up its business by increasing market share.

This, together with a solid determination to better the society's return on capital employed, has led to plans to open four new branches this year.

Somerset West and George in the Cape will each get a branch while two will be opened on the Witwatersrand later in the year.
Ladofca’s as ugly as ever — despite the knight’s call

IN spite of her being given beauteous status by Parliament, Ladofca (not a Russian spy but the limitations and disclosure of financial charges Act) is still very much the subject of discussion in Johannesburg — and in Pretoria.

After my criticism last week of Ladofca in which I said that the R100 000 ceiling on leasing and hire-purchase transactions was far too high and that the inclusion of companies was unnecessary if the intent and purpose of the legislation was to protect the “little man” I was telephoned from Pretoria.

It was much a more-in-borrow-than-in-anger call from an influential Authority. I was told that I did not understand the intent and purpose of the amended law.

“Ask the banks,” I was told, “why they registered such strong protests about the R100 000 ceiling when the banks didn’t even participate during the negotiating stages before the amending Act was drafted that big borrowers never had to pay top rates of interest. The limitation of charges was designed to protect the little man.”

I suggested to the Authority that there were mighty few “little men” who looked for R100 000 worth of leasing or hire-purchase.

“Well,” it was put to me, “there are also the farmers.”

Apparently R100 000 doesn’t go far these days when a farmer needs a new threshers (about R60 000) and a new tractor and a few other bits and pieces around the farm. And that farmer needs protecting. He isn’t a match for the financiers who might take him for a ride.

Frankly, I don’t wear that one. Farmers in a big way of business, those who need agricultural equipment worth a couple of hundred thousands, aren’t the simpletons it is alleged they are. They mightn’t be shrewd businessmen — although many of them are — but they do what seems enough to consult their bank managers, and their lawyers, and their accountants before they even talk to paper. There is still an outdated tendency to treat farmers as if they were babas. If they were, they wouldn’t be able to survive. But be that as it may.

I asked the banks what about that R100 000 ceiling in view of the Authority’s comments. They agree that big borrowers who don’t need the protection of Pretoria know how to negotiate rates of interest on leasing and hire-purchase deals. And by the time they have screwed the banks, the rates are usually well below statutory levels.

But, said the banks, why have controls at all?

In a free and open market place, market forces, competition and the eagerness of everyone to do business will always ensure that rates are keen. All a buyer has to do is to shop the market.

Sure, there is validity in that argument, but how many private citizens know how to shop around the market for the keenest rate? On the other hand, how many private citizens want R100 000 worth of credit? And how many banks would extend that amount of credit to any Tom, Dick and Harry? After all, no banker wants bad debts.

Pretoria has a point if it is seeking to protect people, but the bankers also have a case. They don’t want controls, particularly since the Association of General Banks has drawn up a code which has had an official nod — that has introduced ethics into an industry which did run a little wild in the past. Perhaps that’s just the trouble: Ladofca is closing the stable door after the dark horses have bolted.

But to come back to the other point: why include companies if the purpose of Ladofca is protection of the little man, and it was at this juncture that the voice of Authority was most vibrant?

I was told that there are countless small businessmen, new-comers to commerce and industry, whites and blacks and browns, who registered companies and that these companies and their inexperienced shareholders need protection and all the help they can get.

There certainly is compassion in that argument.

NEWCOMERS, and particularly the blacks and the browns, who are taking their first faltering steps in the free and open market place, are acquiring the experience which they need if they are to stand up and compete. In any case, most banks today have a positive attitude towards teaching the unlettered and helping them get on.

I’m not suggesting for one moment that all the bankers in the business wear haloes instead of black hats and that they are as hard-hearted and as tough as they have ever been. They’ve got to be if they are to survive. But they are practical businessmen who take only the calculated risk, which means that they need more than a 51% chance before they put out their money.

But by the same token I do believe that, with the best motives in the world, the authorities in Pretoria are inclined to be overprotective and that in the long run this attitude does more harm than good for the free enterprise system. One must ask, as attractive as she might appear in the eyes of the authorities, do we really need Ladofca?

Ladofca mag uit hierdie eksamenkrif nie.
fund proposals

Radical socialism

The fact that the legislation is likely to lead to mass strikes among the fund members is a matter for concern. The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

O'Farril believes that the pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.

The pension fund is not only a business concern, but also a social institution. It is essential that the fund members understand the implications of the proposed legislation. The pension fund must ensure that the workers are not exploited and that their basic rights are protected.
Huge rise in banks' HP lending

By HAROLD FRIDJHON

MORE than R700-million was pumped into the economy in the 12 months to March for hire-purchase and leasing transactions by the hire-purchase, savings and general banks, according to figures in the Reserve Bank Quarterly Bulletin.

Hire-purchase loans rose 44% from R1 230-million to R1 783-million at the end of March 1980 and "merchandise leases" increased from R97-million to R1 178-million — 20% up.

These advances by the general banks undoubtedly made a big contribution to the big boost in the sale of motor vehicles and to the sharp upturn in the demand for other consumer durables.

The general banks have been falling over one another in their offers of loans to the public. They have not only been advertising the availability of funds but they have been competing in the speed of their service to provide the money with which to conclude deals.

Many of the general banks are controlled by the commercial banks which have been funneling money into their subsidiaries because the demand for overdrafts and other commercial loans has been sluggish. In the year to March total advances by the commercial banks rose by only 13% to R5 815-million.

This is really a slow growth rate at a time when the economy has progressively gathered momentum. One would have expected that the demand for funds would have been stronger.

On the other hand, the freedom of the banks to lend has been constricted by the ceilings imposed by the Reserve Bank. This might have had a retarding influence on banks' decisions. But, probably, a bigger restraining influence has been bank rate which has pegged the overdraft rate at a time when short-term rates have been falling steadily.

The Reserve Bank has held its rate at 7% since the middle of August. This means that the prime overdraft rate of the commercial banks is 9¾% and there are few borrowers who qualify for the prime rate.

The result of these out-of-line rates is that there has been a tremendous amount of off-balance sheet financing which is not shown up in the official statistics. For a small fee, banks are endorsing a wad of commercial paper stretching from trade bills to out-and-out T0Us which enable good names to borrow well below the official rates.

Some indication of the increase in "cheap" lending is the spurt in acceptance credits granted by the merchant banks. At the end of March acceptances stood at R3 365-million compared with R914-million a year previously. This is a 33% increase in a facility which, technically speaking, is not entirely off-balance sheet, but it does give some idea of the demand for credit.

And yet this huge expansion of credit, on balance sheet and off, does not appear to be making a significant impression in the flood of liquidity in the economy. In the year to March the commercial banks' total liabilities to the public rose by 20.7% from R10 008-million to R12 177-million compared with a growth of 13% in the previous year. And this is the tip of the iceberg because bank deposits are only one of many outlets for cash.

What these figures really mean is that so far demand for new investment in fixed assets and stock has not yet built up to the force which is necessary for the next stage of economic development.
Societies could face a shocker

A BIG shake-up may face the building societies next year. That could have important consequences for home loan mortgage rates.

The second report of the De Kock Commission, expected around the end of the year, will make far-reaching policy recommendations on the whole nature of monetary and interest rate policies in South Africa.

It is certain to follow the philosophy of the first report, on exchange rate policy, and urge the Government to move closer to a free market framework.

Surname:...

Number:...

First Name:

Date:...

Degree/Dip you are registered for:...

Subject (to be completed):...

Paper No. (to be completed):...

NOTE CAREFULLY:

1. The answers must be marked in ink, not ball point pen.

2. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.

3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.

4. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.
Barclays Bank offer to Corlett creditors

BY TONY STIRLING
Chief Reporter

A MOVE is being made to bring the troubled property giant, Corlett Drive Estates (CDE) out of judicial management.

Barclays Bank, the major creditor, has submitted an offer of compromise to the judicial managers which is to be considered soon by the other creditors. Just how much Barclays is offering against the claims of the other creditors could not be ascertained yesterday.

The move by the bank—discussed at last week's 11th meeting of the joint judicial managers—came after an application to the Supreme Court for liquidation had been launched by a Cape creditor who brought a ceded R50 000 claim against CDE.

By agreement with the joint judicial managers, who are opposing the action, the hearing was postponed to later this year.

However, though the other major creditors have indicated that they would be opposed to liquidation, Barclays Bank—who, according to the latest financial accounts, have put altogether a massive R142 million into CDE—were because of the application, hesitant to provide the company with further financial backing.

In terms of the offer of compromise, Barclays Bank would acquire control of CDE, which it has tied over through five years of judicial management by pumping in R34 200 000. At the date of judicial management, the bank was owed R8 082 000 on overdraft.

This action by the bank probably saved the investments of many who bought stands worth a total of about R176 million from CDE. Only a small proportion lost their investments under judicial management.

The company, which was owed R148 million by its debtors when it went into judicial management, was debtors of R3 491 000.

According to the latest financial accounts, the original holding company of CDE, Jessel Properties, is owed R1 243 000, and subsidiary companies R5 520 000.
ASA income doubled (53)
By ELIZABETH ROUSE

ASA, the American investment company with a top-class gold-share portfolio, doubled its dividend income to R18,097,421 ($22 million) in the six months to last May from R9,263,685 ($10,790,000) in the 1979 half-year.

Its portfolio, consisting of 16 high-priced gold shares and nine other mining shares and Sasoil, reached a value of R424,746,815 ($543,675,695) at the end of May.

Its cash assets amounted to R13,714,468 ($16,338,519), or 2.9% of total assets of just over R437 million ($560 million).

Investments include East Drie, West Drie, West Deep, Buffels, Harties, Southvaal, Vaalkeels and Resfontein. It has a De Beers holding of 1,325,000 shares, a sizeable holding in TC Lands, and some Implats, Ruplints, Amcoals and Trans-Natalis among its non-gold investments.

ASA's net asset value increased to R45.57 ($58.33) at the end of May from R25.14 ($30.94) a year ago. Earnings a share were up at 182c ($2.34c) from 90c ($1.07c).

The chairman, Mr Wesley A Stanger, says in the interim report that inflationary trends throughout the world and a troubled Middle East seem to indicate no lessening of the importance of gold in the minds of people.

"South Africa's importance to the Western nations both as a military standpoint and as a source of strategic metals becomes more evident as time passes."
Bankovs ponders rights issue

Deputy Financial Editor

BANKOVS PUSHED up declared taxed profit 38% to R190 000 in the year to March, but returned only 7% on shareholders' funds of R11 300 000. This compares with between 15% and 22% of the bigger banks.

This is revealed in an annual report published yesterday, which shows that Bankovs is suffering from a severe capital shortage. The managing director of the bank, Mr E T J van Rensburg, acknowledges a rights issue may soon be necessary.

Even though profits moved ahead sharply off last year's low base, the dividend was held at 6c. This was because dividend cover, not to mention the capital base, badly needed bolstering. With earnings at 11c a share, dividend cover is still only 1.8.

Total assets grew 26% to R229 600 000, thanks mainly to a 30% rise in advances to R158 500 000. Cash and short-term deposits soared 66% to R19 500 000, indicating an underfunded situation because of the credit ceiling.

On the liabilities side, deposits rose 27% to R217 100 000.

Growth off last year's base was certainly most impressive. Indeed, it was growth that led to the tight capital situation — and probably the maintained dividend.

In the current favourable banking climate, there is plenty of further recovery potential in Bankovs, but not until the rights issue is out of the way and the bank demonstrates that it can compete with its bigger brothers in earning a better return will the share go stronger.
SA Perm warns on house prices

By SIMON WILSON

THE ALARMING rise in house prices had been aggravated by the abundance of home loan finance, Dr Frans Cronje, chairman of the SA Permanent Building Society, said yesterday.

He said at the Perm's annual meeting in Johannesburg he was concerned at the rate of increase in house prices, and at the steep rise in building costs which had averaged 2% a month.

The building societies had played a significant part in stimulating the construction sector of the economy and thereby providing many job opportunities.

"However, an unchecked rise in prices will result in home ownership becoming beyond the means of many South Africans," Dr Cronje said.

Building societies had helped the authorities throughout the year under review to improve the 99-year leasehold scheme so that it could provide home ownership for many blacks as possible.

"I wish to record my thanks and appreciation to all who worked relentlessly on this project because I believe it is our national duty to bring about a better lifestyle for all our peoples," Dr Cronje said that the Perm's assets, at R2 435-million, had doubled over the past five years. Total assets had increased by a record R605-million, which was 50.8% more than last year's growth figure of R286-million.

The Perm lent R588-million in the year under review — R2 700 000 a working day. Lending reached an all-time high of R5-million a working day in February and March.

Seconding the motion at the meeting, Professor D J Du Plessis, principal of the University of the Witwatersrand, said a great deal more needed to be done before the 99-year leasehold scheme became a proposition for the average black family.

"I am quite certain that blacks will not be totally satisfied until freehold home ownership becomes possible for them in urban areas. This, I believe, is going to be inevitable in the long run and the short step from the 99-year leasehold to freehold should be taken now. "It will give potential home owners the additional incentive they require to make use of the scheme on a large scale, with the resultant benefits for all sections of the community."
TONGAAT
Diversified gains

Affiliates: The most diversified of the sugar companies, with interests in food and feeds, building materials, textiles and electronics. Holds 34% of Biakloy through S & F Investments. Nissin American holds 17.4% of the Equity.

Chairman: C.J. Saunders, vice-chairman B.W. Sturman, managing director A.D. Harkaway.

Capital structure: 87.2m ordinary shares of R1.70 each on issue, 4.8m red cinamomum preferred shares of R2.50 each, and 2.8m 8½% red cinamomum preference shares of R2.50 each, issued at R1.50 each.

Financial: Year to 31 March 1983 shows strong growth in earnings, with net earnings of R1.3m, a 38% increase on the previous year. Dividends raised to 2.5c. Current ratio 2:1. Group cash flow R13.3m. Capital commitments R45.4m.


Yield on ordinary 8.4c; on dividend 13.5c (P/E ratio 8)

Return on cap ret 10.7 10.3 10.6 10.9

Tonnage (ton) 145 146 221 231

Pre-tax profit (ton) 12.4 13.3 29.8 28.0

Gross margin % 11.7 11.9 11.9 11.6

Balance sheet: 63.0 66.0 88.9 88.7

Dividends (c) 24 35 232 30

Net asset value (c) 495 478 467 461

After last year's record profit, Tongaat has given a clear indication that earnings will grow at least 25% to 40% in 1984. This year's profits are expected to be significantly higher, and the company is confident of achieving this target.

The textiles division, which accounts for 15% of total earnings, is expected to show a significant increase in profits. The food and feeds division, which accounts for 25% of total earnings, is also expected to show strong growth.

The building materials division, which accounts for 50% of total earnings, is expected to show a slight decline in profits due to increased competition.

The company is also planning to expand its sugar production capacity, which is expected to increase profits by 15%.

Tongaat - diversification effects near term sugar problems

In future, the company plans to diversify its operations further, with a focus on the food and feeds industries.

The company is also planning to increase its sugar production capacity, which is expected to increase profits by 15%.

Tongaat is also planning to acquire a sugar refinery, which is expected to increase profits by 20%.

Tongaat's diversified operations are expected to ensure a steady flow of earnings, with a focus on the food and feeds industries.

The company is also planning to increase its sugar production capacity, which is expected to increase profits by 15%.

Tongaat's diversified operations are expected to ensure a steady flow of earnings, with a focus on the food and feeds industries.
to fund part of the acquisition prices.

The forecast for the next three years points to earnings of more than 100c in 1983. The ability of the group to give such a firm forecast is based on diversification which allows poor seasonal performances in some divisions, like sugar, to be more than offset by others. In addition, Tongaat is liquid and there are significant prospects for rationalisation. The fact that the group tends to be conservative augurs well for earnings to exceed 100c this year from which dividends of over 3c are in prospect.

The market obviously takes a more bullish view having rated the share at 710c on a low 4.2% historic yield — a better rating than even Barlows which stands on a 4.4% yield.

Des Kibbick
14.7% return for Boland shareholders

Deputy Financial Editor
Boland Bank, South Africa's fifth biggest bank, pushed up declared taxe profit 23% to R3 774 009 in the year to March 31 to earn a return of 14.7% on shareholders' funds of R2 659 690.

This is revealed in the annual report published today.

Because of an increase in the number of shares in issue, earnings per share rose only 12.6% to 61.5c. The dividend was raised 10% to a 2.5 times covered 52c (50c).

Total assets rose 12.6% to R439 616 000. Total advances rose 22% to R254 027 000, with debtors and loans rising 22% to R195 895 000, reflecting growth in hire-purchase and lease business. Loans against mortgage bonds declined 3% to R146 158 000, reflecting a drive to reduce property exposure.

Total liabilities to the public rose 7% to R389 917 000, with savings and fixed deposits up 8.4% to R33 373 000. Creditors and provisions gained 22% to R9 730 000.

The bank has a comfortable capital surplus and at the year-end was in a position to accept another R6-million in deposits. This should enable further growth without a rights issue in the year ahead.

Boland holds 30.4% of Mercant and, before the merger with Guardian, owned 12% of Unibic. It will not accept cash for its Unibic holding, choosing to stick with Guardian Unibic.

Because Boland pays for most its deposits, falling interest rates should benefit it, but this tendency is partially offset by the large fixed deposit component. In an era of plunging interest rates this may well have impeded profit growth, although the declared profit is probably a substantial understatement.

But at least Boland Bank's vulnerability to rising interest rates is diminished by the deposit make-up. At 86c, the share yields 7.7% on the new dividend, which was probably the stingy rate to permit further growth without a rights issue. The share is solid, if a little unexciting and at the current yield looks reasonable value compared with other banks.
DEPOSIT RATES

Adjusting the prices

The building societies raised their fixed deposit rates in line to bring them into line with the retail rates paid by the banks, but both bankers and society managers are swifter to draw that this constitutes an interest rate war.

Building Societies Association director David Attenborough admits there was a diversion of depositors' funds from the societies when the banks raised their rates in April.

Fixed deposits rose by only 1% between September 1989 and March 1990, against 7% in the previous six months. The shift was particularly noticeable in long-term funds (three to five years), on which the banks offered 9% against the societies' 7.5%, until the June increases.

But the annual rise in building society deposits from March to March was still well in excess of the rise in mortgage lending. The rate increases were prompt.
ed by the competitive need to maintain market share. They do not, says Alston, constitute the opening salvos of an engagement that will cause a steady upward movement in these rates.

Alston also denies the assertion by one banker that the societies are beginning to compete aggressively for deposits because they fear the prospect of losing substantial subscription share funds over the next few years. The tax benefits attached to these shares were reviewed by the Standing Committee on Taxation Matters, and in March it was decided to reduce the individual tax-free ceilings to R50 000 from R150 000 over four years.

"In theory, investors currently holding the maximum amount could disinvest. But the Association is considering ways and means of retaining these funds. Depositors could, for instance, invest the full amount while drawing tax-free benefits on only one third."

The increase in the building societies' rates has come three months after the bank increases, and with some mortgage lending rates as low as 10%, there was no doubt a reluctance to squeeze margins by matching the 9% long-term borrowing rate. So the movement of long-term money to the banks was probably the motivating factor for the societies.

The banks maintain that they have seen a steady increase in their fixed deposits in the last year. This is more noticeable among the general banks, where the 12-month rise to March was 17%, against a 23% increase in lending. Commercial banks' deposits rose by only 5%, compared with a 12% increase in lending.

Much of the growth in deposits is a result of switching from savings to fixed deposits. On the wholesale side, corporate deposits (mainly from the mining houses) are said to be pouring in.

**Rate matching**

But a sudden upsurge in lending is not expected, although the current high growth patterns will probably continue. The banks maintain that they are, in any case, sufficiently liquid not to have to chase deposits. Rate matching is a form of price adjustment, they add. It is merely a way of holding existing market shares and maintaining deposit mixes.

According to Nedbank deputy MD Anton van der Merwe, the banks and building societies are consistently competing for funds, which is no more than a sign of economic health. Five-year money is considered to be the most stable, and therefore the most attractive in the banks' lending book. But it is difficult to come by at the moment, says Van der Merwe; depositors are reluctant to go beyond two years.

Nedbank, he adds, is looking forward to an increase in industrial borrowing in the more traditional form of overdraft, which has declined relative to acceptance credit, hire purchase and leasing. The statutory link of overdraft rate with Bank rate has kept it at artificially high levels, and made it progressively more expensive.

Standard's GM Arthur Daymond estimates that the comparatively low costs of disintermediated lending through acceptances and foreign bills (which are currently cheapest) has put a R500m dent in retail lending, probably permanently. "Banking ain't what it used to be," he adds. But lending in general has certainly increased; over the last year, credit card lending has doubled, personal loans are 20% higher, and quasi-government borrowing is being increasingly rerouted through the commercial banks.

Manufacturing and commercial retail borrowings have not risen much, he adds; there has been an increase in loan facilities applied for, but they are not yet being utilised.

Banks appear to be unconcerned about lending ceiling restrictions. Says one banker: "We're probably all over the ceilings and all paying penalties. The monthly half-percent rise is negligible. But I have no doubt that the normal pattern will be followed. After a three month delay, Pretoria will make de jure recognition of a de facto situation. We're not worried."
However, conventional fire insurance demands that the burden of proving that the act was not politically motivated rests squarely with the claimant. In the opinion of David Way, a director of insurance brokers Robert Entwesson, 'It is almost impossible for the claimant to discharge that onus of proof. In the case of the Vereeniging fire at SAMHIA even had not been obtained the publically stated opinion of the Commissioner of Police would not be relevant and no further sufficient proof in any court action that the insured would find strike against the members. The claimant has to prove conclusively that the losses did not result from influence government action or their acts.

Brokers at odds

But Denis Gamsy, MD of Alexander Howden, is at odds with Way, believing that the Commissioner of Police's opinion could hold water. He says: 'There is no practical alternative for companies who wish to enter themselves adequately but to purchase SAMHIA insurance.

Recent events have shown that riot cover is becoming a necessity but SAMHIA cover is considered expensive by most brokers.

Whether there in the businessmen's flesh is that there is no policy that offers cover for consequential loss of loss of profits and this could hit companies even harder than initial damages. Says Gamsy: 'It took the authorities a long time to establish SAMHIA, the avenue for political riot cover on fire insurance damage policies. Surely the public can expect immediate action to fill the gap, by SAMHIA making available cover for loss of profits I'm sure overseas investors will think twice prior to investments in SA if they can't obtain adequate cover.

Riot Insurance

Becoming a necessity

Last week's riot at Sabinet's Cape Town subsidiary Maxmore Knitting Mills highlights the need for adequate and appropriate riot cover insurance. The fire, causing damage estimated at between R500 and R700,000 was part of widespread violence and looting on the Cape Flats.

Exact causes of the massive Maxmore fire have not yet been determined. Newspaper reports have speculated on one of two probable causes: either a petrol bomb was thrown through a window or fires were burning in an adjacent area spread to the factory.

The Myers brothers - Peter and Neville - directors of the company, are reluctant to declare the extent of the damage. However, the company is covered by SAMHIA (South African Special Risks Insurance Association) which should ensure that whatever the cause the claims should lead to some recovery. Nevertheless, whether the fire was caused by vandals or was politically motivated is highly significant in terms of their insurance claim.

Conventional cover usually excludes any act calculated to overthrow or influence any government authority with force, or by means of fear, terrorism or violence. Also excluded is any act calculated to further any political aim or to bring about social or economic change, or protest against any government authority for the purpose of inspiring fear in the public.

According to the Commissioner of Police, the widespread violence and looting on the Cape Flats last week was conclusively due to a 'skilful' element, and the Myersons are right behind him.
In SWA/Namibia, anchovy are again proving to be a saving grace as pilchard catches plummet. Catches this year have been very satisfactory, Epstein says. On the other hand, the contribution to profits from the Luderitz lobster operation will be substantially less this year because of the low prices which prevail in the US and Japan.

The group has started a joint venture in a tuna fishing company, but this is still in its early stages and results are as yet uncertain. There is also a joint venture with Blue Continent in a crab operation. Though this never really got off the ground after being badly hit by the fuel crisis, Epstein says Kaap-Kunene has no intention of selling out.

The property sector is now in a position to make a more substantial contribution to earnings, having contributed a meagre 0.5% of taxed income last year. Further acquisitions are in the air, but Epstein believes there is nothing imminent. With little long-term finance being carried, financing of acquisitions would have to be done on an ad hoc basis. However, with short-term deposits and other cash reserves around the R7m mark at year’s end, cash outlays for medium-sized purchases would be no problem. Since the year-end, Epstein points out, the group has acquired a purse seine fishing boat for the Walvis Bay operation which was paid for out of these funds, and which cost between R1.5m and R2m.

The directors point out that earnings for the year are likely to be lower than last year, but they add that every attempt will be made to maintain dividends of 16c (12.5c).

If the group moves quickly to back up existing operations the dip in earnings may not be too severe and the group’s already lessened reliance on SWA/Namibia’s fishing resource must be an advantage. At the current 12c, yielding an historic 12.5%, the share is worth a speculative hold.

Financial Mail June 27 1980
Govt allows loans for black business

By Derrick Themba

The Government has empowered the Industrial Development Corporation to grant loans to black businesses, the National African Federated Chamber of Commerce (Nafrocc) said yesterday.

This, according to Mr M Mahanyele, an executive director of Nafrocc, emerged this week at a meeting in Pretoria with the Minister of Co-operation, Dr Piet Koornhof, Mr Louis Rive and other Government officials.

Dr Koornhof had also promised that at the next parliamentary session, the Government would look into three Bills to fall in line with the Biebert Commission recommendations.

The Minister also promised to consider firearms for urban black businessmen. "Those who have had their applications turned down can apply again," said Mr Mahanyele.

The effects of white business involvement in black urban areas was discussed and the Minister had promised to protect black businessmen.

Dr Koornhof had said that liquor outlets, now run by Administration Boards and Community Councils, would fall under black businessmen.
ANGLO AMERICAN

Gold funded growth

Activities: Mining finance house with major interests in gold, coal and diamonds as well as important insurance and industrial interests. Apart from its own operating companies, Anglo controls JCI and has a 12.5% interest in Consolidated Gold Fields.

Chairman: H P Oppenheimer.

Capital structure: 225,30m ordinary shares of 10c; 40m cum redeemable preferred of 3.5c; 4.8m cum preferred of R1. Market capitalisation: R3,875m.


Investments:
- Book value (Rm): 528,938,979,110
- Market value (Rm): 1,102,229,398,423
- Investment income (Rm): 87.2, 2142, 220.6, 321.4
- Earnings (c): 65.2, 67.8, 90.1, 139.1
- Dividends (c): 33, 45.25, 48, 70
- Net asset value (c): 769, 1,025, 1,643, 2,397

This time last year, two things were very clear about the greater Anglo group: it was on the verge of a major reorganisation; and growth was set to be fuelled largely by gold. As it was, both developments went well beyond what most analysts had expected to predict. Could it be that the same will apply this year? Almost everything appears to be pointing that way.

Last year’s reorganisation resulted in millstones such as Seland-Pikwe and Cleveland Potash being hung about stronger corporate necks. And that has left the off-shore Charter, Charter and Munro more soundly placed to pursue their own developments. Meantime, since the raid in which Anglo and De Beers carried away 25% of Cons Gold, developments have left the group in a position where it could consume its reserves and achieve its ultimate aim of gaining direct control of GFSA (Fox June 27).

At least for the current year, most growth will come from gold - either directly or through further acquisition. On an effective 1979 gold price of $360, 52% (37%) of last year’s dividend income was gold sourced. This year, the contribution is likely to be well over 60%. Diamond income seems set for a period of consolidation, while industrial distributions could be under some restraint if retentions are increased to help fund increased development and working capital requirements.

But though non-term prospects are attractive, the group ultimately needs some major projects to maintain longer-term growth. And the simplest way for the cash-flush group to achieve that could well be through major acquisitions.

With the possible exception of the Erdeel/Dankbaarheid area, there seem to be no major upcoming gold developments. Further drilling is needed before the group’s mining rights in the southern DFS gold field can be evaluated. And even then, there is no certainty that Anglo can put together sufficient ground to match Union Corp’s two developments, Bessa and Beatrix. In the Eastern Transvaal, Anglo is trailing Anglovaal in its exploration programme. So even if viable gold deposits are defined, their full exploitation may be 10 years off.

For different reasons, uranium exploration in the Karoo, SWA and near Alexander Leases may not result in any new mines in the near term. Uranium prices are depressed, and likely to remain that way for several years.

Most likely as far as the next two or three years are concerned is that new mine developments will concentrate on coal. The corporation now has coal reserves of 7700Mt and has, since the year-end, announced an expansion of the Escom-tied New Denmark colliery. That, however, is unlikely to contribute to earnings until 1984. Nor, for that matter, is there likely to be any contribution from Erdeel/Dankbaarheid until the late eighties.

Almost no matter what happens to bullion, this year’s contribution from Randfontein, which may probably be at best token, its contribution to dividend income will only start in half in fiscal 1992.

The situation is different as far as non-mining activity is concerned. Last year, dividends from non-mining interests rose to about R61m (157m). They should be up again this year, but any spectacular advance next year may be out of court. By that stage some of the steam could be running out of SA’s boom, plants will be operating near capacity and retentions could be increasingly important to fund operations and capital spending.

In short, the group’s earnings growth over the next year or two will depend largely on gold. And though it is difficult to be bearish at present, gold’s advance will almost certainly come to an eventual stop and even suffer short-term set backs. Not that that is a great problem. Gold has averaged $294 this year, and is unlikely to average less for the whole year. And while supplies of new gold to world markets remain below last year’s levels, there should, at least, be solid support in the $600s despite the US recession.

Harry Oppenheimer... still on the takeover trail?
could reach R400m this year, putting group’s earnings on a new base of up to R600m. Deploving that should present no problems in the medium term. But fastest returns will be through further acquisitions.

On that basis, the up-coming bid by BI for Seltrust could well trigger further reorganisation of the greater Anglo group (Fox June 27). One likely scenario is that a greater direct stake will be acquired in GFSA, beyond the 10.9% held through Angold.

That is, perhaps, the group’s priority objective. But it is almost certainly not its last. Taking complete control of JCI could depend on internal politics at Anglo, particularly as chairman Harry Oppenheimer steadily reduces his direct participation in the group’s management. But the fact that during last year’s group reorganisation, Charter’s 4.2% Rustenburg stake went to Anglo and not to JCI is a pointer to the group’s strategic planning.

Making further acquisitions while funding new developments is unlikely to strain resources while gold earnings remain strong. Group losses soared last year to R1 590.6m (R609.4m), but on the basis of present and projected cash flow, there remains considerable scope for a further increase in borrowings. The group’s capacity for mobilising funds both internally and externally is probably greater than at any time in its history. Its success or otherwise in putting this to effective use will power developments into the next century.

However, ignoring the non-controllable effects of further gold price rises, Anglo’s size is such that in the longer run it will find it difficult to make earnings grow at a significantly greater rate than that of the economy. Based on end-March figures, even with an average gold price in the 8600s, the taxed return on end-March assets seems pointed towards 10%.

This year’s distribution, clearly, is highly dependent on gold’s performance. But there should be little difficulty earning more than 200c, and no reason why dividends should not exceed 160c.
Sanlam sees vigorous growth until mid-1981

By HAROLD FRIDHON

VIGOROUS growth of the South African economy until at least the middle of 1981 in spite of the “draetic deceleration” in the growth rate of the world economy is predicted in Sanlam’s economic survey for June.

The insurance group’s survey says that if this prediction eventuates it will be the most prolonged upswing in the South African economy since the second World War.

Noting the considerable expansion in the economy since the middle of last year, Sanlam attributes this to the sharp improvement in consumer and business confidence resulting mainly from:
- the higher gold price,
- tax reductions,
- large wage and salary increases and
- expectations that these favourable conditions will continue for a considerable time.

The Sanlam review has taken a bold line by stating definitively that “the capacity utilisation in private manufacturing has increased...” such extent that considerable capacity expansions may be expected in the coming 12 months. This anticipated increase in capital spending will give extra momentum to the revival in the economy.”

It is encouraging to find Sanlam taking such a firm line. The economy has been awaiting news of new capital investment programmes because these should generate the additional employment which South Africa anxiously needs.

If the Sanlam prediction is right, it means that some of the excess capital awaiting investment will be drawn into these expansion plans and it might lead to a hardening of rates. And this view is confirmed in the insurance group’s review.

“We expect that although the domestic liquidity situation will remain comparatively easy in the latter half of 1980, short-term rates will nevertheless tend upwards owing to an increased demand for funds in conjunction with the rapid rate of expansion in economic activity currently being experienced. Action by the authorities in the money market undoubtedly remains an important factor.

“With regard to long-term interest rates, events of the past month have confirmed that rates are in a rising phase at present. The extent to which large investors decide to withhold funds in the expectation that rates are going to be yet higher later in the year may have an important effect on the course of long-term interest rates in the next few months.”

This Sanlam comment is interesting because it emphasises the dichotomy of views in the capital market, with the authorities holding back in the expectation of higher rates and the authorities giving generous support to lower rates.
Volkskas FM 9/80

Avoiding dilution

Activities: Diversified banking group with extensive industrial interests, including Bonukar (62.4%) and Transvaalique Sukkerkorporasie (wholly-owned)

Chairman: Dr J A Harter; managing director: D P S van Huissteen.

Capital structure: 32m ordinaries of R1.15m 9.5% prefs of R1. Market capitalisation: R172.2m.

Share market: Price: 615c (1979-80: high, 625c; low, 390c; trading volume last quarter, 423 600 shares). Yields: 21.8% on earnings; 4.9% on dividend.

Cover: 4.3; P/E ratio: 4.6.

With economic conditions expected to remain buoyant, Volkskas is in a favourable position to maintain earnings per share this year. And that despite the 30% increase in its issued share capital as a result of the recently-completed rights issue.

The annual report confirms indications that last year’s profit growth came mainly from non-banking interests. In particular, 62.4%-owned Bonukar increased its contribution to group income from R1.3m to R5.1m. This represented half the overall R7.6m improvement in disclosed profits of R30.4m (R22.8m) before pref dividends.

A further 14% was accounted for by the strong growth of Volkskas Industrial Bank (mainly leasing) and the merchant banking subsidiary which, in aggregate, doubled their profit contributions. The commercial bank itself, however, seems to have languished with a net profit of only R15.6m. This was less than double the R8.6m earned in the second half of fiscal 1979 when the results of commercial banking operations were first disclosed separately as a result of the restructuring which established the listed company, Volkskas Group, as a bank controlling company.

Indications of slow growth on the commercial banking side are reinforced by the relative increases in deposits and advances between the three banks. The Volkskas’ accounts show deposits to be up about 7% and an 8% increase in advances.

This compares with the deposit growth of 69% at Volkskas Industrial Bank and its 65% increase in advances, while the merchant bank saw a 42% rise in deposits and a 19% gain in advances.

It is probable, however, that the group has been even more conservative than usual with its profit disclosure because of the possible dilution of earnings due to the increased share capital in the current year.

As it is, dividend cover has been increased to an historically high 4.5 times (1979: 3.9 times) which means that last year’s dividend total of 30c was about 4c less than would have been the case under normal conditions.

Most of the other banking groups are presently showing earnings growth rates in excess of 30%. And if Volkskas can match this, it would already be in a position to maintain earnings on its increased capital. Whatever benefits it derives from the R30.4m raised through the rights issue would therefore represent an earnings gain, which could be as much at 3c a share based on the present rate of equity return. This could provide a further 4c in dividends.

If the former dividend policy of distributing about 25% of earnings is resumed, the group should thus have a dividend potential of some 38c in the current year, a 27% improvement on the 1980 payout. This is much in line with expectations elsewhere in the industry.

At 615c, a 38c dividend puts the share on a prospective yield of 6.2%, which is roughly on a par with Barclays and Nedbank.
BONUSKOR

Coming right

Activities: Industrial holding company with interests in earthmoving, construction equipment, motorcycle distribution, farming, forestry, sawmilling and fixed property. Volkskas is the controlling shareholder with 62.4% of the equity.

Chairman: Dr J A Hurter; managing director: J A Botha.

Capital structure: 27,3m ordinaries of R1. Market capitalisation: R34.9m.


Share market: Price: 135c (1979-80: high 135c; low 121c; trading volume last quarter, 791,000 shares). Yields: 19.8% on earnings; 19.8% on dividend cover 3.5; P/E ratio: 5.1.

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on cap (%)</th>
<th>Turnover index</th>
<th>Trading profit/(loss)</th>
<th>Dividends (c)</th>
<th>Net asset value (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'77</td>
<td>6.4</td>
<td>209</td>
<td></td>
<td></td>
<td>130</td>
</tr>
<tr>
<td>'78</td>
<td>18.0</td>
<td>202</td>
<td></td>
<td></td>
<td>104</td>
</tr>
<tr>
<td>'79</td>
<td>10.0</td>
<td>180</td>
<td></td>
<td></td>
<td>113</td>
</tr>
<tr>
<td>'80</td>
<td></td>
<td>180</td>
<td></td>
<td></td>
<td>136</td>
</tr>
</tbody>
</table>

BONUSKOR's profit picture looks much healthier for the year to end-March, but the group is not yet out of the woods. The first dividend in four years indicates the degree of recovery already achieved under Volkskas' guidance, but financial structure still needs further beefing up.

A number of loss-making interests were axed after Volkskas bought Sanlam's stake in the group in 1978, including the disastrous Vesting property subsidiary. Assets from these activities are still being realised, but the directors stress that liquidation losses last year were negligible.

During the year, the Unva group was consolidated as a wholly-owned subsidiary after acquisition of the 60% outside interest. Manufacturing a range of products which includes white goods, pipes and industrial castings, this company should become a solid contributor to earnings.

The best performer in the group last year appears to have been motorcycle distributor Midmacor, which benefited from petrol price considerations and the general upswing in consumer spending. This company and those supplying the construction industry were responsible for 50% of the group's pre-tax profit while agricultural and timber interests contributed 47%.

Despite last year's substantial improvement in profits, BONUSKOR is currently growing from a low base after two bad trading years and the low tax rate of 25%. Due to the use of taxed losses, is not likely to continue for much longer. The balance sheet still contains reminders that all has not been well over the past few years - with a net cash flow of about R8.7m, the group must meet short-term liabilities of R31m. Last year, long-term debt was reduced by R1.7m but the debt/equity ratio is still high at 92.8%.

Obviously the subsidiaries must gear up to cope with increasing demand for their products. But last year's rate of growth in working capital continues, R13m-odd will be needed to fund more stocks and debtors. Management predicts that operating profits will improve in the current year. This will no doubt provide the cash flow to fund working capital, but perhaps at the expense of dividends and debt reduction.

At 135c the share yields 3.7%. No indication is given of this year's expected earnings, but if dividend cover is increased from last year's 5.3 times, shareholders may have to be satisfied with capital appreciation alone.

Peeke Hulke

Financial Mail July 4 1980
means, in effect, that they will not receive any income from their investment while the loan is outstanding.

When the shares come up for conversion, however, in September 1985, 1986, 1987 and 1988 (25% each year, on a one-into-one basis) they will have the opportunity of selling sufficient ords to repay the loan, leaving them with the balance of their holdings for which they will effectively have paid nothing.

The example being used within the group is that of an employee earning R3 000 a year who would be entitled to subscribe for 100 of the R20 ords, involving a loan of R2 000 from the trust. If, on conversion, the price of Liberty ords is 4 000c (it is now 2 000c), the loan could be repaid through the sale of 50 shares, leaving the holder with an investment worth R2 000, or two-thirds of his present salary as a bonus.

Liberty Life employees are soon to become shareholders in the group. In terms of a staff share scheme, and subject to shareholder approval at today’s meeting, all employees will be given the opportunity of subscribing for 7.5% convertible redeemable preference shares at the value of one-third of their present annual salaries.

These are the same R20 par-value shares which Liberty is issuing in its current one-for-ten rights offer. A trust will initially acquire a maximum of 300 000 shares to be made available by Glicor (the underwriter of the rights issue) and/or Liberty Holdings, which has indicated that if necessary it will give up a maximum of 284 000 out of its entitlement.

From the point of view of Liberty’s staff, the scheme is fairly imaginative. In practical terms, it could mean a substantial bonus provided employees stay with the group until the shares become convertible.

The trust will initially pay for the shares and will charge staff who take up the offer 7.5% interest on the loan. This

Liberty chairman Donald Gordon

...more than just thank you

But thus could prove conservative, as on the present yield basis of Liberty shares it would need dividends to compound at only 10% a year to justify a 4 000c share price in 1988. It is probably more realistic to assume that dividends will continue to compound at the same 17.5% annual rate of the past five years, in which case the 1988 share price on a 5% yield would be around 7 300c.

In this instance holders would be left with 73 ords worth some R5 300 after repaying the loan, or 17% of their present salary — certainly better than the usual word of thanks which company chairman dole out in annual reports.

Financial Mail July 4 1986
Anglo is wasting no time unravelling the complicated cross-holdings in the property portfolio (Property May 9). By juggling some R50m of real estate over the past few days, for example, it has left listed Sorec as master of its own house.

With the exception of a single block of flats in Johannesburg's Berea, Sorec now fully owns all the properties in which it has an interest. Where it held minorities, it has sold out to parent African Eagle, and where it holds a majority, it has bought out the junior partners.

And, just for good measure, Sorec (30%) and African Eagle jointly sold off African Eagle Life Centre in the Pretoria CBD to the Old Mutual for a record R15m.

The shuffle has left six additional companies wholly-owned and the holding in five others has been disposed of. Sorec thus takes over full ownership of the Firecard Street site on which Garden Plaza is being built (see Ampros, Civic Towers, Hill House's ITL House, Twentieth Century and Zambezi House in Johannesburg.

In Cape Town it has bought outsider interests in Gardens Centre (50%), and Sanso Centre (30%). In Pretoria, it has added the Opera Plaza site (30%) and the blue-chip Sunnypark shopping centre (44%) as wholly-owned subsidiaries.

At the same time, in Johannesburg it has divested its minority interests in the Civic Hill/Total House development in Braamfontein (30%), ICI Commissioner Street (35%) and the Russel Albert Street site (30%). An indirect 15% holding in Darnell Centre has also been sold.

In Cape Town, it has sold its shareholding in Shell House (25%) and the Strand Street site (45%). African Eagle Life Centre is the only investment in Pretoria.

Adding it all together after revaluation, Sorec has ended up selling some R17.3m worth and taken in about R14.3m.

The R3m shortfall has been covered by the creation of fixed interest loans from African Eagle and a small cash adjustment of about R63,000.

At first glance, the sale of Pretoria's African Eagle Life Building doesn't tie in with Sorec's new policy of concentrating on shops and offices.

But Ampros' financial director, Lee Whitfield says the arrangement suffered from the same disability as the others in which it held a minority: It could not control or direct the fortunes of the development.

Now, with all but one of its properties clearly held, it will have a free hand on management and control. It will also be in a better position to raise loans against the properties for several new developments in the pipeline.

In addition, it should end up with some cash in hand from the Pretoria sale for reinvestment in other projects. One of these is the Opera Plaza office scheme. There are already shops on the site and Ampros is now putting the final scheme together. The idea is to put up about 11,000 m² of offices.

Certainly the sale to Mutual hasn't left it short-changed. The insurance company seldom talks yields, but the PMI understands that initial return is about the same as the 7%-odd on which Anglo and Mutual reached the R11.204m price for Durban Bay House in May.

The PMI takes the long view, but there's certainly no-one in the entrepreneurial sector who would buy at that kind of rate.

Nevertheless, deputy property manager Derek Stewart-Findlay says Mutual is highly satisfied. It has been wanting a prime property in the Pretoria CBD for some time, he says, and approached Anglo only a few weeks ago.

The deal was thus struck inside a month and the test now will be to turn the investment to good long-term account. Some 60% of the space is taken by government leases which are due for renewal in three to four years.

At that stage policyholders can look forward to a minimum hike of at least 50% on their investment. Anything less, and it will turn out to be a lemon.

Financial Mail July 4 1988
S.A. SELECTED HOLDINGS LIMITED

Consolidated unaudited results of the Company for the year ended 28th February 1980:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>R1,000s</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,824</td>
</tr>
<tr>
<td>Estimated South African normal and deferred taxation</td>
<td>(560)</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>1,264</td>
</tr>
<tr>
<td>Minority shareholders' interest</td>
<td>(38)</td>
</tr>
<tr>
<td>Preference dividend</td>
<td>(28)</td>
</tr>
<tr>
<td>Profit attributable to ordinary shares</td>
<td></td>
</tr>
<tr>
<td>before extraordinary items</td>
<td>1,199</td>
</tr>
<tr>
<td>Extraordinary items: Losses (See note 6)</td>
<td>(262)</td>
</tr>
<tr>
<td>Earnings per share based on 12,000,000 ordinary shares and profit attributable to ordinary shares before extra ordinary items</td>
<td>10 cents</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>2 cents</td>
</tr>
</tbody>
</table>

NOTES:
1. Following the reconstruction of the Company, back-dated with effect from 1st January 1979, the above results include turnover and profits of the Intercontinental Group of Machine Tool Distributors and Engineering Companies. As the latter Group's results cover a fourteen months period of trading, these have been annualised for inclusion in these figures and, accordingly, turnover of R1,851,000 and profits of R64,000 have been omitted.
2. Preference shares have only been in existence since 7th December 1979.
3. Because of the above circumstances, any comparison with previous turnover and profit figures would be meaningless, and are accordingly not shown.
4. The Annual Report, which will be published not later than 31st July 1980, will contain a full review of activities of the different divisions of the Group and set out their prospects for the current year.
5. It is the Directors' intention to dispose of the 76 per cent interest the Company owns in Sinclair Holdings Limited during the current year. The investment was inherited upon the reconstruction referred to above, and bears no relation to present Group activities.
6. During the year Sinclair Holdings Limited disposed of certain unlisted investments at a loss applicable to your Company of R231,000.
7. Your Company raised a loan to purchase the shares in Sinclair Holdings Limited, the interest on this amounting to R1,000,000 for the year. In view of the fact that your Board is confident of disposing of this investment at a figure in excess of the book value of the shares, the interest paid has been capitalised to the cost of the shares.

DECLARATION OF DIVIDEND

Notice is hereby given that a dividend of 2 cents per share in respect of the year ended 28th February 1980 has been declared payable on 26th September 1980 to Shareholders registered in the books of the Company at the close of business on 5th September 1980. The share transfer book and register of members of the Company will be closed from 8th September 1980 to 19th September 1980 both days inclusive. In terms of the Income Tax Act of 1962, as amended, non resident Shareholders' tax of fifteen per cent will be deducted from the dividend payable to Shareholders whose addresses are outside the Republic of South Africa.

By Order of the Board
MEROJIN LIMITED Secretaries
30th June 1980
Share market: Price 3: $1.34 (1979-80)
high 53.0c; low 23.5c; trading volume
last quarter, 97 000 shares. Yield: 18.3c on earnings, 4.5% on dividend.
Carry 4.1, PE ratio 5.4.

Return on cap %  2.2  18.8  20.4  25.0  25.8
Turnover (m)  49.7  48.3  64.5  108.9
Pre tax profit (m)  4.1  3.3  4.7  5.7
Gross margin %  9.2  8.8  7.8  6.4
Earnings (c)  40.1  31.4  44.8  101.5
Dividends (c)  22.0  22.0  23.5  25.0
Net asset value (c)  226  235  250  322

Improvements in the economy and acquisitions during the year made Boumat chairman Irvine Brittan's 1979-80 forecast conservative. At the interim stage he said annual sales would top $100m and earn-
ings for a share but by end-March, turn-
over had reached a record $108.9m ($104.5m) and earnings more than doubled to $12.5m ($9.3m). Brittan explains that the year started sluggishly, but the improvement in the building industry continued to gain mom-
entum. Low interest rates and freely available mortgage finance caused a strong acceleration in private home building, while public sector spending on low-cost housing remained at a high level. The effect of these improvements has been such that Boumat's sales have more than doubled and operating profit more than trebled since 1978's market bottom.

At end-March 1979 Brittan had expected sales of $77.5m in the following 12 months. But the April acquisition of Tar-
gel-Greatrex and that of Incledon in Octo-
ber altered the basis of the forecast com-
pletely. Tar-gel-Greatrex turned in an excellent performance, while Incledon more than doubled operating profits in the first six months of consolidation.

Boumat's new well-known three-year forecast has proved conservative. So he has adopted a different set of assumptions which more accurately reflect the level of real activity and price inflation. He says residential building's long-term growth path suggests investment in the industry would have to grow at a compound 3.5% annually.

This is made up of 5.5% in public and 2.3% in private sector investment. Public sector growth is now close to its long-term path, but assuming private investment will take five years to reach its growth curve would suggest investment of 7.3% yearly until 1983. In total, the next three years suggest annual compound growth of 7.1% says Brittan.

In the light of these assumptions and a compound 15% inflation rate, Brittan expects the market to grow at 25% in real terms for the next three years. Boumat's income should move faster with the full year's consolidation of Incledon and the recently acquired City Metal Works and Tool Wholesale Holdings. Earnings are expected to advance at an annual com-
 pound 22% and dividends at 26%.

PerformancE Forecast:

<table>
<thead>
<tr>
<th>Turnover (m)</th>
<th>1981</th>
<th>1982</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (m)</td>
<td>14.6</td>
<td>18.0</td>
<td>22.0</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>12.8</td>
<td>15.9</td>
<td>18.0</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>3.2</td>
<td>4.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Asset turn</td>
<td>1.2</td>
<td>1.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Sales return (%)</td>
<td>9.8</td>
<td>9.2</td>
<td>9.2</td>
</tr>
<tr>
<td>Return on opening cap (%)</td>
<td>39.2</td>
<td>38.0</td>
<td>37.4</td>
</tr>
</tbody>
</table>

Boumat's informative annual report gives the group's long-term debt, capital em-
ployed ceiling at 50%. Last year the ratio was 47%, reflecting the inclusion in equity of the $2.6m convertible prefs issued during the year. Normally the group class-
ifies these as debt, but until the conversion option expires, this issue will be reflected in equity. Brittan says the industry's long-term growth path should mean Boumat has to invest nearly $37m over the next three years which will be funded in about equal proportions by retained earnings and additional borrowings.

Last year, total borrowings, excluding the red prefs, were $17.5m ($17.0m) which was equivalent to 3.1 times (4.1) group cash flow. In addition the annual interest/leasing bill was covered a comfortable 5.3 (3.9) times by gross profit.

On the basis of the 32c dividend to be paid this year (60% of opening net worth), the share, at 50c, yields a prospective 5.8%, which is attractive on a two-year view.

BOUMAT

Building plans

Activities: Supplier of specialised building materials including sanitaryware, plumbing materials and builders' hardware. Also manufactures solar and electric water heaters and building fittings. Saficow owns 18% of the equity.

Chairman: D. Brittan; deputy-chairman: S. Borzook.

Capital structure: 4.0m ordinary shares of 50c; 2.1m 10c red cum prefs of R1; 1.5m 21.5c cum red convertible prefs of 50c. Market capitalisation: R22m.

ICS ... packing more beef into earnings

last quarter, 182,000 shares). Yields: 16.5% on earnings, 4.7% on dividend. Cover: 3.5 PE ratio: 6.1.

\[
\begin{array}{cccc}
\text{Year} & \text{77} & \text{78} & \text{79} & \text{80} \\
\text{Return on cap %} & 17.9 & 18.8 & 18.8 & 18.9 \\
\text{Turnover (Rm)} & 387 & 446 & 501 & 588 \\
\text{Gross profit (Rm)} & 18.9 & 21.7 & 23.3 & 25.7 \\
\text{Gross margin %} & 4.6 & 4.9 & 4.7 & 4.5 \\
\text{Earnings (R)} & 35.1 & 40.0 & 47.1 & 58.1 \\
\text{Dividends (R)} & 12.0 & 13.0 & 14.5 & 18 \\
\text{Net asset value (R)} & 263 & 293 & 332 & 388 \\
\end{array}
\]

Though chairman William Neate forbears to forecast earnings or turnover for the current year, ICS's past record indicates that its steady progress of the past years will continue.

Turnover, which rose from R50m to R58m last year, should be boosted further over the next three to four years by a R50m capex programme which will add to dairy production facilities in the Transvaal, cold storage in Johannesburg and in Cape Town, as well as a pig abattoir in Pietermaritzburg. At the same time, the group's meat packing plant at City Deep will be working at full pace for the second year, while the processed meats facility in Johannesburg is being modernised.

The group has also strengthened its foothold in the ice-cream market by buying most of the assets of Walls which closed operations in SA recently.

Neate says that "significant progress" was made during the year in marketing the group's frozen vegetable range, while the purchase, since the year-end, of Atlantic Trawling puts subsidiary Sea Harvest in the leading position in the trawl fishing industry. He warns, however, that near-term growth in fish landings will be curtailed because of the need to protect the resource.

Neate claims that the group's margarine brands increased their market shares last year, despite tough competition, as total sales of margarine increased by 11%. Part of this rise, he points out, was due to the fall in sales of butter which now has only 15% of the spreadable fats market.

There are some major problems, however, and Neate is especially concerned about rising costs of raw material and fuel. Other distribution factors are affected by this though Neate does point out that the distribution operations improved performance last year. Even so, operating margins continue to be squeezed.

Another area for concern is the fact that the national cattle herd dropped by almost 5% last year -- the first decline in more than ten years -- while the average mass of carcasses has slipped by more than 4%. These factors, Neate warns, could affect the availability of red meat with resultant price rises. The Meat Board, he adds, is reviewing the floc price system in an attempt to prevent producer losses.

The group is adequately geared with virtually unchanged debt-equity ratio of 41.9%. Borrowings increased only marginally last year. But though there is room for increased gearing, emphasis will continue to be placed on internal funding of operations.

Over the past year the share has climbed steadily to its present 340c. Good past performance, a dividend increase to 10c could be on the cards for a reasonably attractive 5.3% prospective yield.

---

**Imperial Cold Storage**

**Consistent record**

**Activities:** Holding company with subsidiaries in the food industry, notably red meat, meat products, poultry, dairy products, margarine, fish and frozen vegetables. Has ranching interests in SA, Zimbabwe and SWA/Namibia.

**Chairman and managing director:** W H Neate.

**Capital structure:** 23.7m ordinary shares of 25c; 500,000 5.5% cumulative pref of R2 Market capitalisation: R80,6m.

**Financial:** Year to February 29 1980. Borrowings: long-term R22.5m; net short-term, R10.4m. Debt-equity ratio: 42.9%. Current ratio: 1.4. Net cash flow: R19.9m. Capital commitments: R17.3m.

**Share market:** Price 340c (1979-80, high, 355c; low, 200c; trading volume

**Financial Mail July 4 1980**
Hulett's consequently expects its share of industry output to fall further to about 27% compared with 30.3% last year and its normal quota of around 24%. Output this year could, therefore, drop by between 25% and 37%, depending on which of the two industry forecasts proves the more accurate.

So, while chairman Chris Saunders expects profits in the industrial division to continue to boom, with turnover and distributable earnings increases of at least 50%, he warns that this will largely be absorbed by the decline in the sugar division. This implies that sugar earnings could drop by almost half of the drought permits, in which case the contribution to group earnings would probably fall to below 30%.

At this stage Saunders is not prepared to go any further than to say that he hopes the present 44c dividend total will be maintained. It should be noted, however, that he made basically the same forecast a year ago, which proved very conservative. The balance sheet remains strong and there can be little doubt that the group will continue to be on the lookout for suitable acquisitions in the industrial field which it sees as offering the best opportunities for long-term growth.

The present uncertainties are reflected in a historic dividend yield of 6.8%, which, although not particularly high for the sugar sector, is some two percentage points more than the industrial market average. The share could prove cheap at 65c if the group again manages to exceed its expectations.

Bryan Thompson

Hulett's diversification programme showed its real worth last year when the group was able to show a 27% improvement in profits despite a reduced contribution from its sugar activities.

Of the R1.3m increase in attributable profits, after allowing for additional depreciation on revalued assets and a Lifo stock valuation adjustment, R2.3m was accounted for by new acquisitions, while a further R1.6m represented a change in accounting policy in the sugar division. This means, in effect, that the rest of the group did no more than balance the 27% decline in net sugar earnings before the accounting policy change.
Anglo American Coal Corporation Limited
(Amcoal)

Incorporated in the Republic of South Africa

Coal supply to Escom’s Tutuka Power Station from New Denmark Colliery

The Board of Amcoal announces that the Electricity Supply Commission has exercised its option for additional coal supplies from the New Denmark colliery to enable the planned generating capacity of the Tutuka Power Station to be increased from 1 600 MW to 3 600 MW. As a result, the designed capacity of the New Denmark Colliery will now be increased to some 10 million tons of coal annually.

Work is now in progress on detailed mine planning. Production is expected to commence during 1984, in time to meet the commissioning of the first of the six planned generating sets at the power station during the first half of 1985. It is expected that full production will be reached by 1990.

In the Annual Report for 1979, the combined cost of developing the New Denmark Colliery to supply the Tutuka station, then of 1800 MW capacity, and the New Vaal Colliery was estimated at R210 million in January 1979 money values. Capital estimates for the enlarged New Denmark Colliery are in the process of being completed and agreed with Escom. It is now expected that the combined cost of the two collieries will be approximately R322 million in January 1979 money values. As previously indicated, it is anticipated that approximately 60 per cent of the cost of the two collieries to completion will be funded by Amcoal.

Johannesburg
June 30 1980

AAC
polices, and the client would have to deal direct with the insurers and so lose the benefit of independent advice.

Liberty Life AGM Bill Irwin says he "fails to see the logic behind the recommendation." It insurers are to compete with each other on a direct marketing basis, advertising budgets will "soar" as the companies chase business, while heavy costs will arise in establishing highly trained, specialist selling staffs.

Comments Irwin: "With such additional expenditure to be incurred it is difficult to see how the 'commission-free' premium rates would vary significantly from the normal premium rates since the cost of all expenses must ultimately be met from premium income." In these circumstances he queries the need for any change in the insurance marketing system.

Broker Tim Jackson slams the proposal as its "underlying effect will be to damage the insurance industry in the country as a vehicle for long-term pension investment." Because brokers will no longer have the incentive to sell retirement annuities, money which might otherwise have been invested in pension savings will be channeled to other areas, like consumer spending. People have to be convinced to take out annuities, he says, and this task is best performed by the brokers with their expertise.

Frozen savings

Jackson does not believe the Committee's proposal to establish "frozen savings accounts"—deposits held with thrift banks, societies and the Post Office for pension purposes only—will be effective as the savings institutions rates of interest historically are not competitive with stock market gains. He estimates the proportion of retirement annuities as a percentage of "white collar" propensity to save will decline from its present level of around 15% to 20% to about 5%. So the Committee's object of encouraging provision for pensions will be defeated.

The counter argument is that the Committee does not preclude brokers from continuing to give advice on retirement annuities and charging a fee for their services. Mind's Colin Laschman points out this would be a more professional approach and would place broking on a par with other professions which charge fees for services rendered. He adds that much of his firm's income is already derived from fee sources. Laschman feels one of the purposes of the recommendation is to "make the man in the street more aware of the cost of using an intermediary."

But the public is not used to paying brokers directly, says Federated Insurers' Arnold Bassarab who claims "it is completely foreign to the hitherto accepted way of doing things." The levying of fees may encounter public resistance to such charges and in consequence many good people will be driven out of the profession, while the principle would have been established that government could regulate the salaries of professionals for purposes it deems in the public interest.

Bassarab suggests the Committee's proposal stems from its envisaging a compulsory requirement in the future that the saver sets aside a possible 10% of his income for pension provision. In such circumstances he would be unfair to allow a commission on any policy which has to be taken out by law.

Yet compulsory provision will not obviate the need for specialist advice, notes Irwin, especially if the saver desires faster growth on his pension investment than could be obtained by compounded rates of interest.

If hitting at the broker, government is interfering with market competition. Moreover, the question arises whether government is entitled to force people to provide for their pension. As Jackson comments: "There are preachers of enterprise on television and his committee brings out something that is totally socialistic."

Much controversy has been aroused by the proposal that insurance companies be compelled to quote commission-free premium rates on retirement annuities which the public could purchase direct from the insurers.

The idea is contained in the recent report of the Interdepartmental Committee of Enquiry into pension matters. If implemented, it would radically affect the marketing of retirement annuities. The brokerage function in the sale of such business could be seriously impaired, as brokers lose potential income from such
Anglo aims at stake in North Sea oil...
Hosken chairman warns of those 'unsound terms

Financial Reporter

A FURTHER escalation in the intense competition between insurers and between brokers last year and over-capacity in the worldwide reinsurance market has resulted in business being written on unsound terms, says Mr F M A Lewis in his Hosken Cons chairman's statement.

This, he says, is not in the long-term interests of the public or any sector of the insurance industry.

The gross short-term premium income written in the year to March 1980 by I G I, Hosken's principal subsidiary, rose from R39 500 000 to R41 500 000.

Most of this growth was written in Botswana and other countries "which would indicate a generally conservative underwriting approach."

I G I Life Assurance and its subsidiary, Safrican Association, are making very good progress, especially in the black life assurance field.

Last year half of the group's SA broking subsidiary and Industrial Risk Management Services were sold. Hosken, the wholly-owned reinsurance broking subsidiary in London, concentrated in developing its non-South African connections.

The group has acquired control of Cape Trustees and Executors which is a registered general bank. Mr Lewis expects that this will be an important source of profit.

In the year to March 1980, group attributable taxed profit rose to R1 417 000 from R747 000. Earnings a share were 29c against 16c, while dividend a share went up from 13c to 14c.
Societies call for black freeholds

Property Editor

BUILDING societies are now stepping up pressure on the Government to allow blacks to buy and build on freehold land in townships. This follows their reluctance to lend money for homes on the 99-year lease schemes for such townships as Soweto.

The Government, continuing its policy of separate development, has maintained that blacks are temporary sojourners — even for 99 years — in white South Africa while their roots are in the homelands.

There has been strong pressure from within Government circles recently to recognise the permanence of urban blacks and allow them freehold rights under certain conditions.

But the Government has not yet announced any clear policy.

The building societies want to see serviced plots in townships on the Reef, in Port Elizabeth and elsewhere to build homes for blacks in the same way as had been done for Indians and coloured people, who have freehold rights.

A plea for black freehold rights was made last night by Mr Gordon Chapman, chairman of the Natal Building Society, an Argus correspondent reports from Johannesburg.

Mr Chapman also said that building societies would be willing to inject big money for housing into black homelands provided the Government put up financial guarantees against losses through changes in legislation, legal processes and monetary exchange rates after the homelands became independent.
IGI shows a big boost in profits

By Jean Moon

IGI's taxed profits nearly trebled to R1.5m in the year to March.

Mr L Nathan said in the annual report that this rise must be seen against a background of greatly increased competition in all sectors. IGI maintained a middle-of-the-road course with regard to its premium and rating structures, resulting in the rate of growth in terms of gross premium income written being the lowest for many years.

The group made a fire and accident underwriting profit of R945 000 and a life underwriting profit of R204 000, compared with an overall underwriting loss for the previous year of R302 000. Gross investment income for the group rose by R707 000 to R1.8m in spite of the low level of interest rates prevailing throughout the year, which was largely offset by increased dividends received.
Societies ready with ‘big money’ for black housing

A leading building society has appealed to the Government to open up major black townships for housing schemes which would effectively mean the end of the leasehold system and give blacks freehold rights.

The society wants serviced plots in townships such as Soweto, Sehokeng, in the Vaal Triangle, and in Port Elizabeth and elsewhere, to build homes for blacks in the same way as has been done for Indians and coloured people, who have freehold rights.

The plea was made last night by Mr Gordon Chapman, chairman of the Natal Building Society, at the society’s annual general meeting.

Mr Chapman also said that building societies would be willing to inject big money for housing on freehold terms provided the South African Government put up financial guarantees against losses through changes in legislation, legal processes and monetary exchange rates after the homelands became independent.

Housing was a social necessity which satisfied one of man’s deepest urges and in providing it, building societies had a vital role in South Africa’s social structure, he said.

Building Societies’ ability to provide finance for housing should never be impaired because if it was, “we run the risk of permitting people to become frustrated.”

“If more land could be made available to us by the Department of Community Development and local authorities at reasonable prices for all race groups, as has been done on a few occasions in the past, we would be able to make even greater contributions to providing attractively priced housing,” Mr Chapman said.

At present blacks can own homes in townships on 33 or 99-year leases but, those have had few takers.
Barclays—Bowring planning to wed

By DAVID CARTE

Deputy Financial Editor

BARCLAYS INSURANCE Brokers and C T Bowring are negotiating a merger which, if successful, will vie with Price Forbes Federale Volkskas as the biggest insurance broking company in South Africa.

The merger negotiations were confirmed yesterday by the managing director of Barclays National, Mr Bob Aldworth, after a fortnight of speculation in the industry that the country’s second and third biggest insurance brokers were to get together.

In an oversupplied broking market that has not grown much in recent years, size has become increasingly important, especially with so much business “tied” to the big holding companies — Sanlam, Volkskas, Barclays and Anglo American.

Industry sources say the merger makes excellent sense, since Anglo American is a big shareholder in both Barclays and C T Bowring.

Not only will a merger simplify Anglo’s task in farming out its insurance business, Barclays, they say, can use C T Bowring’s international connections and its depth of management.

C T Bowring, on the other hand, might find a connection with Barclays’ banking clients, as well as its national spread, useful. There will certainly be immense rationalisation benefits.

According to Mr Aldworth, Bibsal contributed “about R2 million” to Barclays’ pre-tax profit of R96 665 000 in the 15 months to end December, while the Anglo American annual report shows that C T Bowring earned R1 390 000 after tax, Bibsal and C T Bowring are believed to employ about 500 people each.

Price Forbes Federale is believed to employ about 1 000 and earn about R7 million pre-tax.

The total short-term insurance market is estimated at R750 million a year, of which brokers control R650 million.

One commentator says PFFV writes about R130 million to R150 million annually — just less than a third of the available market.

The combined Bibsal-CT Bowring operation is expected to take slightly less than this, so smaller brokers, already struggling in the wake of Government’s mandatory commission cuts, could find the going even harder in months to come.

Further mergers seem likely.
Interbank enter the travellers' cheques market

It is partly in response to these two payments systems that the "Eurocheque Organisation" has emerged. Equally there is no such thing as the "Eurocheque Organisation" similar to Visa or Interbank.

But the reality is that a number of Continental European banks, led by West Germany's mighty Deutsche Bank, ran an

organisation which daily transfers funds to Eurocheque cheques using card systems that provide the Euronard travel and entertainment credit card and the European Travellers' Cheque which are based on the purchase of the TC tokens at Postbank right of the UK.

What Eurocheque, Visa and Interbank, to demonstrate is that retail banking can and should have much more common all round the world. Likewise Germany, for example, Americans people the world over have very similar needs when they travel.

They want to be able to obtain as much as possible as if they have not lost their own money. They want to be able to make payments without a fuss or undue delay and they want peace of mind.

The payment systems of Visa, Interbank and Eurocheque are, in varying degrees, similar. Yet cash remains the most popular method for payments in all countries.

Even in the US, the home of the plastic credit card, the cashless society is still some decades away. The greatest change is likely to come with the invention of point-of-sale terminals in retail stores.

Once this happens on a significant scale the advantages of cash over electronic payment systems will probably diminish significantly.
Why the banks are beginning to take a keener interest in consumer services

By Michael Jaffe

IN SEVERAL countries around the world, banks and financial institutions are showing increasing interest in personal or consumer banking services. To some degree this reflects a shift from currently unmet needs of consumers, and in some cases of potential new markets for banks.

Increasingly, banks are looking at ways to develop new opportunities in the retail banking market, perhaps resulting from new technology.

As standards of living improve, people tend to save more and spend more. In many countries, this has led to a large increase in the number of people with disposable income. At the same time, the retail banking market is becoming increasingly competitive.

Traditionally, have been oriented towards personal banking and commercial banking. However, the need for more personalized and flexible services has led to a reevaluation of the role of banks in the economy.

Up to 20 years ago, only a small proportion of people held checking accounts. Today, this proportion has increased significantly. The increased interest in personal banking services has led to a greater focus on these types of accounts.

One of the main reasons for the increased interest in personal banking is the growing demand for personal banking services. This demand is being driven by the increasing disposable income of individuals and families.

In the UK, the retail banking market is highly competitive. There are several major banks, each with its own strengths and weaknesses. The competition is particularly intense in the area of personal banking services.

One of the main challenges faced by banks in the personal banking market is the need to develop innovative and attractive services to attract and retain customers.

In this context, the development of new technologies has become increasingly important. The use of technology has allowed banks to offer a wider range of services and to improve the efficiency of their operations.

Computers may pay the bills

EVEN HOME will one day have its own computer terminal. This is the future of consumer banking services. The introduction of point-of-sale terminals in supermarkets and other retail outlets will allow consumers to use their computers to access their bank accounts and perform a variety of transactions.

Banking services are becoming simpler and easier to use. This trend is being driven by technological advancements, such as improved user interfaces and increased integration with other financial services.

One of the main benefits of point-of-sale terminals is the ability to perform transactions quickly and conveniently. This is particularly important for consumers who prefer to avoid the time-consuming process of going to a bank branch.

In conclusion, the banking industry is undergoing a significant transformation. Personal banking services are becoming more important, and banks are increasingly focused on developing innovative and attractive services to meet the needs of their customers.

Lloyds Bank of the UK has branch banking with substantial retail business in California and New Zealand. Hong Kong and Shanghai Banking Corporation controls Marine Midland, a bank with a large retail business in New York, and National Westminster has a similar position in Europe. With recently acquired National Bank of New Amsterdam, a branch bank in New York State, Citibank seems to be the only major commercial bank with an international retail banking division based on separated consumer banking services in all market places.

In the UK, Midland Bank is following a similar route in converting its typical bank branches into retail service outlets.

While only a small number of commercial banks have entered the retail banking market, other institutions, such as building societies, are also becoming more involved in personal banking services. These institutions offer a variety of services, including personal loans, mortgages, and insurance, which are becoming increasingly popular among consumers.

In conclusion, the transformation of the banking industry is being driven by technological advancements. Personal banking services are becoming more important, and banks are increasingly focused on developing innovative and attractive services to meet the needs of their customers. This trend is likely to continue, as consumers continue to demand more convenient and accessible banking services.
NBS out to house all race groups

DURBAN — Building societies performed the vital function of marshalling the public's savings to provide essential finance for housing, said the Natal Building Society chairman, Mr Gordon Chapman, at the NBS annual meeting.

Mr Chapman believed these savings would have to go further in the future to meet the increasing demand for housing from all sectors of the population.

Mr Chapman said the provision of housing for the coloured and Indian communities was being actively pursued. There had been delays and difficulties in the past in obtaining permits from the Department of Community Development to acquire land for the development of housing for Indians and coloureds. This situation had now improved tremendously.

"If more land could be made available to us by the Department of Community Development and local authorities at reasonable prices for all race groups as has been done on a few occasions in the past, we would be able to make a greater contribution to providing attractively priced housing."

Mr Chapman reiterated an NBS appeal to the authorities to allow building societies and other private developers to play their part in the provision of housing in black townships like Soweto, in the same way they had done for Indians and coloureds.

"We would like to be given the opportunity, after the necessary statutory amendments have been made, to acquire serviced plots in those parts of Soweto and Soshanguve and other townships on the Reef and Port Elizabeth in particular that have been zoned for housing for the middle and upper income blacks."

Mr Chapman said the NBS would readily grant loans to blacks in the black states like KwaZulu if the Government were prepared to guarantee repayment if the society should find itself with an asset in a foreign country once such a State became independent.
Plea for the elderly from Allied chief

BY HAROLD PRIDJHON

THE TIME had come for the Government to face up to the problem of designing a form of investment tailored to meet the needs of "our senior citizens," said H Weiner in his chairman's statement at the annual meeting of the Allied Building Society in Johannesburg.

Mr Weiner expressed concern for savers and investors in those days of double-digit inflation and falling rates, and in particular for the older people and pensioners who had been prudent enough to set aside money for their old age only to find that its value was being eroded.

"By contrast, those who borrowed from building societies on attractive terms repay their loans in deprenciated currency and enjoy capital appreciation on their property,"

Mr Weiner described this as an abnormal situation which called for serious consideration.

He added: "Tragically, too, is the fact that popular sentiment always seems to be on the side of the borrower. This is unfortunate because many investors rely wholly or in part from their investments to meet their ever-increasing living costs."

A pleasing feature of the past year had been that the 99-year leasehold scheme for urban blacks had got off the ground, but progress was still slow. There were a number of reasons for this.

"It would take time before blacks appreciated that the benefits of home-ownership more than outweighed the higher cost of the property."

Leasehold title had also been unfairly and irrationally criticised.

"There had been competition from the subsidised low-expensive 30-year houses."

Mr Weiner stressed the need to make it possible for building societies to lend safely in black urban areas in the homelands: "I have in mind those of areas which are geographically and economically are part of cities, such as Durban and East London, but which fall within the homelands." Mr Weiner said...
WESCO

All systems go

Activities: Investment company with interests in motors, insurance, clothing, banking, engineering and retailing. Holds 49% of Toyota, 49% of Metair, 22% of Rand Life Assurance, 26% of Veka, and 20% of Raylite. Directors have a 70.2% holding in equity.

Capital structure: 8.3m ordinary shares of R1. Market capitalisation: R14.1m.


Share market: Price: 170c, 1979/80: high 170c, low 25c, total trading volume last quarter 1m shares. Yields: 4.0% on earnings; 3.8% on dividend. Cover: 1.1. PE ratio: 25.0.

Return on cap % ...... 9.2 8.2 9.3 4.3
Investment income (R000).............. 660 150 481 722
Gross profit (Rm) .................. 960 414 707 792
Portfolio market value (Rm) ........ 8.1 7.1 7.3 18.7
Earnings (Rm) ............. 4.9 (0.6) 4.3 6.8
Dividends (c) .............. — — — 8.3
Net asset value (c) .......... 69 55 62 200

Wesco’s 50% increase in investment income last year was due to great improvements in running profit, and even loss-making Ekapa declared a dividend to avoid paying undistributed profits tax. As the group has interests in a number of flourishing sectors, chairman Albert Wessels “shares in the optimism that 1980 and at least 1981 will be years of continued growth.” This confidence was underlined by the first dividend paid in four years.

Despite management’s caution about oil price increases and local content costs putting pressure on the motor industry’s profitability, Toyota sold 44,140 vehicles compared to 38,101 the previous year. The result was a 33% growth in earnings to 115.50c (75.10c) while total dividend for the year rose to 25c (20c). Significant for the current year is the increase in Toyota’s total share of the market from 12.5% to 14%, which could secure earnings when the current motor boom runs out of steam.

Clothing subsidiary Veka started to move out of a bad patch as increased turnover, resulting in better utilisation of production facilities, transformed the previous year’s R113,000 loss into a profit of R453,000. Although the company failed to pay a dividend, the improvement in consumer demand is expected to boost this year’s earnings and bring the possibility of a payout nearer.

The last of Wesco’s quoted investments, Metair, reported remarkable earnings improvements from its subsidiaries. But, possibly a little nervous after its 1979 loss, it did not declare a dividend. Airco Engineering turned its previous loss of R397,000 into a R389,000 profit, and as it sells to the building construction and gold mining sectors, its performance this year is likely to follow the positive trend. Automotive component manufacturer Rowen reported earnings of R226,000 (R5,000) and, although largely dependent on the motor industry trends, has continued to diversify.

Remaining investments Raylite and Rand Life Assurance showed satisfactory increases in results, while Ekapa declared a dividend of 8c (profit R40,000) and is not expected to operate profitably this year.

If positive trading conditions in the economy continue this year, Veka and Metair are likely to feel more confident of sustaining earnings growth and could pay...
BUILDING SOCIETIES

Case of mistaken identity

Often it is said that there are none so blind as those who will not see. Without wishing to be unkind to this country's building society managers — most of whom are both able and reasonable — it does seem that as a movement they sometimes appear oblivious to the changes that must lie ahead.

For example, two weeks ago a delegation of building society managers gave verbal evidence before the Truth Commission of Inquiry into the Monetary System and Monetary Policy. The subsequent whisper from Pretoria is that, through a subtle line of questioning, it was suggested to them that they consider once more whether they wish to become banks or revert to their more traditional role of mobilising personal savings into housing loans.

To be fair, that is not quite the impression the building society men have of their amicable discussions with the commissioners. And they were certainly not faced with that ultimatum on this issue. They were in 1964. But the FIM is assured that the boot was quietly put in.

Had this been fully realised, it is probably less likely that the chairman of the Natal Building Society, Gordon Chapman, would have warned on Tuesday that the recent increase in certain deposit rates and reduction in mortgage rates only a few months ago could lead to a rise once again in the mortgage rates within six months.

With the country's trade balance in record surplus and the financial system awash with liquidity, how on earth can such a move be justified, as he sought to do, on the basis of the need to add greater stability to the societies' deposit base and to widen their margins?

It is true that the societies were trying to encourage more stable personal savings by using the price mechanism. That is a laudable aim. But surely the deposit rates which attract corporate deposits that are sensitive to competitive interest rate changes should have been cut commensurately? In that event, the societies' "profitability" need not have been prejudiced and their deposit base would have become relatively more stable.

Instead, as the societies simply take in more of the deposits they want without discouraging the corporate investor about whom they complain, Chapman's warning suggests that in general society managers still measure their performance not by keeping housing bonds as cheap as possible, but by hogging the most deposits. Of course, had Chapman justified his warning by pointing to the inappropriate level of mortgage rates in relation to the rate of inflation, he would have been on firmer ground. For money market rates should not be rock-bottom when the inflation rate is 14% a year.

But that is a deficiency in government policy. It does not mean that, within the interest rate structure dictated by Church Square (singularly inappropriate though it may be), the building societies should not endeavour to fund housing as cheaply as possible. And in recent years deposit rates have fallen faster than mortgage rates.

In any event, the question of the stability of the societies' deposit base cuts to the heart of Pretoria's fears about building societies. This may seem irrelevant when listening to the UBS (or some other giant) point proudly at its AGM to further record rises in assets.

But there are men in Pretoria who remember as far back as the early Sixties total deposits appealed to the Reserve Bank for last resort assistance to tide them over a critical deposit flight. Fortunately, the haemorrhage was staunched before they needed to go into the bank. The question remains, nevertheless, if there were to be another scare like Sharpeville, could it happen again?

The societies nowadays tend to be phlegmatic about all that, pointing out that only 22% of their deposits are technically at call, but that in practice as these are savings deposits (in ordinary, special and transmission accounts), they are very stable.

About 25% of societies' deposits are in fixed deposits (with a minimum maturity of one year), although those that come from companies are more sensitive on maturity to competitive interest rates than personal savings. And 50% are in "shares," with a minimum maturity of 18 months.

In Britain, where the societies have adhered to their more traditional role, 96% of their deposits are in the form of personal savings that are remarkably stable and unresponsive to changes in the trade cycle or the balance of payments. That is not altogether true of our societies' deposit base.

Moreover, building societies' savings accounts here are being increasingly used as a type of cheque account. In Britain, the velocity of circulation (measured by dividing the sum of debits and credits into total deposits) of this type of deposit is 0.5%. In SA in 1964 it was 2.0% and now it is estimated at about 3.0%.

That is one influence on the societies' ability and growing potential ability to inflate the money supply. This happens in three ways. As societies' loans are not

NBS's Chapman ... mortgage rate could rise
Nedbank doubts more Budget hand-outs

By ARNOLD FRIDZHON

Tighter control of liquidity by the authorities in 1981 — even to the extent of not including further big tax cuts in the next Budget — is forecast in the Nedbank Economic Round-Up.

At present the economy is buoyant. Real personal disposable income recorded last year its biggest growth for a decade. Personal savings were almost doubled, and private spending on fixed investment has begun to increase.

The present strength of consumer spending seems to be solidly based on an improvement in the real financial position of consumers which will receive a further substantial boost this month when the R300-million tax and loan concessions start to take effect.

Consumer spending could rise quite sharply in the rest of the year without personal resources being stretched as they were in 1974; indeed the rapid growth of consumer spending could last well into 1981.

But, in the course of next year cyclical forces could slow down this demand and perhaps this year and early next year, consumers will rely more heavily on credit. This increase in use of personal credit is likely to coincide with heavy increased demands from the private business sector for both working and investment capital.

These forces are likely to exert an upward pressure on interest rates.

Increased spending on imports and slower growth in export earnings are likely to produce smaller surpluses on the current account of the balance of payments ("or perhaps even deficits") in 1981.

At the same time, the danger of demand inflation could become greater and the Reserve Bank can be expected to touch the monetary brakes. The Government is likely not to add to the rapidly rising domestic demand with further big tax cuts in the Budget of March 1981.

But, says the Nedbank Round-Up, the slowdown in the pace of the economy which will follow the tapering off of consumer spending will be relatively mild and short lived.

One reason for this view is that fiscal policy will not have to be swung around as harshly as in 1976. The Government's financial discipline of the past four years of low State spending and healthy financing will mean that there will be few excesses to correct. In other words, the need for swings in tax and spending policies has been greatly diminished.

Another reason why the next slowdown will be milder than in the past is the soundness of the balance of payments. Exports are on a higher plateau and the gold price is in a higher range.

Further, Saso II will come on stream in 1981 and important replacement may have reduced South Africa's propensity to import. Another factor is that the large net repayment of foreign loans has left South Africa more creditworthy should there be the need to borrow.

The chances are that the slowdown in 1981 will be short and shallow, a dip in the growth path. But this will depend on the international recession not proving to be too severe and on the acceleration of the domestic money supply being checked. Recent money-supply movements do not point well for inflation in 1981, says Nedbank.

On the other hand, the bank appears to take the view that the authorities are acting wisely. The Reserve Bank is "intent on a more active control over the liquidity in the economy" using a battery of policy instruments. It could narrow the forward cover discount rate to check growth of the money supply and it could raise the banks' cash reserve requirements, although Dr Chis Stals, the Deputy Governor, has indicated that this would not be used for "fine tuning".

Dr Stals has enumerated five instruments for controlling a build-up in liquidity. These are:

• Selling Government stock on a tap basis.
• Selling Reserve Bank debentures.
• Increasing Treasury bills on offer at the weekly tender.
• Issuing tax tap bills.
• Negotiating swap transactions in long-term Government stock with large investors who want to keep their options open for funds which are destined for long-term investment.

Nedbank Round-Up says: "If the central Government is successful in its net use of "bank credit" while the gold and foreign exchange reserves rise (as they can be expected to do for the rest of this year) and if the Reserve Bank acts successfully in controlling the build-up of liquidity, South Africa should be able to avoid a repetition of its earlier boom-bust cycles."
Free State Development and Investment Corporation Limited
(Incorporated in the Republic of South Africa)

PROFIT ANNOUNCEMENT, BALANCE SHEET AND NOTICE OF FINAL DIVIDEND

Subject to final audit the abridged income statement of the Company for the year ended 30 June 1980 and the abridged balance sheet at that date are as follows:

INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30.6.1980</th>
<th>Year ended 30.6.1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R000</td>
<td>R000</td>
</tr>
<tr>
<td>Income from listed investments</td>
<td>1 680</td>
<td>783</td>
</tr>
<tr>
<td>Royalties and share of net mining profits</td>
<td>173</td>
<td>33</td>
</tr>
<tr>
<td>Other income</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 977</td>
</tr>
<tr>
<td>Loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration expenses</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net normal income for the year</td>
<td>1 908</td>
<td>763</td>
</tr>
</tbody>
</table>

Add:

|                      |                      |                      |
| Profit on realisation of investments after reversing provisions for possible losses on future realisation of investments | 37               | 91                   |
| Profit before taxation | 1 765             | 853                  |
| Loss: Taxation | 85                   |                      |
| Profit after taxation | 1 770             | 854                  |
| Loss: Interim dividend No. 15 of 10 cents per share (1979: 6 cents) | 388             | 181                  |
| Final dividend No. 15 of 25 cents per share (1979: 10 cents) | 907             | 363                  |
|                      |                      | 440                  | 310                  |

Add:

| Retained profit at 30 June 1979 | 3 421             | 3 111                |
| Retained profit at 30 June 1980 | 3 861             | 3 421                |

BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30.6.1980</th>
<th>Year ended 30.6.1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R000</td>
<td>R000</td>
</tr>
<tr>
<td>NET ASSETS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listed Investments - at cost less provision for possible losses on future realisations</td>
<td>5 658</td>
<td>5 222</td>
</tr>
<tr>
<td>Unlisted investments and mineral and participation rights</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Loan portion of taxation</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Net current assets</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 676</td>
</tr>
<tr>
<td>FINANCED BY:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued share capital</td>
<td>1 815</td>
<td>1 815</td>
</tr>
<tr>
<td>Distributable reserve</td>
<td>3 881</td>
<td>3 421</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 676</td>
</tr>
</tbody>
</table>

FINANCIAL Mail July 11 1980

201
Activities: Industrial holding company with main interests in food, chemicals, electronics and furniture retailing.
Chairman: Dr P E Rousseau; managing director: Dr C J P Human.
Capital structure: 28.9m ordinaries of R1; 875 730 9% A red pref of 50c; 7,1m 9% B red pref of 20c; 10m 11.5% C red pref of R1; 4m 12% D pref of R1. Market capitalisation: R123.7m.
Share market: Price: R60c (1979-80: high, R75c; low, R55c; trading volume last quarter, 500 000 shares). Yields: 13.4% on earnings; 4.8% on dividend. Cover: 2.8. PE ratio: 7.5.

The past couple of years have been marked by a restructuring process whereby FVB has switched emphasis from investment to the holding, wherever possible, of controlling interests in strategic areas of the economy. The effect has been to change the group more into an industrial holding operation, deriving a greater proportion of its earnings from the consolidated results of subsidiaries than was the case previously.

Unfortunately, however, this has not made the group any easier to analyse in terms of the contribution to earnings from the various sectors. One of the main reasons for this is that associates are still not net equity accounted, and their contribution to results is therefore limited to dividends generally passed through intermediate holding companies.

The most outstanding example of this is the group’s indirect holding in Sentrachem. Although FVB has an effective interest of under 17% in the new Sentrachem (as enlarged by the takeover of Fedmus), dividends from this company contribute by far the greater proportion of the income of the chemical division which, in turn, accounted for 26% of equity earnings.

However, as chairman Dr Etienne Rousseau points out, if the group’s share of retained earnings of associates were brought to account, total earnings last year would have amounted to R59c instead of the 9c (on the company’s calculation) actually reported.

Again, the difference is largely attributable to the retained earnings of Sentrachem. From this it can be calculated that, on an equity accounting basis, chemical interests would represent over 45% of group earnings, almost double the proportion which FVB itself attributes to this activity.

The position becomes anomalous when a company such as Fedfood is also shown to have contributed 26% to group earnings. In this instance, however, this represents the consolidated results of a 59% subsidiary and ignores the fact that Fedfood retained slightly more than half its profits last year.

What seems to be needed, therefore, is a breakdown of the actual cash income accruing to FVB so that the relative importance of its widely diverse activities are more accurately reflected.

There can be no disputing, however, that last year’s profit advance was broadly based. Analysis of the results shows that of the R27.6m increase in attributable profits from R9.2m (annualised) in 1979 to R16.1m, 26% was attributable to the food sector, 24% to electronics and the furniture trades and 18% each from chemicals and general industries.

One of the most spectacular improvements was in the electronics and furniture division which boosted its contribution from about R460 000 to R71m, a 555% gain. Apart from strong growth in electronics, a major factor here was the turnaround of the loss-making Morkels furniture retailing chain after a complete reorganisation during the latter part of fiscal-1979. The report notes that profitability of this subsidiary should continue to improve this year and, in fact, management is looking to a level comparable to that of the market leaders — in other words, a complete recovery of a group which a few years ago did not look as if it would survive.

Other plus factors this year include the first benefit of the Sentrachem/Fedmus merger and the sharp advance expected at Fedfood following recent acquisitions, while a buoyant economy should ensure that the other divisions of the group pull their weight.

Overall, it seems that dividend income attributable to FVB should at least equal...
RESULTS

<table>
<thead>
<tr>
<th></th>
<th>*Six months to June 30</th>
<th>1980</th>
<th>1979</th>
<th>% Increase</th>
<th>*Twelve months to Dec 31 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>56 050</td>
<td>52 421</td>
<td>5 629</td>
<td>28%</td>
<td>113 288</td>
</tr>
<tr>
<td>Operating profit</td>
<td>11 945</td>
<td>9 011</td>
<td>2 934</td>
<td>33%</td>
<td>19 710</td>
</tr>
<tr>
<td>LIFO adjustment</td>
<td>1 815</td>
<td>1 666</td>
<td>149</td>
<td>8.9%</td>
<td>2 961</td>
</tr>
<tr>
<td>Income before taxation</td>
<td>5 321</td>
<td>7 443</td>
<td>2 122</td>
<td>29%</td>
<td>10 766</td>
</tr>
<tr>
<td>Taxation</td>
<td>3 469</td>
<td>2 620</td>
<td>849</td>
<td>32%</td>
<td>6 444</td>
</tr>
<tr>
<td>Net income after tax</td>
<td>6 062</td>
<td>4 823</td>
<td>1239</td>
<td>25%</td>
<td>10 325</td>
</tr>
<tr>
<td>Preference dividend</td>
<td>15</td>
<td>15</td>
<td>0</td>
<td>—</td>
<td>29</td>
</tr>
<tr>
<td>Attributable to ordinary shares</td>
<td>6 047</td>
<td>4 606</td>
<td>1441</td>
<td>31%</td>
<td>10 296</td>
</tr>
<tr>
<td>Issued shares (000s)</td>
<td>8 433</td>
<td>8 219</td>
<td>214</td>
<td>2.6%</td>
<td>8 219</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>71.7c</td>
<td>54.0c</td>
<td>17.7c</td>
<td>32%</td>
<td>125.3c</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>35.0c</td>
<td>27.0c</td>
<td>8.0c</td>
<td>30%</td>
<td>61.0c</td>
</tr>
<tr>
<td>Dividend cover</td>
<td>2.0</td>
<td>2.0</td>
<td>0</td>
<td>—</td>
<td>2.1</td>
</tr>
<tr>
<td>* Unaudited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SUMMARISED CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>*30.6.80</th>
<th>%</th>
<th>31.12.79</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shareholders funds</td>
<td>45 440</td>
<td>78</td>
<td>40 209</td>
<td>82</td>
</tr>
<tr>
<td>Preference capital</td>
<td>460</td>
<td>1</td>
<td>460</td>
<td>1</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>10 019</td>
<td>17</td>
<td>6 019</td>
<td>12</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>2 548</td>
<td>4</td>
<td>2 188</td>
<td>5</td>
</tr>
<tr>
<td>Total capital employed</td>
<td>58 457</td>
<td>100</td>
<td>46 866</td>
<td>100</td>
</tr>
</tbody>
</table>

Fixed assets
Net current assets
Net exceed of cost of shares in subsidiaries
over net asset value

COMMENTS ON INTERIM RESULTS

RESULTS

The profit increase of 34 per cent compared to the first half of 1979 is attributable to higher sales resulting from a continued improvement in business conditions, and further benefits from improved productivity.

FINANCE

Cash flow has benefited from the change to the LIFO basic of inventory accounting and these additional funds have been helpful in funding the current capital expenditure programme. Earnings has improved as a result of increasing long-term borrowings by R4 000 000 and the company has adequate financial resources to take full advantage of the buoyant economy and any forthcoming growth or acquisition opportunities.

In terms of the executive share purchase scheme which was approved during January 1980, 274 000 ordinary shares have been issued for R2 177 000. Earnings per share, taking into account the larger number of shares in issue, increased by 31 per cent.

A 17% stake in Premier Paper Mills Limited was acquired at a cost of R2 603 000. Premier is a major raw material supplier to Kohler Brothers.

TRADING CONDITIONS AND FUTURE PROSPECTS

Notwithstanding intense competition and the effect of cost escalations, the results for the full year to the end of December are expected to be very satisfactory. The R16 000 000 capital expenditure programme is on schedule and the major part of that expansion programme will be completed and commissioned during the remainder of 1980.

DIVIDEND

The Board has decided to increase the interim dividend to 25 cents per share (1979 – 27c).

A. G. Croxty
Group Managing Director

DECLARATION OF DIVIDEND NO. 50

The dividend of 25 cents per ordinary share declared by the directors will be payable on or about September 26, 1980 to members registered on September 5, 1980. No resident shareholders' tax will, where applicable, be deducted from dividends. The register of members will be closed from September 15, 1980 to September 22, 1980, both days inclusive.

By order of the Board
P. J. Horodoski, Secretary
Dramfontein, Johannesburg
July 3, 1980.
Boom, boom, boom, says Barclays

Financial Reporter

OPTIMISM continues to be the general business mood in South Africa, says the quarterly survey of Barclays National Bank.

The main reasons are:

* Rising salaries and wages, combined with tax reductions from July.
* Increasing consumer confidence.
* Increased spending in the public sector and increased fixed investment in the private sector.
* Full order books and increased use of production capacity.

* A boom in the building industry.

Barclays reports that of all trading customers interviewed in the second quarter, 48% reported slightly better sales compared with the first quarter and 36% said sales had improved significantly.

No fewer than 76% of manufacturers said that production and sales volumes in the second quarter were higher than in the first quarter - a result which suggests that the upswing in manufacturing production is continuing unabated, although it has been going for more than two years.

Most firms still report that they have no plans for new fixed investment in the short run, although all indications are that most must be operating close to full-capacity ceilings.

This suggests that new investment in the economy is still being largely carried forward by the mining industry and by the public sector and that, as in previous upswings, new fixed investment generally will once again be undertaken too late to prevent the current upswing from running into the usual capacity ceiling prematurely. If indeed it does not fail sooner than in the face of the usual skilled labour bottlenecks.

Stocks appear to be adequate.

On profit prospects, most firms reported that unit costs were rising, on the other hand, no fewer than 60% also said that their profit margins were increasing, suggesting that prices must be rising as well.

Some 71% all firms expected total profits this year would show an improvement on those for 1979.

Barclays says most customers are happy with their cash flows and that debtors are paying their accounts on time.

"The rising demand for bank credit is a reflection of the general acceleration of the rate of economic activity and of import activity in particular," it comments.

Respondents to the survey have revised their expectations of both wages and unit costs significantly upwards.

"The sharp acceleration is, of course, indicative of an economy that is fast approaching its full employment and capacity ceilings," warns Barclays.

The inflation rate is also likely to peak at a significantly higher level during this upswing than in the 1973-74 upswing, when it peaked at 15.1% in January 1975 on a year-on-year basis.

As the inflation rate normally lags behind the general business cycle, however, and as the current upswing is likely to reach its peak only next year, it must also be expected that the inflation rate will reach its peak sometime next year and possibly only by the second half of 1981.
Pointer to higher rates

New loan stocks at par

By HAROLD FRIDJHON

The Treasury will issue its two new loan stocks at par. The long-dated loan, which will mature on July 15 2001, will bear a coupon of 8.80% and the short-dated issue, maturing on December 1 1991, will have a coupon of 5.15%. These rates, which follow market trends, appear to confirm that long-term rates will continue to edge upwards. The lists for public subscription will open on Tuesday.

When these loans, which will redeem maturing Government stock to the value of Rs25 800 000, were announced last Friday, the Treasury adopted a new practice. It disclosed what the nominal rates would be, but withheld details about the issue prices. These prices, it said, would be announced today and would be at a premium or a discount depending on market conditions.

Last Friday's announcement set gilt-edged rates on the run. Prices of stocks dropped to give a return comparable with the nominal coupons offered on the new loans. All the week RSAs have been trading at 9.80% although premium stocks have been quoted as high as 9.85%. Escom notes, that other bond wethers of the gilt market, had been pushed to yield 10.18%.

The Treasury said yesterday that in determining these issue prices, it had taken into account not only its own financing requirements as indicated in the Budget speech but the desirability, from the point of view of monetary policy, of reducing the excess liquidity in the economy.

"At the same time, long- and short-term investors are being afforded the opportunity of making such additions to their portfolios of Government stock as they might deem desirable in view of the existing prescribed investment requirements or for other reasons.

"It should be noted that for those categories of investors which qualify for a commission of 0.125%, the actual yield to redemption in the case of each loan will be marginally higher than the coupon rate of interest."

This means that the 21-year loan will give a yield marginally higher than 9.81% with the short-term issue yielding just about 5.24%.

While the long is virtually spot on with market indications, the 17-month issue looks attractive and might appeal to investors far and beyond those institutions which need short-dated stocks for their liquid asset requirements. It could prove to be a useful short-term refuge for immediate liquidity while those who believe that long-term rates must harden still further wait for 10%-plus on RSAs.

The question, however, is whether the Treasury will be able successfully to roll over the Rs25-million, not whether it will attract new money at these rates. The aim of the authorities is obviously not to redeem the old loans because the economy certainly doesn't need any additional liquidity.

Perhaps it was this which motivated the Treasury to give the 17-month issue a leavening of sweetness. This week a large quantity of 10-month was traded at 6.10% as a fresh surge of liquidity swept into the economy. The 5.24-5.25% rate looks good and it is my feeling that this loan will attract most of the rollover money.

I find it hard to believe that the long-dated loan will draw much money because even 9.80/81% will not be attractive to institutions which might have set their sights at 10% plus. It might gather about R100-million against around R350-million for the short.

That short-term rate is bound to have market repercussions. It appears to suggest that the three-year rate which is ruling at 5.5% is a little on the low side and that 5.75% might be nearer the mark. If the market holds this view, the rate pattern as a whole might be nudged upwards.

What I do expect is that the Reserve Bank will take large chunks of both loans, particularly the long, to dole out in its open-market operations which are aimed at soaking up liquidity. It has sold hundreds and millions of rand of Government stock in the past couple of months, and bearing in mind what the bank paid for the stock and its selling price, the central bank must have sustained a heavy book loss to achieve its end.

Both the Reserve Bank and the Treasury are using the market wisely and although this latest issue might have missed a little, the Treasury is to be commended for following a course which is in the spirit of the De Kock Commission's philosophy.
JSE share values soar by R35 400m

By JOHN SPIRA

THE market capitalisation of ordinary shares listed on the Johannesburg Stock Exchange has risen by a staggering R35 400-million during the past 12 months.

The figure has risen by R15 600-million since the beginning of 1980, making the current stock exchange boom the most significant in South Africa's economic history.

Total JSE market capitalisation (that is, the combined market value of all listed ordinary shares) currently stands at R69 334-million.

These are among the figures revealed in a study by Business Times of the market values of JSE-listed securities (see table).

<table>
<thead>
<tr>
<th>JSE MARKET CAPITALISATION (R-millions)</th>
<th>NOW 31/12/79</th>
<th>YEAR AGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>COAL</td>
<td>2 029</td>
<td>1 669</td>
</tr>
<tr>
<td>DIAMONDS</td>
<td>5 531</td>
<td>4 971</td>
</tr>
<tr>
<td>GOLD</td>
<td>21 374</td>
<td>15 547</td>
</tr>
<tr>
<td>METALS &amp; MINERALS</td>
<td>2 738</td>
<td>2 278</td>
</tr>
<tr>
<td>MINING FINANCE</td>
<td>16 127</td>
<td>12 942</td>
</tr>
<tr>
<td>FINANCIAL</td>
<td>3 518</td>
<td>2 999</td>
</tr>
<tr>
<td>INDUSTRIAL</td>
<td>18 017</td>
<td>13 959</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>69 334</strong></td>
<td><strong>33 937</strong></td>
</tr>
</tbody>
</table>

The analysis also reveals that gold shares are now in top spot in terms of market value. A year ago, the total value of industrial shares exceeded the figure for golds by some R1 600-million.

Paradoxically, with the gold price now fluctuating around the $670 mark, the value of gold shares is some R6 000-million more than six months ago, when bullion was close to its $850 peak.

The dominant position occupied by gold shares is boosted by the many mining houses and mining holding companies (categorised in the accompanying table as mining finance) that have a substantial collective stake in gold mining stocks.

Together, gold and mining financial shares account for 54% of the total market capitalisation of the JSE.

And this figure is added to the value of other mining shares, the ratio rises to 69% — suggesting that the JSE has not strayed all that far from its embryo stage when almost every listed security was mining-oriented.

The significance of the present stock market boom is that it has encompassed each and every category of the listed shares — unlike the 1969 boom, which was confined purely to industrial shares, and unlike its 1974 counterpart, which embraced only gold shares.

It is a consideration which adds credibility to the peak prices at which shares are changing hands.


Building society:
let us buy land in black areas...

SUNDAY POST Reporters

THE opening of black areas for development by building societies would cut down on the housing backlog and would create stability in the country, a building society executive said this week.

Mr Gordon Chapman, the Natal Building Society chairman, said the opening of such areas would give black people a stake in the country.

Mr Chapman called on the Government to allow building societies to buy land in black townships for development.

"Although substantial advances have been made in black housing, I do not think the houses provided are adequate," he said.

Building societies have made certain approaches to the Government on the matter, but legislation does not allow white companies to purchase land in black areas.

"We are not permitted to buy land in black areas and we would like to see change so we are able to do so, or services plots for development," Mr Chapman said.

He continued: "I believe that every person in the country should have a stake in it, like owning his own house which would be valuable to him. This would also be a stabilising factor."

His company, he said, had given individual loans, especially to people in the Transvaal, for home schemes.

"In Soweto alone, there are 15,000 people on the housing waiting list, and last year, 198 houses were built. But these were for purchase, not for rental."

Mr Chapman said building societies were also prepared to finance housing development in the homelands, but only if they could get a guarantee from the Government on the repayment of loans given.

"We cannot, for instance, give loans for development in Transkei because it is in KwaZulu. We don't know what would happen to our assets should it become an independent state," he said.

He added: "Chief C.T. Buthelezi has stated that he will not go for independence, but we don't know if he will always be there or if his views will change."
Investment
R25 000-m
— Horwood

Argus Correspondent

PRETORIA. — About R25 000-million of foreign capital is invested in South Africa, the Minister of Finance, Senator Owen Horwood, said in Pretoria today.

Speaking at a Press conference after his return from a visit to Europe, Senator Horwood said this huge investment came from a number of European countries and America and Canada.

He said he expected the investment to increase in the near future.

Leading world bankers and the international community realized that in spite of recent unrest there was more stability in South Africa than in other parts of the world,' Senator Horwood said.

Proof of this confidence was that a public bond issued launched by South Africa overseas was over subscribed by about 25 percent.

"We can be sure industrialists and investors abroad will be taking increasing interest in South Africa in the months ahead," he said.

HIS ORDEAL

Senator Horwood disclosed that he had eight working lunches eight working dinners and two working breakfasts in the interests of South Africa during his trip to Switzerland, West Germany, Austria and France.


In two weeks, Senator Horwood had more than 45 formal engagements with various Ministers, politicians, bankers and industrialists, and he covered more than 30,000 km.

FRINGE TAX

Senator Horwood told the conference that his proposed fringe benefits taxation, would be introduced next year, but possibly in a slightly revised form.

His department was still discussing the draft Bill.
GROWTH RATE REACHES 6.7 PERCENT

AFTER last year's long run-up, the economy took off in the first quarter of this year and experienced its strongest growth since the early 1970s, figures issued by the Department of Statistics show.

The department's economists report that the gross domestic product rose in real terms by 1.6 percent, which is equal to 6.7 percent at an annual rate.

They also report that there was a substantial increase in consumer income and spending and in company profits. Equally encouraging, private investment, which has been lagging for some years, last showed a significant increase.

With the exception of agriculture, where the value of output declined by 3.6 percent, all the major groups had a positive growth rate in the first quarter.

Manufacturing output, which has been rising since the first quarter of 1975, continued to accelerate.

After rising by 2.7 percent in the September quarter last year, and by 3.0 percent in the December quarter, it rose by 3.9 percent in the March quarter this year.

For the non-agricultural sector as a whole, the growth rate in the March quarter was 2.3 percent or 9.1 percent at an annual rate.

This compares with 5.6 percent for the past 12 months.

The sharp increase in real private consumption in the December quarter was maintained in the March quarter this year, when it rose by 2.6 percent, which is equal to a 10.6 percent increase at an annual rate.

AGRICULTURE

Real gross domestic fixed capital formation in the private sector increased by 4.4 percent in the March quarter. In the same quarter last year it had fallen by 8.4 percent.

Investment in agriculture rose by 9.8 percent and in manufacturing by 9.7 percent.

In contrast, real expenditure by the public sector on fixed capital goods decreased by 13.5 percent in the first quarter of this year, the public corporations being mainly responsible.

M. LOUIS KRIEL, above, has been appointed general manager of the Deciduous Fruit Board, succeeding Dr N. A. B. Butcher, who retires after 20 years as head of the board. Mr Kriel has been export director of Oude Meester since 1972.
The name is Yorkcor.

Financial Report 52

KATZENELLENBOGEN, the timber and property-owning company which is listed on the JSE in the building section, is to change its name to the Yock Timber Organisation (Yorkcor).

Shareholders will be asked at a general meeting on July 31 to approve the proposal.

The reason for the change is that the proposed new name reflects more appropriately the company's main activities and objectives.

The main subsidiary is York Timbers and in an internal re-structuring of the group all trading, milling, industrial and commercial activities will be undertaken by York which is a 100%-owned subsidiary.

Nine companies within the group own properties. Seven of these will be owned by a wholly-owned subsidiary, Inland Industries which will become Inland Realty.

Two of the companies which are not wholly owned are participating in a development scheme which will be managed by Inland.

Three surplus companies will be de-registered.
IGI set for another 1958-59 good year

INCORPORATED General Insurances expects another good year up to end March 1959, chairman Mr L. Nathan said in the annual report.

He said all buildings are now fully let at the right rentals and all three insurance companies in the group have made great strides in developing the black market.

Taxed profit in the year ended March 31 totalled Rs 790,000 (Rs 644,000), while dividends amounted to 20c (7c) and earnings per share 27.5c (7.5c). — Reuter.
Nedbank could gain on sale of Rhobank

By DAVID CARTE
Deputy Financial Editor

IF EXPLORATORY talks with Bank of America are successful, Nedbank could become the first large South African company to sell off a Zimbabwean subsidiary since Mr Mugabe’s Government came to power.

Mr Rob Abrahamse, chief executive of Nedbank, told Business Mail that Nedbank “has talked” to Bank of America about selling Rhobank, its 63% owned Zimbabwean subsidiary, but discussions had “not yet reached the negotiating stage.”

He said Bank of America had initiated the discussions.

With 30 branches nationwide, shareholders’ funds of Z$18 800 000 and total assets of Z$222 880 000, Rhobank is the third biggest bank in Zimbabwe. Nedbank consolidates it, but Rhobank represents less than 5% of Nedbank Group’s profits and assets. Rhobank had shareholders’ funds of R124 million, total assets of R371 million and earned R47 393 000 after tax in the year to end September 1979.

Banking observers said, if a sale is clinched, it would probably be beneficial to Nedbank, which, in recent years, has received only a small dividend from its relatively large Zimbabwean investment.

Nedbank observers said, it would “not give Rhobank away”. They pointed out that setting up a similar sized operation with total deposits of Z$170 million and advances of Z$131 million would cost Bank of America “quite a few millions”. Rhobank made Z$3 million in the year to September 1979 and in the six months to end March 1980 earnings were 8% ahead.

The forecast was that earnings would be maintained at the year end. Last year earnings a share were 42c and the dividend was 23c, which, on Nedbank’s 5 552 000 shares, translated into a dividend of Z$2 010 000 for Nedbank.

Banking sources in Johannesburg’s bargain point out that past performance was achieved despite sanctions and the war. Peace-time prospects in a country with international links again meant that past profits would have little bearing on a price for Rhobank.

Rhobank is valued in Nedbank’s books at Z$7 342 000. The share stands at 465c on the Salisbury Stock Exchange. This values Nedbank’s stake at more than Z$20 million, so a capital profit of at least Z$15 million is indicated.

Such a profit would not affect the income statement but would bolster Nedbank’s reserves. This would enhance its already substantial capital surplus, enabling Nedbank to write more business and, if it felt so inclined, to be more generous with dividends.

There should be no problem repatriating the proceeds of any sale. Bank of America could pay Nedbank in US dollars with minimal reference to the Zimbabwean authorities.

There seems little doubt that a successful deal would add to the Nedbank share price.

Figure 2.3: se loading; b) axial loading.

Figure 2.4:
Anglo fund to spend R5-m on new technikon

By Elizabeth Wilson

Half of this year's R8-million Anglo American and De Beers Chairman's Fund is to be allocated to pioneer projects.

This was announced by Mr H P Oppenheimer in his chairman's statement for 1980.

Mr Oppenheimer said the largest project to date was the Mangosuthu Technikon — the first college of advanced technical education for blacks. This would cost more than R5-million.

STUDENTS

Situated near Durban, the technikon opened its service buildings last year on a limited scale and enrolled a further 80 students at the beginning of this year.

The main buildings will be ready by the end of this year and it will be possible to enrol a substantial number of students in 1981.

Thereafter it will build up rapidly to a planned enrollment of 800.

All students are working and their attendance at the technikon is sponsored by their employers who take responsibility for their practical training.

In Lebowa the fund has agreed to provide the building for an agricultural high school.

This school will prepare pupils for matriculation, qualifying them to enter university in any faculty. It will also offer theoretical and practical agriculture.

The fund has provided money for the University of the Witwatersrand to establish a special in-service training course for Soweto primary school teachers.

This was aimed at improving the teachers' ability to give instruction in English.

CLASSROOMS

In response to an appeal from Jabulani Technical High School the fund is to provide an additional 18 classrooms which will eliminate overcrowding and increase 1981 enrollment from 800 to 1000.

Other charities concerned with the relief of poverty, whether material, educational or social, will also benefit from the fund.
By Elizabeth Wilson

The Chairman of the Anglo American Corporation, Mr Harry Oppenheimer, has called for an urgent and fundamental remodeling of the country's educational system to provide equal facilities for all within an agreed period.

In his chairman's statement for 1980, Mr Oppenheimer says it is essential that the Government go "much further than its present generalised expression of intent" as regards educational reform.

It should commit itself to the achievement of equal educational facilities for all, not in an undefined future, but within an agreed period, which he said, should be "as short as is practicably possible."

"This," he predicted, "will still not be sufficient to diffuse the simmering crisis in regard to black and coloured education. It will also be necessary for the Government to give practical evidence of its goodwill by taking immediate steps to improve the situation.

Mr Oppenheimer said all universities, technicons and training colleges should be opened on proper conditions to students of all races.

Standard matrix

"Then," he said, "it should certainly be possible within a comparatively short period to achieve a single standard matriculation examination to be written by students of all races."

There could, he said, surely be no insurmountable difficulty in the way of moving rapidly to parity in the pay of teachers with equivalent qualifications.

A commission now to inquire into the whole education system should have been appointed long ago, he said, but at least it was "better late than never."

It was to be hoped that out of this inquiry would come a clear programme, with a definite time schedule attached to it.

Underlining the magnitude of the task, Mr Oppenheimer said to achieve the overall ratio of one teacher to every 35 pupils, 200,000 qualified teachers would be required compared with the 60,000 there are at present — an increase of 233 percent.

He said it had further been calculated that, to meet the objectives of equal education for all expenditure on education as a percentage of the gross national product (GNP) would have to be increased from the present figure of approximately four percent to about 13 percent.

Acute shortage

He also stressed the acute and growing shortage of skilled workers as the most important problem facing South African industry.

An estimated 100,000 jobs remained unfilled because the necessary trained workers to fill them were unavailable.

"This situation," predicted Mr Oppenheimer, "must rapidly worsen as the economic expansion gathers momentum."

It was obvious the great need for trained men could not possibly be met from the white population alone — nor from the white, coloured and Indian populations together.

Mr Oppenheimer said that in addition to the current educational system being badly weighted in favour of whites, perhaps equally important was the heavy weighting of the system towards academic, as distinct from technical, education.

12 — (Bus illustrated)

He said that within this system the bias against technical education for blacks was strikingly illustrated.

While blacks made up 64 percent of all pupils receiving primary and secondary education, only 17 percent received technical training at secondary level and an almost negligible 1.7 percent of technical students — 600 out of 40,000 — at a tertiary level.

Mr Oppenheimer added that it was of urgent importance to open up opportunities for blacks to work and compete on equal terms.

The Government was rightly relying on this system to take the lead in expanding the economy.

He said the Prime Minister had last year given the country good reason to look forward to a great programme of reform, and he righted linked this with the growth of private enterprise, the ending of racial discrimination and his new policy of a constellation of states as parts of one co-ordinated strategy.

But despite the success of the Prime Minister's measure with mixed business in attendance last week, Mr Oppenheimer felt it was "ill to pretend" that significant progress had been made towards realising the hopes that were raised then.

"The mobility of black workers," he said, "is still obstructed by a maze of laws and regulations and the apparently mobilty of coloured and Indian workers is often frustrad by the lack of housing in areas where their skills are required.

Mr Oppenheimer said the Prime Minister in particular had to bring the electorate to recognise — as foreign investors clearly did — that racial discrimination and free enterprise were "basically incompatible." Failure to eradicate one would ultimately result in the destruction of the other.

Mr Oppenheimer warned: "Time is running dangerously short and if our problems are faced now they will have to be faced in a much more aggressive form in the future."
UPTURN WILL LAST 2 YEARS
— BANK CHIEF

Argus Correspondent

DURBAN — The Nedbank group expects South Africa’s current upturn to last at least another two years, the managing director, Mr R J N Abrahamsen, said here.

Addressing city businessmen, he painted an extremely bullish picture of the economy with:

- Real gross domestic product increasing at an annual rate of five percent — or eight percent when agriculture is excluded.
- Real personal disposable income rising even more rapidly than last year — which saw the biggest jump in a decade and was marked by a doubling of personal savings.
- A substantial rise in private sector fixed investment coupled with higher employment rates and a rise in private consumption expenditure.
- Another boost pending from the R500-million in tax concessions which will pour through the economy.

CYCLICAL FORCES

Mr Abrahamsen said doubts about the future of the economy were being given too much weight.

It was true normal cyclical forces would now slow consumer spending, export earnings would be less noticeable, the balance of payments current account surplus would diminish (and could in 1981 record a minor deficit) and demand inflation may force the Reserve Bank to toughen the monetary brakes.

However, any slowdown would be mild and short-lived.

Fiscal policy would not have to be swung around sharply — it already contained the appropriate 'mix' of growth with financial discipline.

The economy was well balanced, the major public sector bodies were charging 'broadly' the appropriate prices for their goods and services, and the balance of payments was fundamentally sound.
Good year for Reinsurance Union

Financial Reporter

ACCOUNTS for the year to December 1979 of the Reinsurance Union, in which most leading South African insurance companies hold shares, reflect another successful year.

In his chairman's review, Mr Gerry Muller says that the last year was one of growth with net premiums written increasing by R3,500,000 over the previous year. This growth, he says, was partly the result of a decision to retain more business for the company's net account.

The underwriting results in the fire and accident account continued to be profitable. The company was fortunate in avoiding most of the year's catastrophes, but it was involved in the large loss at Rossing in SWA and in the Nicaraguan earthquake.

The marine and aviation account did not show a significant increase in net income, but this was the result of a conservative underwriting policy because marine business was going through a difficult period.

Underwriting for all departments showed a profit of R284,000 from total premium income of R16,500,000. Investment income was 12% higher at R1,112,000.

Mr Muller reiterates the warning from other leaders in the short-term insurance field that the overcapacity in insurance markets is resulting in rating reductions and, to some extent, to a lowering of underwriting standards which will impair underwriting results.
Anglo American Corporation

We must recognise, as foreign investors clearly do, that racial discrimination and free enterprise are basically incompatible and that failure to eradicate the one will ultimately result in the destruction of the other — MR OPPENHEIMER

In his annual statement to shareholders, Mr H. F. Oppenheimer said, in part:

Record profits of R306.6 million

The higher gold price, together with the general upswing in the South African economy, resulted in record profits for the Corporation. Equity earnings for the year to March 31, 1980 were R306.6 million, or 136 cents per share compared with R202 million, or 80 cents per share in the previous year, an increase of 51 per cent. If the Corporation’s share of the undistributed profits of the companies in which it and its associates hold in aggregate 20 per cent or more of the equity were taken into account, the estimated total earnings for the year would be 260 cents per share, compared with 184 cents for the year to March 31, 1979.

Ordinary dividends for the year totalled 70 cents per share, equivalent to 51 per cent of the declared earnings or 27 per cent of the estimated total earnings, and exceeded the previous year’s dividend by 52 per cent.

Training and education

It is to my mind essential that the government should go much further than its present generalised expression of intent in regard to educational reform. It seems to me that it should commit itself to the achievement of equal educational facilities for all, not in some undefined future but within an agreed period which should be as short as is practically possible. This alone will not be sufficient to defuse the simmering crisis in regard to black and coloured education. It will also be necessary for the Government to give practical evidence of its goodwill by taking immediate steps to improve the situation. For example, all universities, technikons and training colleges should be opened on proper conditions to students of all races. There could surely be no insuperable difficulty in the way of moving rapidly to parity in the pay of teachers having equivalent qualifications. A commission is now to enquire into the whole education system. It should have been appointed long ago but late at least is better than never and it is to be hoped that out of this enquiry will come a clear programme, with a definite time schedule attached to it, for the elimination of the major cause of resentment and unrest among the black and coloured communities.

I have thought it right to discuss these educational issues at some length not only because they threaten to prevent the rapid and peaceful development of the country but also because an acute and growing shortage of skilled workers is the most important problem now facing industry. The shortage of skilled manpower is threatening to reach crisis proportions and is generating a high level of "cost-push" inflation. It is here that South Africa’s educational and economic problems come together and we cannot expect a satisfactory solution to be found in the terms of any budget, however judiciously drawn, but only in a fundamental change in government policy. The shortage of skilled men of course causes unemployment amongst the unskilled, and according to a recent estimate well over 100 000 jobs are at present unfilled because the necessary trained workers are not available. This situation must rapidly worsen as the economic expansion gathers momentum and it is obvious that the great and growing need for trained men cannot possibly be met from the white population alone, nor from the white, coloured and Indian populations together. Obviously there is an urgent business to be done. The current educational system is as is well known heavily weighted in favour of the whites. On average expenditure per head on the education of white students is more than ten times that spent on black students. These are three times that spent on coloured and Indian students.

Perhaps equally important is the heavy weighting of the whole educational system towards academic as distinct from technical education — a bias which applies to all population groups but which affects the blacks much more than the others. The bias is strikingly illustrated by the fact that while blacks make up 64 per cent of all pupils receiving primary and secondary education they account for only 11 per cent of university students, only nine per cent of those receiving technical training at the secondary level, and an almost negligible 1.7 per cent of technical students — 400 out of 24 000 — at the tertiary level. These figures make it plain that in order to solve the two major problems of the South African economy — inflation and unemployment, both of which are due in large part to a shortage of skilled men, a fundamental remodelling of the educational system is urgently required.

Competition on equal terms

Educational reform inevitably is a long-term process and in any case there is nothing whatever to be said for training blacks to undertake work in the economy which under our present dispensation they are not going to be allowed to undertake. What is important, and urgent, is to open up opportunities for blacks to work and compete on equal terms with whites and the other racial groups in the private enterprise system on which the Government is rightly relying to take the lead in expanding the economy. This implies major economic, social and political changes.

Last year the Prime Minister gave the country a good reason to look forward to a great programme of reform and he rightly linked the growth of private enterprise, the ending of racial discrimination, and his new policy of a "constellation of States" as parts of one co-ordinated strategy. Certainly it is true that none of those objectives can be achieved in isolation from the others. The Prime Minister’s meeting with leading business leaders in Johannesburg last November to discuss these matters was a success and inspired great confidence among the business community. Unfortunately, however, it now appears that too many people in Government services — if not in the Government itself — are inclined to interpret the new policy not as one of relying on the free enterprise system as such, but rather as an effort to associate leaders of the private sector with the implementation of policies laid down by "the Government. Perhaps the business community at the time of the Prime Minister’s meeting was unrealistic and expected too much
Financial summary

Earnings and dividends

<table>
<thead>
<tr>
<th>Item</th>
<th>1980/81</th>
<th>1979/80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity earnings</td>
<td>R2,066.6 million</td>
<td>R2,062.0 million</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>166.8 cents</td>
<td>166.0 cents</td>
</tr>
<tr>
<td>Dividends per ordinary share</td>
<td>46.0 cents</td>
<td>46.0 cents</td>
</tr>
</tbody>
</table>

Consolidated balance sheet

<table>
<thead>
<tr>
<th>Item</th>
<th>1980/81</th>
<th>1979/80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and reserves</td>
<td>R 1,654,1 million</td>
<td>R 1,600.0 million</td>
</tr>
<tr>
<td>Loan capital</td>
<td>131.4 million</td>
<td>146.3 million</td>
</tr>
<tr>
<td>Life insurance funds</td>
<td>112.8 million</td>
<td>103.4 million</td>
</tr>
<tr>
<td>Outside shareholder interests</td>
<td>500.8 million</td>
<td>509.4 million</td>
</tr>
<tr>
<td>Loans</td>
<td>113.8 million</td>
<td>72.6 million</td>
</tr>
<tr>
<td>Dividends declared payable</td>
<td>3,793.5 million</td>
<td>2,920.3 million</td>
</tr>
</tbody>
</table>

General investments:

<table>
<thead>
<tr>
<th>Item</th>
<th>1980/81</th>
<th>1979/80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed shares</td>
<td>5,068.2 million</td>
<td>1,912.4 million</td>
</tr>
<tr>
<td>Unlisted shares</td>
<td>3,071.4 million</td>
<td>747.5 million</td>
</tr>
<tr>
<td>Directors' value</td>
<td>314.5 million</td>
<td>314.5 million</td>
</tr>
</tbody>
</table>

Life insurance investments

<table>
<thead>
<tr>
<th>Item</th>
<th>1980/81</th>
<th>1979/80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>778.6 million</td>
<td>778.6 million</td>
</tr>
<tr>
<td>Leasing assets and instalments</td>
<td>47.1 million</td>
<td>39.1 million</td>
</tr>
<tr>
<td>Assets</td>
<td>21.0 million</td>
<td>23.3 million</td>
</tr>
<tr>
<td>Loans</td>
<td>326.0 million</td>
<td>326.0 million</td>
</tr>
<tr>
<td>Cash</td>
<td>1,070.4 million</td>
<td>547.8 million</td>
</tr>
<tr>
<td>Other assets less other liabilities</td>
<td>110.8 million</td>
<td>67.7 million</td>
</tr>
<tr>
<td>Total</td>
<td>3,793.5 million</td>
<td>2,920.3 million</td>
</tr>
</tbody>
</table>

The combined value of the companies that the Corporation administers and of the direct interests that it and its administered finance companies held at March 31, 1980 was R113,000 million.

Obstacles to participation

Apart from deficiencies in education, there are other major obstacles to the full participation of blacks in the free enterprise system. The mobility of black workers is still obstructed by a maze of laws and regulations, and the apparent mobility of coloured and Indian workers is often frustrated by the lack of housing in areas where their skills are required. While it is certainly true that important measures of labour reform have been carried through, notably the extension of trade union rights to South African migrant workers and the opening of apprenticeship to all races, their positive effect is often blunted by what appear to be concessions to prejudice — in this instance by the decisions not to allow workers to associate in non-racial unions as of right, nor enable apprentices to train in common institutions, for common qualifications that would be recognised as such, unless separate facilities are not available. In regard to housing and the development of black urban areas generally, while some progress has been made the Government and local authorities are still very far from drawing, and acting upon, the conclusions which logically flow from their own acceptance of the fact that blacks are and will remain a permanent part of the population of our great cities. If the black towns are to prosper, and cease to be economic dependences of the State, then the same market forces that developed the white areas, and provided housing for their inhabitants adequate in number and variety should be allowed to operate in the black areas too, and black entrepreneurs, traders and house-holders should enjoy the same commercial and property rights that are regarded as natural and self-evident in the case of whites.

I certainly do not wish to imply that I have lost faith in the goodwill of the Prime Minister or in his determination to carry through the programme of reform to which he has in general terms committed himself, nor do I underrate the difficulties that he faces in bringing about such fundamental changes in what is too many whites are inclined to think of as the South African way of life. In particular he has to bring the electorate to recognise — as foreign investors clearly do — that racial discrimination and free enterprise are basically incompatible, and that failure to eradicate the one will ultimately result in the destruction of the other. Time is running dangerously short and if our problems are not faced now they will have to be faced in a much more difficult context. We are at least fortunate in that the sound condition of the economy, and the growth in the national income which now can be expected, makes it possible to deal with these matters under material circumstances a good deal better than could, until quite recently, have been envisaged.

Social responsibility

This year, thanks to the greatly increased profitability of the companies that contribute to it, the Anglo American and De Beers Chairman's Fund has some R6.5 million at its disposal. Approximately half is already being devoted to charitable activities in the conventional sense, and in that regard there can scarcely be any aspect of South African society with which the Fund is not in one way or another involved in the relief of poverty; whether material, educational or social. The balance of the Fund is used for special projects, principally to pioneer new methods or demonstrate new lines of development in broad socio-educational fields. This year work has been dominated by the Mangosuthu University, Durban, the first college of advanced technical education for blacks, and which at an establishment cost exceeding R3 million is very much our largest project to date. Experience so far has borne out our confidence that there are black students specially capable of being trained as technicians at a high level, and that there are many employers anxious to support the training of such people and to employ them when they have qualified.

We are also confident that if the existing technicians in South Africa are in due course opened to students of all races the need for Mangosuthu will not in any sense fall away. There is a severe shortage of technicians in the country, and additional training facilities are in any case needed. Moreover in our society there will always be a place for an institution, which while open to all races, considers that its primary responsibility is to black students. This is what we hope Mangosuthu will ultimately be.

We have supplied the funds which enabled the University of the Witwatersrand to respond to a request from the Department of Education and Training to provide a special in-service training course for teachers in Soweto primary schools to improve their ability to handle English as a medium of instruction. In response to an urgent appeal from Jabulani Technical High School, the leading technical school in Soweto, we are providing sixteen additional classrooms which will enable it to eliminate overcrowding and increase its enrolment in 1981 from 800 to 1,000 pupils.

The full text of Mr Oppenheimer's statement and the Corporation's annual report are obtainable from Consolidated Share Registrar, 82 Marshall Street, Johannesburg 2001.
Rembrandt Beherende, Tekkor and TIB — all of which derive their income from the same basic source, showed similar gains.

This was the first time since 1976 that there has been any material improvement in this ratio, indicating that the group is in fact responsive to the general economic environment. A definitely humanising thought, as one often gets the impression that Anton Rupert's behemoth simply rolls on, oblivious to all around it.

There was, however, a marked slow-down in profit growth during the second half, probably attributable as much to the strengthening of the rand as to deteriorating economic conditions overseas and the effects of this on the group's foreign-based earnings.

Excluding the retained profits of associates, the growth rate dropped from 71% in the first half to 48% in the October-March period. notwithstanding the 178m increase in the second half of the year, the group received as a result of liquor rationalisation and a lower contribution from associates (particularly Rothmans International) — again more marked in the second half than in the first — the growth rate in total consolidated earnings slipped from 39% in the first six months to only 16% in the second.

Not that dividends are likely to have been affected by any of this. Analysts tend to waste a lot of time trying to relate dividends to earnings, and in the process they overlook the obvious: that payments depend largely on what management considers appropriate. For the year to end-March, it was apparently decided that an 18% improvement in the Remgro total would be appropriate. This, in turn, dictated policy further up the line in the holding companies.

But while the 18% gain is better than the 13% increase which shareholders received in 1979, it is distinctly unexciting by present-day standards. The only virtue is that the very high retention within the group mean that management can continue increasing the payout even if earnings stagnate.

Current dividend yields of between 4.2% and 4.5% for each of the four companies are a shade below the industrial market average and reflect the blue-chip status of the group. With inflation expected to remain high, it is probably reasonable to look to a further increase of about 18% in dividends this year, which would raise prospective yields to between 6% and 5.3%.

- Brian Thompson
of Z$1.8m and advances of Z$1.1m, and the costs of developing an operation of this size would obviously be considered in setting a price. Shareholders' funds stood at Z$11.2m (R22.8m) with Nedbank's share at Z$11.1m (R13.7m). But market capitalisation of the 61% interest is nearer Z$21m (R25.3m) at the current share price of 465c (514c in SA).

If sale negotiations were to get underway, Nedbank would obviously expect a premium on the current 465c. Any capital profit would be placed in reserves and the increased capital base would enable the bank to write more business. But with total shareholders' funds of R24m at end-1979 likely to be even higher by the time any sale goes through, the profit would have to be considerable before it would affect overall results and the share price.

**Selling Zimbabwe?**

Nedbank is the only large SA bank with direct bank holdings in Zimbabwe (Barclays and Standard branches there are under UK control). But it recent approaches by Bank of America to buy out Nedbank's 61% interest in Rhino bank lead to negotiations and a possible sale, all banking ties will be severed. Nedbank chief executive Rob Abrahamse stresses, however, that talks are still tentative and Nedbank is not sure that it will sell.

Rhobank provides less than 5% of group profits. Last year, it earned Z$3.1m, of which Z$1.3m (R2.4m) was attributable to Nedbank. It also paid a 23c dividend, equivalent to Z$1m (R1.2m) on its 4.5m shares.

Future value of the subsidiary to Nedbank remains open to speculation. It could continue to flourish as the only quoted commercial bank in a growing economy (it is noteworthy that the return on assets in 1979 was 1.35% in line with Nedbank's 1.32% in spite of the war). On the other hand, it could be exposed to possible nationalisation or blocked dividends.

Whatever the outlook, Nedbank would expect to make a substantial profit if it decided to sell. But the extent of this profit is impossible to estimate as the group will not reveal book value. It is not even clear whether the investment has already been written off in Nedbank's books, in which case total sale proceeds would be treated as a profit.

Rhobank's 1979 annual report does, however, provide some guidelines to its value. At September 30, 1979, it reported deposits...
**Charter**

**Going shopping**

**Activities:** Anglo’s UK and European arm. Managed interests include Beralt (tin and wolfram), Malaysia Mining Corp (tin). Strategic holdings include Johnson, Matthey (28.1%), Anderson Strathclyde (28.4%) and Cape Industries (97.3%).

**Chairman:** Dr A Spinks; chief executive J N Clarke.

**Capital structure:** 105m ordinary shares of 2p fully paid; 217,450 ordinary shares 1p part paid. Market capitalization: R6.41m.


**Share market:** Price: 610c (1978-80: high, 610c; low, 280c; trading volume last quarter, 32,000 shares). Yields: 7.4% on earnlings; 2.4% on dividends. Cover: 3.1. PB ratio: 13.

**Income statement:**

<table>
<thead>
<tr>
<th>Year</th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>(£m)</td>
<td>18.6</td>
<td>21.1</td>
<td>19.5</td>
<td>18.4</td>
</tr>
</tbody>
</table>

**Surplus on realisations:**

<table>
<thead>
<tr>
<th>Year</th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>(£m)</td>
<td>2.4</td>
<td>5.8</td>
<td>12.0</td>
<td>8.8</td>
</tr>
</tbody>
</table>

**Dividends (p):**

<table>
<thead>
<tr>
<th>Year</th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>(p)</td>
<td>16.7</td>
<td>23.2</td>
<td>21.2</td>
<td>28.0</td>
</tr>
</tbody>
</table>

**Net asset value (p):**

<table>
<thead>
<tr>
<th>Year</th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>(p)</td>
<td>262</td>
<td>282</td>
<td>322</td>
<td>309</td>
</tr>
</tbody>
</table>

**Where next?** That is the question uppermost in the minds of Charter’s minority shareholders. From being handicapped by the restrictions of UK exchange controls, cash drains such as Cleveland Potash and a relatively insufficient amount of cash to pursue major diversifications, the group now has almost unlimited options. That, of course, has to be qualified to the extent that plans have first to be given the nod by 96% controlling shareholder Anglo.

Apart from almost certainly retaining the strategic 20% holding in Argus Printing & Publishing, 33.5% of Amzim (Anglo’s Zimbabwean arm) and 4.5% of Botrust, the group’s interest in southern Africa appears to be effectively at an end.

That is, of course, unless some arcane deal is put together whereby Charter is used as a vehicle to strengthen Anglo’s grip on GFSAs or Cons Gold.

The same is true of the Americas. That hemisphere is now Mincom’s province.

But with over £100m coming in from the sale of the 25.7% interest in Seltrust to BP and net cash reserves of £30m at end-March, the group has ample cash for further developments. That takes into account the cost of the raid which increased the stake in mining equipment producer Anderson Strathclyde to 28.4% and the upcoming purchase of Alexander Shand and some North Sea oil interests from Seltrust/BP.

In addition, the group’s present level of gearing means considerable scope for mobilising additional borrowings, while that could be supplemented by further sales from the investment portfolio.

There could be other raids on complementary companies aimed at netting just less than the 30% at which a full bid would be necessary under London Takeover Code rules. But these investments would probably remain sleepers, pre-empting competing bids, for the present.

As far as greenfields developments are concerned, the first is most likely to be the Cerro des Oteros polymetallic plutonic deposit 70 km-south of Madrid. Its attractions are that the deposit is relatively small and high grade and close to national roads, railways and towns. Elsewhere, there is the 8.3% interest in a North Sea fifth round licence block where a well is planned this year. Other North Sea drilling is in prospect. How much this will cost depends on the deal negotiated with BP.

In the Far East there should be no direct call on Charter to help fund 28.6%-owned Malaysia Mining Corp’s tin developments. Nor, presumably, if De Beers has any say in the matter, will any calls be made to fund the Ashton diamond venture in Australia in which MMC has a participation.

The fact is that there are apparently no greenfields developments which are so large that they would stretch Charter’s financial muscle unduly. However, cash flush companies are increasingly rare in the UK, so now is the time for the group to go shopping for acquisitions if the muscle is not to get flabby. According to the *Financial Times*, mining and construction engineers Burnett & Hallamshire are rumoured to be on the group’s shopping list. There will almost certainly be others.

---

**Sources:**

1. Various.
Market capitalisation: R5,2m.
Share market: Price: 97c. (1979-80: high, 115c; low, 35c; trading volume last quarter, 84 000 shares). Yield: 28.6% on earnings; 8.2% on dividend. Cover: 3.5. PE ratio: 3.5.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross premium income (Rm)</th>
<th>Underwriting profit (loss) (Rm)</th>
<th>Operating profit (loss) (Rm)</th>
<th>Earnings (c)</th>
<th>Dividends (c)</th>
<th>Net asset value (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>24.9</td>
<td>29.1</td>
<td>42.7</td>
<td>46.4</td>
<td>1.1</td>
<td>36</td>
</tr>
<tr>
<td>1978</td>
<td>29.1</td>
<td>42.7</td>
<td>46.4</td>
<td>1.1</td>
<td>36</td>
<td>54</td>
</tr>
<tr>
<td>1979</td>
<td>42.7</td>
<td>46.4</td>
<td>36</td>
<td>54</td>
<td>90</td>
<td>153</td>
</tr>
<tr>
<td>1980</td>
<td>46.4</td>
<td>1.1</td>
<td>36</td>
<td>54</td>
<td>90</td>
<td>153</td>
</tr>
</tbody>
</table>

To have more than doubled profits in a year when the local short-term insurance industry has been under considerable strain from overcapacity and low rates could well indicate that IGI's previous patchy profit performance has steadied. Growth from now on could be on a smoother upward curve given the vagaries of the industry.

Indeed, joint MD Michael Lewis tells the FM that, after a good start, he is looking forward to the best year yet in the company's history. In previous years, he points out, when the company was operating off a lower premium income base and writing a considerable volume of new contracts, so-called "new business strain," which results from the timing of transfers to reserves for the unexpired portion of risk at the year-end, was problematic. Now, however, the income base
Zuinguin Natal Collieries Limited
(Incorporated in the Republic of South Africa)

Notice to Members

GENERAL MEETING

Notice is hereby given that a general meeting of members of the company will be held at 44 Main Street, Johannesburg, on Thursday, August 7, 1980, at 14:00 for the purport of considering, and, if deemed fit, passing the following resolution as a special resolution, namely:

"That the name of the company be changed from Zuinguin Natal Collieries Limited to Indultum Limited.”

The proposed change of name is recommended because the company’s only operating interest is a subsidiary company Indultum Coal Mines Limited and the directors believe it desirable that the name of the company should reflect its major interest.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and speak and, on a poll, to vote in his stead. A proxy need not be a member of the company.

The transfer register and register of members will be closed from August 2 to August 6, 1980, both days inclusive.

By order of the Board

Anglo-American Corporation of South Africa Limited

Secretary

P. J. Eistendorp
Senior Divisional Secretary

Registered office
44 Main Street
Johannesburg 0021

July 11, 1980

Preliminary Profit Statement and Final Dividend Announcement

The directors estimate that the unaudited consolidated profit of the group for the year ended 30 June 1980 will be as follows:

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1979</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td>Turnover</td>
<td>102 009</td>
<td>88 424</td>
</tr>
<tr>
<td>Operating income</td>
<td>17 300</td>
<td>9 549</td>
</tr>
<tr>
<td>Income from investments</td>
<td>7 052</td>
<td>9 575</td>
</tr>
<tr>
<td>Less: Taxation</td>
<td>7 800</td>
<td>5 265</td>
</tr>
<tr>
<td>Group profit after taxation</td>
<td>10 065</td>
<td>5 241</td>
</tr>
<tr>
<td>Less: Profit attributable to outside shareholders in subsidiary company</td>
<td>25</td>
<td>55</td>
</tr>
<tr>
<td>Net profit attributable to Everite Limited</td>
<td>10 040</td>
<td>5 186</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>61,1</td>
<td>31,9</td>
</tr>
<tr>
<td>Dividend per share (cents)</td>
<td>25,0</td>
<td>16,5</td>
</tr>
</tbody>
</table>

Comment

The increase in activity in the building industry continues to have a positive effect on profits in all divisions. As previously indicated, the dividend received from Agbestos Investments (Pty) Limited was reduced in R382 000 from R765 000 in the previous year. The effective tax rate is lower than last year as certain subsidiaries are benefiting from tax holidays incurred in prior years.

Declaration of Dividend No. 64

Notes are hereby given that dividend number 64 of 20.5% equivalent to 20.5 cents per share, has been declared in respect of the year ended 30 June 1980, payable to shareholders registered in the books of the company at the close of business on 1 August 1980.

This is the final dividend and with interim dividend number 63 of 7.5% declared on 23 January 1980 makes a total distribution of 28.0 cents per share for the year, as compared with 16.5% equivalent to 16.5 cents per share for the previous year.

The Transfer Books and Register of Members will be closed from 2 August 1980 to 15 August 1980, both dates inclusive. Dividend warrants will be posted on or about 20 August 1980.

In terms of the Republic of South Africa Income Tax Act 1962 (as amended) non-resident shareholders’ tax of 17% will be deducted by the company from dividends payable to shareholders whose addresses in the Share Register are outside the Republic.

By Order of the Board

Johannesburg, Transvaal
16 July 1980

T.L. Scholtz
Secretary

NOTE: All shares for transfer are to be forwarded to the Transfer Secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 0021 (P.O. Box 61051, Marshalltown 2107) and NOT to the registered office of the company.
INDUSTRIAL LAND

Brown is beautiful.

A more relaxed attitude to Indian ownership is rubbing off on the property market—especially in the industrial areas of Natal. Townships like Prospecton are already handling a growing volume of inquiries from manufacturers.

And now, says Russell and Marriott's (R & M) Michael Hyatt, strong interest is being shown in rent-producing stock as well.

In support of his view he cites the recent sale of an 11 342m² industrial property in Sydney Road for R208 000 to Indian interests. The selling price yields 11.8% on a net income of R24 550 a year.

But activity in the Durban area remains high all round. A R2m Southern Trident's development, for example, is doing much to bump up the Pinetown CBD. Hyatt believes the project, at the corner of Hill and Crompton streets, will do much to swing the core back to Crompton Street.

Edgars has taken a 15-year head lease on the property which is believed to give a return a shade under 10%, with current market escalations running around 6%. There are several other big developments in the pipeline in the Pinetown area.

And back in Durban, the sale of the old landmark Lowrys Corner has been confirmed. The property was bid up to R110 000 at a recent R & M auction, but a negotiated deal has been struck at R131 000, which yields 9%. The building comprises shops and upstairs flats.
NATIONAL TRADING COMPANY LIMITED
(incorporated in the Republic of South Africa) Established 1804


Interim Report
The estimated results of the group for the six months ended 30th June 1980 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Six months to 30.06.1980 (Unaudited)</th>
<th>Six months to 30.06.1979 (Unaudited)</th>
<th>[Based on audited financial statements]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td>Net income before taxation</td>
<td>3,497</td>
<td>2,148</td>
<td>4,728</td>
</tr>
<tr>
<td>Taxation</td>
<td>1,532</td>
<td>936</td>
<td>2,111</td>
</tr>
<tr>
<td>Net income after taxation</td>
<td>1,965</td>
<td>1,213</td>
<td>2,614</td>
</tr>
<tr>
<td>Attributable taxed net income of associated company</td>
<td>155</td>
<td>227</td>
<td>466</td>
</tr>
<tr>
<td>Net income of the group</td>
<td>R120</td>
<td>R1440</td>
<td>R3,080</td>
</tr>
<tr>
<td>Ordinary shares in issue</td>
<td>6,000,000</td>
<td>6,000,000</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Earnings per ordinary share</td>
<td>35.1c</td>
<td>23.7c</td>
<td>50.8c</td>
</tr>
<tr>
<td>Preference dividend</td>
<td>R15,000</td>
<td>R15,000</td>
<td>R30,000</td>
</tr>
<tr>
<td>Ordinary dividend — declared</td>
<td>R480,000</td>
<td>R360,000</td>
<td>R1,200,000</td>
</tr>
<tr>
<td>— per share</td>
<td>8.0c</td>
<td>6.0c</td>
<td>20.0c</td>
</tr>
</tbody>
</table>

It will be seen that net income after tax for the first six months of the current year compares favourably with that in the same period of 1979. The directors have declared an increased interim dividend of 8c per share (6c interim 1979). Indications are that the present trend in business conditions will continue for the rest of this year.

In order to increase the working capital available to the group for its trading and manufacturing activities, an agreement has been concluded to sell the Prospect property used by the Durban branch for R3,5M. Full particulars will be contained in the annual financial statements. The branch will continue to occupy the premises.

Signed on behalf of the Board
D. J. ADLER (Deputy Chairman)
L. F. STERN (Managing Director)

Declaration of Interim Dividend — Ordinary Shares
NOTICE is hereby given that Interim Dividend No. 69 of 8 cents per share has been declared on the ordinary shares payable on 16th August 1980 in the currency of the Republic of South Africa, to shareholders registered in the books of the company at the close of business on 25th July 1980.

In terms of the Republic of South Africa Income Tax Act, the non-resident shareholders’ tax at applicable rates will be deducted by the company from dividends payable to shareholders whose addresses appearing in the share register are outside the Republic.

By order of the Board
D. J. MILLER
Secretary

Johannesburg
10th July 1980

Registered Office:
Natco House
corner Simmonds Street and Village Road, Selby
Johannesburg 2001

London Transfer Office:
A. Oppenheimer & Co. Ltd.
38 Finsbury Square
London EC2A 1B

South African Transfer Office:
Financial Administrators (Pty) Ltd.
8th Floor, Atkinson House
24 Ellipt Street
Johannesburg 2001
A year of exceptional importance for Charter

Points from the reports of the chairman, Dr. Alfred Spinks and the chief executive, Mr. Neil Clarke for the year to 31st March 1980

- The year was exceptionally important for Charter because of the major restructuring which took place, leading to substantial changes in the distribution and balance of assets.

- The management structure of the company has been reorganised.

- Charter received a substantial amount of cash in the restructuring and the borrowing element in the capital structure is now very low.

- Charter is actively seeking opportunities to develop its interests both in mining and industry.

- In the industrial field, areas in which Charter is at present involved offer scope for the future and the company is also extending its interests into new sectors.

- In mining Charter has the resources to develop medium scale projects in Europe and further afield and believes that in the case of particular minerals which are becoming increasingly scarce the potential reward more than justifies the high level of risk involved when investing in new mines.

<table>
<thead>
<tr>
<th>Features from the accounts</th>
<th>1980</th>
<th>1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>£ 52.3</td>
<td>£ 44.5</td>
</tr>
<tr>
<td>Attributable earnings</td>
<td>27.9</td>
<td>23.0</td>
</tr>
<tr>
<td>Extraordinary items (1979 deficit)</td>
<td>54.6</td>
<td>(5.7)</td>
</tr>
<tr>
<td>Net assets (including appreciation of investments)</td>
<td>324.3</td>
<td>340.7</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>26.6p</td>
<td>21.9p</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>8.35p</td>
<td>8.62p</td>
</tr>
<tr>
<td>Net assets per share</td>
<td>309p</td>
<td>325p</td>
</tr>
</tbody>
</table>

NOTE: The results over the restructuring which occurred during the financial year and are not directly comparable with those of the previous year.

Geographical distribution of assets

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom and rest of Europe</td>
<td>54.3%</td>
</tr>
<tr>
<td>North and South America</td>
<td>19.1%</td>
</tr>
<tr>
<td>South East Asia and Australasia</td>
<td>18.2%</td>
</tr>
<tr>
<td>Africa</td>
<td>8.4%</td>
</tr>
</tbody>
</table>

CHARTER
Charter Consolidated Limited

 Copies of the Annual Report and Accounts can be obtained from the local share registrars, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg, 2001, or from P.O. Box 81051, Marshalltown, 2107.
DURBAN. — The New Republic Bank has reported a record profit, and the chairman, Mr J N Reddy, told shareholders at the bank's annual meeting that prospects looked still brighter.

Net income after tax rose from R4 069 to R193 869, an increase of 210%. Return on shareholders' funds rose from 6.0% to 18.3%. Earnings per share were 14.7c (1978: 4.7c) and a dividend of 9% (1978: 7%) has been declared.

Total assets rose by R4 984 294 to R17 114 967.

The bank will raise its authorized share capital from R1-million to R2-million, divided into 4-million ordinary shares of 50c each, to be issued at the discretion of the directors.

Mr Reddy said the purpose of the move was to create sufficient unissued ordinary shares to enable the directors to go ahead with their rights issue of ordinary shares.
Give African Bank a chance, blacks told

By WILLIE BOKALA

THE small black African Bank will definitely be the bank of the future — one of the biggest in South Africa if the community were patient with its slow development and supported it.

This was said by Mr M Maubane, assistant general manager of the bank, when addressing the annual general meeting of the Southern Transvaal African Chamber of Commerce (Soutacoc) held at the Jan Smuts Holiday Inn at the weekend.

He was speaking on the financing of small business and the role of the Industrial Development Corporation.

He said the problem was that black businessmen and the community at large were impatient with the junior services the bank offered and instead found it more convenient to use the well-established white-owned banks.

The African Bank was, however, truly a financial institution to reckon with and was part and parcel of the whole financial institutions in the country.

It needed all the support it could get from blacks themselves.

Mr Maubane said the primary objective of the bank was to be able to be meaningful to blacks.

After his speech which was applauded, the meeting passed a resolution calling on all branches of the Soutacoc region of Nafeoc to bank with African Bank.

The meeting, which started on Saturday afternoon, was also addressed by Mr L Meilomakulu, development manager of Barclays Bank, Mr D Robinson of Permanent Life Assurance, and Mr William Ramoshaba, development manager of Standard Bank.

In his regional report to the meeting Mr Sy Kutumela, secretary of Soutacoc, said the organisation was looking at the possibilities of forming companies in the different areas of the country to set up big business.

He said in the past year the region had undertaken major projects and already a Mamelodi industrialist had made premises available to the African Bank to operate an agency from there.

Also, the African Bank had three branches in the country and a few agencies.

Other projects included:
- Some members of Soutacoc in Mamelodi had applied to their local authorities on behalf of Blackchain to have a shopping complex put up there;
- The African Funeral Undertakers Association (AFUA) of Soweto was putting up a R500 000 building complex in the Soweto industrial area where they would trade in coffins and wreaths.
Insurance firms invest R6-m a day

INSURANCE companies channelled almost R1 500-million into investments last year — about R6-million every working day.

More than R1 912-million was held in shares and units at the year-end, a 30 percent or R448-million increase.

Another R182-million was invested in property, up 19 percent, bringing the total to R1 385-million.

Investment income grew by R178-million or 29 percent to R761-million, which formed one-third of companies' income from all sources.

This is disclosed by the Life Offices Association in its annual review.

The association represents 32 companies who handle more than 98 percent of the country's insurance business.

Total payments to policy holders and their beneficiaries rose about 12 percent or R166-million to R1616-million last year.

A total of R1 707-million was paid in life insurance premiums, a rise of R311-million, or 30 percent.

Income breached the R2 000-million barrier for the first time, rising 29 percent to R2 460-million.

The fastest growing sector was group schemes and pension funds which jumped 64 percent to R764-million.

Companies paid out R411-million in policy surrenders over the past five years.

After rising steadily by more than 20 percent a year, payouts levelled off to R53-million in 1978 then dropped by 4 percent or R4-million to R48-million last year.
Indesel, Natsel double in value

By DAVID CARTE
Deputy Financial Editor

THE PORTFOLIOS of the IIC's investment trusts, Industrial Selections and National Selections, nearly doubled in value in the year to the end of June, say the annual reports.

While Indesel's portfolio rose 37% to R64,350,000 (R31,570,000), Natsel's rose 9.9% to R91,278,000 (R86,065,000).

Indesel's net asset value rose 72% to 1,498.8c a share and Natsel's 73% to 1,580.1c. This puts Indesel, at 1,712c, at a 17% discount to net assets and Natsel at a 15% discount.

Indesel pushed up pre-tax profit 72% to R8,818,000 and taxed profit 71.5% to R6,719,000. Earnings a share at 110.5c were 68% better. The 75c dividend was a 63% improvement.

Natsel increased pre-tax profit 85% to R6,589,000 and taxed profit 84% to R6,794,000. Earnings were 72% better at 115.5c, while the dividend rose 70% to 85c a share.

The results mean that Indesel's earnings have grown at an annual compound rate of 10.4% over the past 10 years, compared with Natsel's 17.5%.

The portfolios are not dissimilar, with both trusts heavily into Stantech, Impala Plate, CG Smith Investments and Safmarine.

Indesel's purchases last year included large parcels of Fed. Voors, Stantech Industrial Finance Corp, Safmarine and Sasol. Large parcels of Trek and Natal Oil & Soap were sold.

Indesel also bought Stantech, Sasol and Safmarine.

At current prices, Indesel yields 6.4% and Natsel 6.3%. Considering the discount to assets and the quality of the portfolios this looks fair value, but one is not obviously cheap relative to the other.

Miller no to tax cut

WASHINGTON. — The Treasury Secretary, Mr G Wiliam Miller, says a tax cut may be desirable in 1981, but he has urged Congress not to propose hasty income tax cuts before the November election.

Who bears the burden?
It is, however, in education what the major number of people are looking up to insurance for. An ever increasing number of parents take out policies — maturing in ten or fifteen years — to have it at hand when their children are ready to enter university.

Not all are lucky to obtain bursaries — in fact by far the greatest majority must rely on the resources of their parents.

Taking the money to the bank or building society is a good idea. But it is not a guarantee that you may not draw it to meet quantities that always seem to crop up when one inevitably has a savings account.

TEMTATION

So to minimise the temptation of running to the bank to draw the money, they invest it in insurance policies all waiting there to take junior to school. In the event of their dying before this happens, the sum in which their life is assured for is guaranteed that at least junior will have the money to go to university to fulfil the family’s dream.

“Nothing makes education more positive and more enjoyable when both parents and children are protected from the pressures of supplying money. While the idea may be just to take out a policy for oneself, it is also, at the back of the mind of many parents, a way of assuring themselves that when that critical age arrives, the policy matures for

lieves, this ignorance is being exploited by many people to make all types of hopeless deals.

“Pensions, my experience has taught me that credibility and patience in explaining the details of what is and what is not available — if done honestly — is the biggest strength you have.

SATISFIED

“A satisfied customer is worth millions in advertising. If people can look upon you in the eye and say thank you — instead of cursing you, then you sleep peacefully at night. What is more you gain in stature and they look at you as a man they can trust. Shady deals, unfortunately, are the only guaranteed path to complete business disaster,” he said.

In the upper brackets of the community, there is now a trend to take up heavy policies that will eventually allow people to retire — at an early age — and enjoy a good life. It is in this category that you find people going on yachts around the world at retirement, hitting the high spots of Paris, London and New York.

It takes a lot of money to do this and that is why they are keeping their policies well oiled with cash until it matures.

All in all, the optimism of the industry combined with the awareness of the community, are making the insurance world buzz with excitement for the next five years.
Fedfund 42% higher

Deputy Financial Editor

FEDERATED Property Trust (Fedfund) pushed up distributable income 42% to R3.150 000 (R2.122 000) in the six months to June.

Income a unit on the 52.500 000 units now in issue was 6c compared with 6,32c a unit on the 35-million units in issue last first half. This means last year's R17 800 000 rights issue diluted earnings slightly.

Net income was fully distributed and a 6c interim dividend has been declared.

The results were satisfactory, says the report, reflecting accelerated income growth in the property portfolio but a lower than expected overall yield on uninvested funds.

These are committed on expansion of the property portfolio.

"Fedfund recently acquired Eiken and Kelston, two large office blocks in Johannesburg for R7-million and is spending R1.500 000 extending its OK Bazaars building in Potchefstroom, so will soon be fully invested in property again.

Fedfund forecasts a dividend of "no less than" 12,7c for the year. At 190c, it yields 6,7% on the forecast dividend."
No government probe into 'dawn raid'

Own Correspondent

LONDON — The 'dawn raid' in which De Beers, the South African mining company, acquired a 25 percent stake in Consolidated Gold Fields, the London mining finance house, will not be referred to the Monopolies and Mergers Commission.

This was announced by the Trade Secretary, Mr. John Nott, yesterday.

De Beers secretly built up a 13.4 percent holding in Consolidated Gold during the closing months of last year and spilling of this year. Then in February the company went into the stock market in an early morning raid and increased their holding to 25 percent.

De Beers were criticized for the method they used to buy the shares which did not allow all shareholders an equal chance to sell. There was also some speculation about the way in which a foreign company was able to seize such a major stake in a British company.

It appears now that Mr. Nott feels there is no significant issue of public interest which would justify an investigation.

The government has come to the conclusion that the shares will not give power to control Consolidated Gold Fields, though it may be able to influence them. If De Beers were to gain control, the situation would be different and the matter would then be referred to the Monopolies Commission.
Beware of that policy

SOME THIRTY years ago Mrs Bertha Makhele, then an able and healthy working woman, took out a life insurance policy. But after her death her family received virtually nothing from the insurance company.

Two weeks ago, at the age of 78, Mrs Makhele died. Her family approached her insurance company to pay out on her policy. They were shocked to receive R87,34c. Lamented her granddaughter Mrs Leticia Binda: "But she had been paying all these years. We thought the insurance people would pay her a hefty sum."

Investigating this SUNDAY POST found a different picture, which touches nearly every black insurance policy holder.

Mrs Makhele, who paid five cents a week for her policy, did not know that it matured in 1976. The money she was entitled to at that stage was less than R26. Her family did not know about this.

"Most of our people, after they have taken out a policy, do not bother to check or understand many vital facts," said Mr A S Netshandama, branch manager of the Soweto branch of Metropolitan Honeys Trust Life. (Incidentally, this is the company that insured Mrs Makhele).

Mr Netshandama admitted that in most cases it is the fault of insurance agents. They should make it their business to properly inform their clients about policies they take out.

Now that the high risk factor is no longer used to determine black insurance as laid down in the 1943 Insurance Act, blacks in greater numbers are taking out insurance. "But," warned Mr Netshandama, "even the educated people faulted."

By Z B MOLEFE

Insurance may not meet all your needs

He also added that nowadays, besides funeral policies, blacks could take out industrial policies (for the middle-class income groups) and policies for pension fund purposes.

Inflation was another factor most black insurance policy holders did not take into account. Using the case of Mrs Makhele, Mr Netshandama pointed out that when she took out her policy during 1950 the premiums varied between three cents and fifty cents a week.

"Remember," Mr Netshandama emphasised, "in these days commodities like bread cost something like three cents. But today prices are far higher. Even in insurance each factor comes into play when you have to work out policies. That is why it is so important that our people should be educated in this industry."

He appealed to black people to note the following points:

- Always ask the agent to go through all the information.
- It is important that the manner of payment is explained.
- Be frank about your health. At a later stage this can lead to problems if the wrong information is supplied.
- Make sure a receipt is received for any money paid to an agent.
- If an agent no longer gets in touch, after a policy has been taken out, make a point of establishing his credentials with the company's nearest branch.
Move to stop wise-guy agents

SIGNS that the Government-controlled Estate Agents Board is beginning to flex its muscles after a rather slow start have come with the issue of its latest newsletter. (When I say a slow start, let me illustrate this by saying that on Monday, July 22, I received that newsletter — dated June).

However, the release, which is sent to the 12,000 plus registered estate agents to keep them in the picture regarding the board’s activities, discloses several interesting points.

Two of them concern sections of the Estate Agents Amendment Act, which was gazetted in May. Section 27 deals with the disqualification of “certain persons who may not be issued with a fidelity fund certificate unless the board considers it to be in the interests of justice.”

Fair enough, but the sting comes with “the onus is on the disqualified person to satisfy the board that it would be in the interests of justice.”

So an estate agent who is barred from obtaining a fidelity fund certificate, without which he cannot legally operate, has to provide the proof that he is a good boy, has been a good boy and will be a good boy.

The newsletter says the amendment to Section 33 means the Minister “has the power to prescribe by regulation the standard of training and practical experience which a new entrant into the estate agency field will have to attain. ‘If he does not comply with the standards laid down by the Minister in the regulation, he may not be issued with a fidelity fund certificate.”

However, no such standards or regulation have yet been promulgated. But it is known that the real estate agents have been pressuring for years to have educational standards for agents, and indeed, runs a course for a certificate in the residential field.

According to the newsletter, the Minister will also be able to lay down what practical experience an estate agent must obtain before he can act as a principal in an estate agency business. He will also be able to dictate the conditions under which an agent can operate from residential premises.

Again, there is no such regulation as yet, but the powers are there and our Cabinet Ministers are not renowned for ignoring the powers that are granted to them...

By and large, it would appear that the motive behind the moves is to cut out the oddballs who drift from one selling job to another depending on where the best commissions are being paid. And that’s a good idea.

I don’t mind if a car salesman starts selling cigarettes, or sausages if the pay is better. But when he comes to selling houses, sound knowledge and experience are essential.

Qualified

As far as the wise guy is concerned, who sets himself up as an agent from the dining room table, I welcome possible moves to squash this — unless the agent has qualified by attaining the acceptable standards applicable to competitors in larger organisations.

Let me, after all, allow free enterprise to carry on — and most of the major businesses have had humble beginnings...

Talking of going out on one’s own, there is yet another vital message in the board’s newsletter.

A director of a firm from whom the fid. fund certificate has been withdrawn will also become a disqualified person.

The newsletter says: "Previously the director was free to apply immediately for and obtain a fid fund certificate in his own name to trade as a sole trader or a partner. "This will no longer be possible and such a director will have to convince the board it would be in the interests of justice to issue a certificate to him."

Gemin asbestos profits edge up

By Geoff Shuttleworth

The Gemin asbestos twins have both increased profits slightly for the June 30 ended quarter. Msauli increased taxed profit to R894,000 from R855,000 while Gofeo rose to R1,210m from R1,004,000. This brings Gofeo taxed profits for the year to date to R2,110m compared with R3,660m in the same period while in the case of Msauli it reflects a taxed profit of R1,750m (R1,810m).

Msauli increased production of fibre to 28,008 tons from 22,016 tons from increased throughput of 254,000 (234,000 tons) and the recovery percentage increased to 10,2 percent (9,8 percent).

Gofeo throughput declined to 39,000 tons (100,000 tons) resulting in a decrease of fibre recovered to 11,122 tons (13,118), reflecting a decrease in recovery to 12,5 percent (13,1 percent).

Production costs per ton at Msauli declined to R84,1 (R92,1) though selling costs wiped out this benefit by rising to R68,4 (R59,8). Gofeo production costs per ton rose to R314,3 from R291,3 and selling costs declined marginally to R122,2 (R112,8).

The results are little changed in comparison from last year’s corresponding period but as Gemin points out, financial results are based on actual fibre shipments which vary from month to month.
Af Eagle joy  for SA Eagle

By HAROLD RIEBROHN

AFRICAN Eagle has produced spectacular figures for the year to March 1959. Total assets now 11.3% higher at R528 608 880; income + 13.2% up at R399 910 079; and net taxed income at R113 509 539 by 28.6% better than 1958's figures.

All this is cold comfort for the shareholders of SA Eagle, which owns 75% of African Eagle, which last paid a dividend six months ago. The company, now in 1959, has a SA Eagle share which is not likely to receive any dividend payments for some time into the future hence.

The dividends are 0.8% for the current financial year, according to the annual report.

Dr Morris Berstein, the managing director, expects a continuation of the company's expansion in the future. The year's surplus rose from R12 million to R132 million. The current financial year, net business production for the insurance division is 64% higher than in the same period last year.

Premium income last year rose from R112 million to R124 million. Investment revenue was 16% higher at R67 million. The year's surplus rose from R118 000 000 to 119 000 000. This was translated into the life fund which stood at R8 950 000 at the end of the financial year.
FINANCE - General
1-8-80 - 31-12-80
Financial Institutions Amendment

See S. Hansard 12 COls 24-95 - 24-98
12/6/80

Debate: Financial Institutions
Amendment Bill
(Committee Stage resumed)

See Hansard 17 cols 9155-9166.
Debate: Financial Institutions Amendment Bill (3rd Reading)

See Hansard 17+ cols 8949-8991
Debate: Limitation + Disclosure of Finance charges amendment bill (Committee Stage)

See Hansard 17 cols 8586 - 8667
9/6/80

Debate: Limitations and disclosure of Finance charges amendment Bill.

See Hansard 17 Oct 8431-8507
Debate: Companies Amendment Bill

see Hansard 17 cols 8560-8576
Companies Amendment Bill

See S., Hansard 10 cols 2041–2061
Financial Institutions Amendment Bill

See S. Hansard 10 (A) 1973-200 8
Financial Institutions Amendment
Bill - Committee Stage

See S. Hearings 10 Cola 1973 - 2000
29/4/80.

Share Block Control Bill

2nd Reading

See S. Hansard 16th May 1291-1300
Financial Institutions Amendment Bill

See S. Hansard 9 Cd's 1879 - 1905.
Financial Institutions Amendment
Bill - 2nd Reading

See S. Harvard 9, 1879 - 1905
Mr. G. S. Bartlett asked the Minister of Commerce and Consumer Affairs:

Whether he will amend the Companies Act, 1973, in order to make it an offence for directors of a company to refuse information to shareholders at a meeting convened in terms of section 181 of the Act, if so, when; if not, why not?

The MINISTER OF POSTS AND TELECOMMUNICATIONS (for the Minister of Commerce and Consumer Affairs):

No, not at this stage. The Standing Advisory Committee on Company Law, appointed in terms of the Companies Act, 1973, usually considers all proposed amendments of the Companies Act.

The hon. member is therefore requested to submit a memorandum in connection with the matter to me for the attention of the said committee.
3/5/80

Financial Institutions Amendment Bill

See S Hansard cols. 2511-2174.
Shackleocks Canal Bill

Committee Stage

See Hansard 10 cols. 4796-4824
S. A. Mutual Life
Assurance Society ( Provident ) Amendment Bill

See 1. Hundred 5 Co 1184 4194
S. A. Mutual Life Assurance Society (Private) Amendment Bill

See S. Hansard 5 Cols. 1168-1175
Shear Blocks Control Bill
(2nd Reading)

See Harvard 1060 4456 4492
24/4/80

There Blocks Control Bill
2nd Reading Resumed

See Hansard 10 July 4735-4745
University of Durban-Westville: autonomy

15. Mr. R. A. F. SWART, asked the
Minister of Indian Affairs:

Whether representations have been made
to him or his Department in regard to the
granting of autonomy to the University of
Durban-Westville; if so, (a) by whom, (b) when and (c) with what result?

The MINISTER OF INDIAN AFFAIRS:

Yes.

(a) The Council of the University.
(b) December 1978.
(c) No decision has as yet been taken.
Horwood to talk on interest rates

THE MINISTER of Finance, Senator Horwood, says he will make a statement shortly on interest-rate policy. The Governor of the Reserve Bank, Dr Theunis de Jough, will comment on monetary policy at the Reserve Bank's annual meeting on August 28, but Senator Horwood says he will probably make an announcement before this.

Dr de Jough and other Reserve Bank officials will take part in discussions on monetary policy before the statements.

Senator Horwood said in an interview with Reuters that the committee on financial policy and strategy would meet next week and he would later be able to comment on monetary policy.

He said inflation was the biggest problem.

"At this moment we do not want to slow down the growth rate for want of essential imports. If we are going to sustain the substantial rate of growth we are going to have to have a fairly substantial rate of imports at least for a while.

"We hope to hold the inflation rate for the next few months until we get some indication of how the economy is going. But we cannot expect in the short term that the country's rate will fall much below those of its major trading partners."

The high level of imports was adding to inflation - "so it will have to be watched very carefully and we must see at what point we feel stocks have been built up sufficiently, and a substantial increase in overseas technology has taken place".

He hoped normal economic factors would lead eventually to a flattening in imports.

"I don't think imports are going to go on rising as they are for more than a matter of months."

He said the economy was in good shape apart from inflation worries and "it is going to take some very substantial and unexpected developments to cause a change from the present course. Therefore, if things remain roughly as they are, one can anticipate a strong economy for quite a while yet".

The authorities would have to wrestle with the liquidity and inflation rate problems for a while. This affected interest rates.

On a short-term analysis, inflation in South Africa was a cost inflation - "so we must look at remedies basically in this light".

The authorities had kept a tight grip on government spending and "this must continue to be the basic approach".

Revenue was buoyant, but there was nothing inconsistent in a policy which sought to promote growth, but with financial discipline.

He said the authorities had by and large been successful in preventing inflationary pressures arising from fiscal and monetary policies.

He said administered prices had been a contributing factor because of the old policy of keeping prices as low as possible. Now that these had been largely adjusted for a little while, the worst was over.

There were also price increases in the private sector which were made possible by improved market conditions.

He said the official policy of narrowing the wage gap between low and high wage earners had been inflationary.

The authorities were trying to quantify the various inputs into the inflation equation and thus be in a position to weigh the various factors and have a clearer insight into their importance.
Rate war hits Cusaf

COMMERCIAL - Union Assurance Company of South Africa's taxed profits for the six months to June 30 fell 13% against the same period last year, according to the company's interim results.

Earnings a share for the first six months this year dropped to 22c from 25c for the same period last year, but the interim dividend is unchanged at 8c.

Taxed profits amounted to R1 700 000.

A statement said total income on the life account was 27% higher than in the corresponding period last year at R22 300 000 and the market value of the life fund's assets exceeded R200 million for the first time at the end of June.

The statement said Cusaf's results reflected the high level of competition in the short-term market, with the downturn cushioned to some extent by increased investment income and an increase in shareholders' life profits.

Competition in the short-term end of the industry led to rate cutting which affected the entire insurance market.

"The positive note in the results is a 73% rise in the shareholders' share of life profits at R1 200 000 and a 15% increase in investment income at R1 500 000."

Shareholders' funds increased in value by 40.5% to R30 600 000 at the half-year stage, with net asset value a share up 41.3% to 38.3c.

Underwriting profits fell 85% to R31 000, coincident with an increase in claims.

Cusaf's managing director, Mr John Birkenhaw, says: "It is unlikely that the short-term insurance market will improve before worsening results generally force a return to some and prudent underwriting, but our ability to meet this situation in the meantime is self-evident from the financial strength disclosed in our results." - Sapa.
Rupert moves into oil and mineral resources

By PAUL DOLD
Financial Editor

THE REMBRANDT GROUP is moving into energy, metals and mineral resources through an overseas investment company which has been formed in partnership with a European group.

This is disclosed by the chairman, Dr Anton Rupert, in his annual report today. He says the aim of the new company is to invest in resource based industries.

"Current activity has been mainly directed to portfolio investments geographically spread and diversified as to the nature of the metals, minerals or energy resources." Judging the investment so far the Rembrandt group is ploughing millions into this new investment programme and the pace seems to be accelerating.

A total of nearly R100m has been invested, which includes some R46,5m alone since March.

Always a shrewd financier, Dr Rupert has no doubt judged well the international climate and the forecast high demand for strategic minerals and scarce energy resources. Already several European countries are setting up stockpiles of strategic minerals in the new climate which followed the Soviet invasion of Afghanistan.

In South Africa the report reveals that Remgro has taken a 30 percent stake in Total South Africa at a cost of R15m.

And the review notes that while the principal source of group income is still the tobacco and liquor industries, income is increasingly being derived from mining, banking and the investment of liquid funds.

The report also details that R9,4m was paid for the initial investment in the joint venture with the German chemical giant Henkel.

Group's profits

Sapa reports that Rembrandt Group's net income attributable to own members increased from R93,4m to R108,7m for the year ended March 31, according to Remgro's annual report.

Income from liquor and tobacco interests increased by eight percent from R78,9m to R85,4m and income from other sources from R14,6m to R33,2m.

Capital employed at March 31 amounted to R385m, of which R750m (90 percent) was represented by shareholders' funds.

Interest of own members in shareholders' funds rose by R75m ($1,41 per share) to R730m, bringing book value per share to R13,91.

The annual dividend of 30 cents per share was 4,5 cents up on the previous year.

The directors report that during the year Remgro established an overseas investment company, in partnership with a European group, to invest in resource-based industries.

"Current activity has been mainly directed to portfolio investments geographically spread and diversified as to the nature of the metals, minerals and energy resources. The total current investment by this new company amounts to nearly R100m," says Remgro.

Remgro's local investment during the year amounted to R78,5m, with the group acquiring interests of 20 percent in Legal and General, Volkskas Assurance and Total South Africa, and increasing its share of Federale Misybou to 25 percent, as well as establishing a joint chemical venture.

The change in Remgro's liquor interests resulted in cash inflow of R79,5m, with the change in the liquor industry resulting in a 20 percent Remgro investment in the new Cape Wine and Distillers and selling its interest in Intercontinental Breweries.

A consolidated five-year review shows earnings per share of 257,3 cents for 1980 compared to 125 cents in 1975, with a dividend increase over the period of some 70 percent.

The annual report of Rembrandt Controlling Investments - which has a 61 percent interest in Remgro - shows a net income attributable to own members of R60,4m against R47,5m the previous year.

The interest of own members in total shareholders' funds increased by R39m to R370m or R10,38 per share.

Earnings per share of 10c, including a share in income retained by associated companies, amount to 167,5c against 158,1c the previous year.

The dividends, totalling 21,6c (15,1c) are thus covered more than 7 times.

Technical and Industrial Investments consolidated net profit after tax, together with the interest of own members in the profits retained by associated companies, increased to R20,2m in the financial year ended March 31.

The total dividend of 10,6c (15,1c) per share amounted to R2,5m.

The total consolidated interest of own members in the assets of the company increased by R13,1m to R122,7m.

Technical Investment Corporation reported consolidated net profit after tax increased to R24,4 (R19,2m). The total dividend of 18,3c (16,1c) per share amounted to R2,5m.

The consolidated interest of own members, which includes the company's share of profits and reserves of associated companies, amounts to R149,1m (R133,2m). - Supu
Preparation of your home or business in order to increase your property value.

**Preparation Tips**

1. **Declutter**: Remove unnecessary items to make the space feel larger and more appealing.
2. **Repaint**: Give walls and ceilings a fresh coat of paint to enhance appearance.
3. **Clean**: Thoroughly clean all areas to ensure a pristine presentation.
4. **Update Lighting**: Replace old bulbs with new, energy-efficient ones to brighten interiors.
5. **Landscaping**: Tidy up the yard and ensure the exterior looks well-maintained.

**Government Access and Warnings**

- **Government Access**: In order to get your property valued, the government may need to inspect your premises.
- **Access Rights**: The government has the right to access your property if they have reasonable suspicion of illegal activity.
- **Warnings**: To ensure your safety and security, always be aware of the presence of government officials.

**Conclusion**

By following these tips and being aware of your rights, you can prepare your property for the highest valuation possible.
In justifying its stand, which it terms "non-co-operation" with suppliers, the South African Retail Chemists and Druggists' Association says they also have to contend with supermarkets.

They assert that a remedy sold in a chemist is sometimes sold at a supermarket for 10 to 15 percent less.

In some cases, supermarkets sell medicines at 30 percent less than the chemist's price.

Frans Eckard, president of the 1,800-member South African Retail Chemists and Druggists' Association, said this week that they had never boycotted a product which was also sold to other retail outlets.

"We follow a policy of non-co-operation to look after our own interests. If a supplier, for instance, puts a product on the open market, we will not promote his other lines. But we will certainly stock it. And if a customer asks for it, we will sell it to him."

He said people could say they were monopolistic if they liked.

"We are highly skilled and highly trained people. We are the distributors of medicines. We take extreme risks, especially these days with sophisticated drugs. We feel that for these risks we should be reimbursed."

He stressed that medicines were manufactured by pharmacists and that its control should be in the hands of qualified people.

Bonuses

Referring to the accusation that some chemists accept bonuses from suppliers to promote a particular product, Mr Eckard said: "While it is true that certain bonuses go with certain medicines, I can quite safely say that a pharmacist will only buy that product when there is a big demand for that particular product."

He said a pharmacist would not push a particular medicine merely because he got a bonus.

"The only way a pharmacist can keep control of medicines is to get all medicines sold through a pharmacy. No medicine that is really effective, is entirely safe today."

He said one of their main aims was to get all medicines sold through pharmacies and not through the retail outlets such as supermarkets.

The board observes in its report that the size of the profit margin is not so much a concern as the restriction placed on the freedom of the various parties to negotiate individually and independently without outside pressure with regard to prices and profit margins.
There is no point in trying to explain the concept of insurance. It is a complex topic that requires a deep understanding of financial principles. The concept of insurance is based on the idea of pooling risk. By pooling risk, individuals can protect themselves against the financial consequences of adverse events. The insurance company collects premiums from policyholders and uses this money to pay out claims when an insured event occurs.

The concept of insurance is closely tied to the idea of fairness. Insurance is a way to ensure that the costs of adverse events are distributed fairly among a group of people. This is achieved by pooling risk and spreading the costs of any adverse events that occur.

The concept of insurance has evolved over time. In the past, insurance was primarily used to protect against major losses, such as property damage or loss of life. However, modern insurance policies cover a wide range of risks, including health, travel, and personal liability.

Insurance is an important tool for managing risk. It allows individuals to protect themselves against the financial consequences of adverse events. However, it is important to understand the basics of insurance before making decisions about which policies to purchase. It is also important to carefully review the terms and conditions of any insurance policy to ensure that it meets your specific needs.

BY STEPHEN O'REILLY

GROWING TO OVER 100 COVER

The concept of insurance is based on the idea of pooling risk. By pooling risk, individuals can protect themselves against the financial consequences of adverse events. The insurance company collects premiums from policyholders and uses this money to pay out claims when an insured event occurs.

The concept of insurance is closely tied to the idea of fairness. Insurance is a way to ensure that the costs of adverse events are distributed fairly among a group of people. This is achieved by pooling risk and spreading the costs of any adverse events that occur.

The concept of insurance has evolved over time. In the past, insurance was primarily used to protect against major losses, such as property damage or loss of life. However, modern insurance policies cover a wide range of risks, including health, travel, and personal liability.

Insurance is an important tool for managing risk. It allows individuals to protect themselves against the financial consequences of adverse events. However, it is important to understand the basics of insurance before making decisions about which policies to purchase. It is also important to carefully review the terms and conditions of any insurance policy to ensure that it meets your specific needs.
SENIBANK SEES BIG RISE IN SPENDING

Disposable personal income — the amount of money all South Africans will have available to spend after paying income tax — is expected to rise by about 21.5 percent this year, says the Central Merchant Bank (Senbank).

Senbank bases this figure on expectations that salaries and wages will rise by an average of 15 percent, that employment will increase by 5.5 percent and that tax cuts will contribute the balance.

After taking into account the effects of inflation, Senbank estimates that consumer spending this year will rise by about 5.5 percent in real terms.

BOOM YEAR

This compares with an increase of only 2.8 percent last year, and of 6.1 percent in 1974, the previous boom year for the consumer.

The bank expects much of the increase to be spent on durable and semi-durable consumption goods.

Much of the consumers' increased income is expected to be spent on cars.

Expenditure on private transport could rise 17 percent in real terms this year.

Senbank says that in spite of the high rate of inflation the consumer is in a highly favourable financial position.

It adds that pessimistic inflation expectations could lead to accelerated consumer demand.
Tollgate's 10c final

A final dividend of 10 cents has been declared by Tollgate Holdings.

The company also announced yesterday the creation of 9m new shares of R1 each and a capitalization issue of 2,160,688 shares of R1 each in the ratio of 60 new shares for every 100 held on August 15, 1989.

The new shares, to be issued as capitalization shares, will rank pari passu in all respects with the then existing shares in the company and will qualify for the final dividend of 10 cents which the directors have declared for the year ended June 30, 1989.

The directors consider that, provided no unforeseen circumstances arise, the annual rate of dividend on the increased share capital in future years will not be less than 20 cents as was paid in the year ended June 30, 1979. - Sapa

Angolan diamonds

LISBON. - The Angolan diamond mining company, Diamang, produced 675,000 carats in the first six months of this year and expects to reach its 1989 production target of 1.4m carats, the Angola news agency Angop said.
Senbank sees a spending spree

By ARNOLD PREDHON

A sharp increase in real private consumption expenditure this year, with spending on private transport equipment, is predicted by Senbank in its Economic Opinion which is devoted to an analysis and forecast of expenditure patterns.

The Senbank study forecasts that private consumption expenditure (PCE) will grow at a rate of 6.5% in real terms — which means, at constant 1970 prices — compared with a growth rate of 2.8% in 1978, 1.4% in 1979 and a negative growth rate of 1.1% in 1977.

This figure is better than they look because real expenditure on goods, that is PCE less spending on services, is projected to increase by 7.2%.

The high growth rate for consumption is the result of the considerable increase projected for expenditure on durables and semi-durables. Non-durable consumption, which consists mainly of spending on food and beverages, accounts for more than 70% of all non-durables bought in South Africa and by its nature is highly non-elastic.

And of the durables, real expenditure on private transport equipment will grow by 17.5%, the strongest growth percentage of all the main categories of private consumption.

The Senbank analysis says that the high growth rate stems from an analysis of three main sets of determinants: the ability, the need, and the willingness of individuals to spend.

The ability of the consumer to spend is the most important of these three factors and this is determined by current personal disposable income, personal savings and the availability and cost of consumer credit.

The consumer's financial position is favorable at present in spite of the high inflation rate. Total personal disposable income of salary and wage earners is estimated to rise this year by 21.5% in money terms and 7% in real terms.

After the battering which the consumer took between 1975 and 1978, he rebuilt savings last year. This should have a favorable influence in 1980.

As for the availability of credit, Senbank says that the situation favours the consumer.

On the question of the need to spend, because of unfavourable conditions in 1975 to mid-1979 there is now a pent-up demand for durables and semi-durables, such as furniture and household equipment.

The willingness of consumers to spend is determined by the state of consumer confidence and this is at its highest level in five years. There is another factor and that is the inflationary expectation which induces him to spend now rather than later when prices might be higher.
12 in Volkskas power struggle

It is a battle among the giants of South Africa's senior Afrikaners' leaders as Friday approaches when Volkskas Group's new chairman will be voted into office.

Considered as somewhat like the presidency in the Afrikaner business world, many prestigious names in Afrikanerdom are lined up for this post — among them Dr. Tommy Muller, chairman of Isecor, and his brother, Dr. Hilgard Muller, former Minister of Foreign Affairs.

The new chairman has to be chosen from among the group's 12 directors who represent some of Afrikanerdom's most respected leaders.

STRONG CHANCE

Dr. Andre du Toit, chairman of the KWW and vice-chairman of the group, is one of the directors who is considered as a candidate with a strong chance of succeeding the retiring chairman, Dr. Jan Hurter.

Dr. Tommy Muller refuses to comment on newspaper reports about the possibility that he and his brother may be contesting the same position.

But he points out that any director may pull out of the race by formally withdrawing at Friday's meeting.

The other directors are Mr. Danie Van Huyssteen, managing director of the group; Mr. H. O. du Villiers of Francschoor, former vice-president of the Reserve Bank; Dr. Kirsten Goeckel, former Moderator of the Dutch Reformed Church and vice-chancellor of the University of Stellenbosch; Mr. Marthinus Jooste, managing director of the Afrikaner publishers Perkhoi; Mr. Albert Marais, former president of the Afrikaner Handelskantoor and chairman-elect of the SAHC; Mr. Daniel Marais, economist; Professor Wijnand Mouton of the SARC; Mr. Dirkie Uys, former Minister of Agriculture; and Mr. Joop Willemse, chairman of the SA Agricultural Union.

Dr. Jan Hurter has been chairman for the past nine years, but he has to retire as he reaches 75 — the age limit for Volkskas chairman.

Beeld, who used the struggle for Volkskas' top position as front-page lead yesterday, speculated that the final choice may lie among the Muller brothers and Dr. du Toit of the KWW.

ADVANTAGE

Dr. Hilgard Muller was mentioned because he had established himself as one of the country's foremost gentleman-politicians.

Dr. Tommy Muller was in a favourable position because of his experience as business leader and Dr. du Toit held an advantage as vice-chairman of the group, the paper said.

It was reported that MD Mr. Danie Van Huyssteen would not make himself available for the post and that Dr. Albert Marais declined to run.

The retirement of Dr. Hurter is seen as an end to an era. His concern for the promotion of Afrikaner business was one of the driving forces in his career.
First-half profits up 34%
Stanbic tempers the good news

By Harold Fridjhon

Impressive half-year figures from the Standard Bank Investment Corporation (Stanbic) to June 1980, with profits 34% higher and the dividend raised from 30c a share to 41c are tempered with a warning that trading conditions in the second half will be only marginally better.

Pre-tax profit for the first half is R44,725,000 which is 39.6% better than in the first six months of 1979 and almost on a par with the profit earned in the second half of last year.

Taxed profit is R28,574,000 compared with R20,605,000 in the June half of last year and R25,566,000 in the second half of the year.

Earnings a share are 47c from which 12c is being paid, compared with 38c from which 11c was paid. In the second half of last year 47c a share was earned, making 59c for the full year from which dividends totalling 38c were paid.

In the half-year Stanbic sold its investment in G Smith and Company at a capital profit of R100,000. This extraordinary profit is not included in the interim figures and will be retained to fund growth.

The directors report that the economic recovery gained further momentum during the six months and that all sectors of the economy are showing improved performances, but they point out that "widespread shortages" of skilled labour and increasing rates of inflation demand urgent attention to avoid hampering economic growth.

With the surpluses generated by the high gold price, liquidity in the banking sector remains high and the directors say that at times the profitable investment of surplus short-term funds was difficult.

The short-term benefit to the commercial banking sector of an artificially high bank rate has begun to fall away. The continued downward pressure on interest rates has caused an increased demand for money market paper at the expense of the more traditional overdraft.

The demand for private consumer lending has continued unabated.

Only marginally better results are forecast for the second half. While increasing business activity and a sustained demand for consumer lending will give good support for the group's performance, allowance will have to be made for:

- a weak demand for overdrafts;
- the cost of increased statutory reserves;
- the continued impact of credit ceilings; and
- the threat of increasing inflation on cost structure.

Comment: The report hints that Stanbic's profit margins are likely to be squeezed in the current six months. Except for smaller businesses and consumer credit, the demand for overdrafts is likely to be soft.

With the current bank rate, prime rate is 9.5% which is more than 2% higher than large borrowers pay for acceptance credits and more than is paid for other off-balance sheet financing.

The increased statutory reserves could mean immobilising as much as R150-million worth of assets.

Meanwhile the cost of money remains high with the building societies competing in the market for funds and forcing some of the rates higher than they would otherwise have been.

The banks have also lost out on the opportunity to profitably investing some money abroad under the previous forward discount rate system which applied to imports and exports.

Finally, like all other service industries, the banks sooner or later are going to have to face up to the consequences of labour shortages by meeting the inevitable wages demands which can hurt a labour-intensive industry harder than others. And without being able to raise income.

Taking the figures for the second half of last year and scaling them up for the second half of this year would be a misleading exercise. In the second half of last year, the economy was shifting up into top gear and the speed was there; this year it looks as if that acceleration might be lacking and the cost-profit squeeze might mean a reduction of speed for the banking sector.
Volkskas denies Muller brothers leadership quest

By DAVID CARTE
Deputy Financial Editor

VOLKSKAS HAS described as "absolute nonsense" reports in the Afrikaans Press that the brothers Dr Hilgard Muller, former Minister of Foreign Affairs, and Dr Tommy Muller, chairman of Iscor, were engaged in a "struggle" for the chairmanship of the R4 000-million Afrikaans banking empire.

Volkskas is to choose a new chairman on Friday to replace Dr Jan Hurter, who is to retire.

A spokesman for Volkskas says that any one of the 12 directors of Volkskas is eligible for the chairmanship and that it is not true that the contenders are lobbying and jockeying for position as if Volkskas were the nucleus of the National Party.

But the brothers Muller and the managing director of Volkskas, Mr Danie van Huyssteen, are widely tipped as leading contenders for the top post.

Sources close to the group said the leadership question had come up too soon for Volkskas's convenience.

They believe that Dr Hilgard Muller, who is 65 and would have to retire at 72, would make an excellent stop-gap chairman. As a "gentleman politician", he is widely liked and respected. He was seen as a statesman with few enemies.

But his financial credentials are not as substantial as those of his brother or Mr Danie van Huyssteen. If Volkskas were looking for a more permanent chairman, one of these two would probably be preferred.

Mr Van Huyssteen is on record as saying he is not particularly interested in the chairmanship. One problem with appointing Mr Van Huyssteen would be to find another managing director of his calibre.

Volkskas watchers say that since the death last year of Dr Erasmus, the apparent crown prince of Volkskas, there has been no obvious successor to Mr Van Huyssteen.

Mr Laurie Korsten, present managing director of Volkskas Merchant Bank, has the track record and unexcelled financial credentials, but sources close to Volkskas say he is too young and does not have the necessary contacts in Pretoria to become MD.

Perhaps in another five or six years, they say, he could become eligible, which would make a stop-gap chairman a good idea.

Iscor's relationships with Volkskas have long been close and influential and Dr Tommy Muller must be a strong contender for chairman.

Other contenders in the race are Dr Andre du Toit, chairman of the KWV and deputy chairman of Volkskas, and Mr H O de Villiers, a former vice-president of the Reserve Bank.

Mr Albert Marien, chairman of Sasol and former president of the Afrikaanse Handelsblad, would have been a candidate, but has reportedly sacrificed himself since being appointed chairman of Sasol for the future.

Other candidates for Volkskas are Dr J H Le Roux, vice-chancellor of Stellenbosch University and a former Moderator of the NG Kerk, Mr PV Jooste, Dr M D Munsie, Professor WL Mouton and Professor J Paauwa.
By HAROLD FRIDHOON

DR GERARD DE KOCK, senior Deputy Governor of the Reserve Bank, will take over as Governor when Dr T W (Dick) de Jongh retires at the end of the year. Dr De Jongh announced his early retirement yesterday — a move which caused considerable comment in banking circles.

It was totally unexpected, particularly ahead of the bank’s annual meeting at which it is expected that he will make important policy pronouncements. Gerhard De Kock joined the Reserve Bank as an economist after he graduated PhD at Harvard. Between 1966-67 he was a special economic adviser to the Treasury and in 1968 he was appointed an alternate executive director of the International Monetary Fund, where he also served on the committee which studied reforms of the IMF.

Dr De Kock played a prominent role in negotiating the gold agreement with the United States which culminated in the two-tier gold system which led to the recognition of the free market for gold.

Perhaps the role in which he is best known in recent years is as chairman of the De Kock Commission inquiring into monetary system and policy. The commission’s first report has paved the way for the resurrection of a free market system in this country.

Recently he was appointed chairman of a regional economic grouping linking South Africa, its self-governing homelands and neighbouring states.

The appointment of Dr De Kock to the governorship means that he will occupy the chair which was filled with such distinction by his father, Dr Michael de Kock, an outstanding Governor who at one time was the dean of world central bankers.

Dr De Jongh who is a graduate of three universities — Stellenbosch, Columbia (USA) and Pretoria — has been Governor since 1977. He joined the Reserve Bank in 1916 as head of economic research and statistics in 1963 he was appointed executive assistant to Governor, Dr Gerard Russel.

He said yesterday that when he accepted his third term in 1977, he told the Minister of Finance that he would not be bound to serve the full five years.

The main areas of discussion yesterday when the news of Dr De Jongh’s resignation came over the helter were what prompted the early retirement. He was to have retired in 1983.

The prompt action by the Minister of Finance, Senator Owen Horwood, has put paid to any conjecture about the succession. One reservation that observers had was whether Senator Horwood was prepared to break up the trinity of De Kock, De Loo and Brand which has successfully brain-trusted South Africa towards a free market economy.

On the other hand, with Dr De Kock at the Reserve Bank there is a school of thought that policy might move a little faster than it has done. And in the future a still faster pace will be needed if Senator Horwood accepts the second part of the De Kock Commission report which is expected to bring big changes into the banking system and the foreign exchange fields.

It is an open secret in banking circles that Dr De Jongh has not seen eye to eye with the Treasury on certain aspects of policy and on the way policy should be implemented. Dr De Jongh has always been a hardliner in controls from the top and a rigid disciplinarian. The present ‘back in policy in for fewer controls which would be exerted through market forces rather than through dictats.

It is possible that the clash of personalities and principles came to a head at a recent meeting in Pretoria in which monetary, fiscal and economic policy was discussed embracing such subjects as inflation, money supply, controls on bank lending, and whether the economy should be cooled down because, as some say, it is overheating.

It is known that Dr De Kock sees more scope ahead for growth and that he is opposed to taking any steps now that would slow down the boom. Dr De Jongh’s record is one of caution with a deep-rooted phobia about inflation.

The reasons behind the resignation will never really be known — except perhaps that he is tired. He has held office through some trying years and he has always shown a dogmatic strength of character to force through unpopular policies which he held were for the long-term good of the country.

As Senator Horwood said last night, Dr De Jongh had an exceptionally distinguished career and that he had accepted with regret Dr De Jongh’s decision to retire.
Volkskas sugar sees a good year

By SHAUN HOLLICK

THE wholly owned Volkskas subsidiary, Transvaal Sugar Corporation (TSC), turned in improved financial results in the year to March 31 and is looking for “good results” in the current year.

The chairman, Dr J A Hurter, says in the annual report that TSC’s canefields in the Eastern Transvaal Lowveld have not been as badly affected by drought as those of the Natal growers and TSC will produce about 1 500 000 tons of cane next season — the same as last year.

Dr Hurter says the world market has become much firmer and it is hoped that all planting restrictions on the South African industry will be lifted.

There is reason to expect a "considerably more favourable" sugar export price this season. TSC also expects the London daily price of refined sugar to stabilise at closer to £120 a ton (£109 a ton).

The group’s liquidity was improved by the results of the past two years to such an extent that loans, mortgages, debentures and preference shares amounting to R3 977 816 were repaid.

TSC’s production exceeded all previous peaks. A total of 167 256 tons (184 565 tons) of sugar was made from 1 593 554 tons (1 496 364 tons) of cane.

The agricultural section of the company (primarily sugar-cane growing, but also citrus and subtropical fruits) improved.

Citrus turned in satisfactory results accounting for 16.4% (22.9%) of pre-tax net income.

On a larger turnover of R46 900 335 (R45 650 596) net income before taxation was rose 31% to R10 397 709 (R7 602 676). The tax bill rose sharply as assessed losses were used up, with the result that taxed income increased 13% to R6 039 494 (R5 329 902).
No struggle for top post, says Volkskas

JOHANNESBURG — Volkskas has described as "absolute nonsense" reports in the Afrikaans Press that the brothers, Dr Hilgard Muller, former Minister of Foreign Affairs, and Dr Tommy Muller, chairman of Iscor, were engaged in a "struggle" for the chairmanship of the R400 million Afrikaans banking empire.

Volkskas is to choose a new chairman to replace Dr Jan Hurter, who is to retire.

A spokesman for Volkskas said any one of the 12 directors of Volkskas was eligible for the chairmanship and it was simply not true that the contenders were lobbying and jockeying for position as if Volkskas were the caucus of the National Party.

But the brothers Muller and the present managing director of Volkskas, Mr Danie van Huyssteen, are widely tipped as leading contenders for the top post.

Sources close to the group said the leadership question had come up too soon for Volkskas' convenience.

They felt that Dr Hilgard Muller, who was 66 and would have to retire at 72, would make an excellent managing director. As a "gentleman politician", he was widely liked and respected. He was seen as a statesman with few enemies.

But his financial credentials were not as substantial as those of his brother or Mr Danie van Huyssteen. If Volkskas were looking for a more permanent chairman, one of these two would probably be preferred.

Mr Van Huyssteen is on record as saying he is not particularly interested in the chairmanship, but the paper said Mr Hilgard Muller would like to become MD.

Perhaps in another five or six years, they say, he could become eligible, which would make a stop-gap chairman a good idea.

Iscor's relationships with Volkskas have long been close and influential and Dr Tommy Muller must be a strong contender for chairman.

Other contenders in the race are Dr Andre du Toit, chairman of the KTW and deputy chairman of Volkskas, and H. O. de Villiers, a former vice-president of the SA Reserve Bank.

Mr Albert Marais, chairman of Saambou Nasionaal and former president of the Afrikaanse Handelinstelling would probably be a candidate but has reportedly focused himself since being appointed chairman of Saambou.

Other directors of Volkskas are Dr J. N. Gerrieke, vice-chancellor of Stellenbosch University and a former Moderator of the Potchefstroom, Dr J. van den Berg, Dr M. B. Marais, Professor W. L. Botha, and Mr D. C. H. van Dijk.

———

Mr. Wilson

Examiners' initials

per

per

per

WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.

2. Candidates are not to communicate with other candidates or with any person except the invigilator.

3. No part of an answer book is to be torn out.

4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University.
Interbank pleased at official action in money markets

By HAROLD FRIDJHON

The outstanding development in the money market in 1978 was the extent to which the monetary authorities gave greater recognition to the market mechanism in exercising their regulatory function, says Mr C H J van Aswegen in his Interbank chairman's review.

Interbank Discount House is a money-market institution with widespread ownership which includes several banks, major insurance groups and other financial institutions.

Mr Van Aswegen says the authorities tried to drain excess liquidity by selling paper to the market to prevent interest rates from declining further or to avoid excessive credit creation. Their dilemma, however, was that as economic growth was a policy priority, any drastic increase in interest rates was regarded as undesirable.

But because of the expectations of higher interest rates, institutions were not inclined to buy paper with maturities of much longer than six months and then at current rates. This meant that if they wished to drain off the liquidity the monetary authorities either had to offer very short-term paper or to push up rates to make longer-dated paper attractive to buyers.

This was probably a contributory factor towards long-term rates rising more rapidly than seemed justified.

The amount of liquidity which had to be drained was greater than the Reserve Bank's portfolio and at times additional assets had to be obtained from the Treasury and the Public Debt Commissioners. The Reserve Bank also issued debentures and subscribed heavily for two Treasury stock issues which were subsequently sold off to the market.

Mr Van Aswegen raises two points arising from these Reserve Bank transactions:

If these dealings maintain present proportions how will the profits or losses be handled?

With the Reserve Bank taking up large proportions of new loan issues and then selling the stock to the market, the situation might arise in which the private sector might not be given the opportunity of subscribing to new issues. And then if the Reserve Bank can't sell off the stock, this would mean Government financing by central bank credit which would be inflationary. To avoid this the Reserve Bank might push rates up too much to dispose of the stock.

With the ghosts of Rand Bank and Randulla Bank finally laid, Interbank not only stepped up its profit for the year to June 1978 by 33% but ensured that future profits would not be diminished by its past involvement with those two banks.

Interbank's profit passed R1-million for the first time at R1 044 729 after tax and transfers to reserve reserves. This compares with R770 614 in 1977. With a final of 3c a share, total dividends are 5c against 25c last year.

Total assets have grown by 14.4% to R206-million after the bank's ninth trading year.

The improvement in profit results from an increased turnover of money market assets as well as from greater market penetration, says Mr Van Aswegen.

COMMENT: Interbank's growth also reflects the growth in the money market itself. From the high profit margin revealed after heavy transfers to reserve reserves it is obvious that the bank's policy is to be a jobber in stocks and probably not only the short-dated. It is reasonable to assume that turnover was many times the issues, the stock-in-trade, shown at balance sheet date.

A disturbing aspect of Interbank is that the founders' intention that no single institution would have a dominant shareholding has been upset by Sanlam-Rankor getting control of Trust Bank and Rand Bank. This gives the Sanlam-controlled institutions a 25.5% holding in a banking company in which no other shareholder has more than a 7.5% share.

In view of the recommendations of the Fransman Commission and the Registrar's attitude to insurance companies controlling banks, this Sanlam group shareholding should be diminished. It is more than other banks would gladly have Interbank shares as an investment: it earns 25c and pays 25c on shareholders' fund of R4 291 630.
Short-term insurers solvency to be probed

The Minister of Finance, Senator Horwood, said in Johannesburgh last night that as soon as the advisory committee on short-term insurance had been appointed he would ask it to investigate the adequacy of the solvency margins prescribed for short-term insurers by the Insurance Act.

He wanted the committee to investigate measures if any, which should be introduced to ensure that such margins were not weakened by unlawful rate-cutting.

Senator Horwood was speaking at the official opening of the head office building of the Robert Eithoven Mutual group and the launching of the Holland Insurance Company.

He said that over the years the South African insurance industry had earned itself the respect of insurance underwriters worldwide.

"I believe that the insurance laws...have contributed materially to the development of an effective and financially sound insurance industry in South Africa."

"It goes without saying that excessively low -- that is, un-economic -- premium rates are not in the interests of underwriters or, if the solvency of insurers is thereby endangered, of the insuring public.

"After all, insurers can maintain solvency and continue to meet their commitments to policyholders only if their premium income is sufficient to cover claims, commissions and administration expenses."

Underwriting results of short-term insurers for 1976 to 1978 showed that they suffered losses of R15 500 000 in 1976, that in 1977 they made underwriting profits of R8 000 000, and that they succeeded in increasing their profits to R17 600 000 in 1978.

"These improvements in underwriting profits were brought about not only by a favourable claims experience but also by the returns earned on their investments, but for which their final profits would have been minimal.

"There are short-term insurers and insurance brokers in South Africa, no doubt, whose escutcheons have not been blotted by a premium rate war."

"I consider it a matter of public importance that excessive competition should not be allowed to force premium rates down to a point where profit margins are in danger of disappearing altogether."
SA Eagle
boosted by
investment
income

By DAVID CARTE
Deputy Financial Editor

SUBSTANTIALLY higher in-
vestment income offset a sig-
nificant drop in the underwrit-
ing income of SA Eagle in the
six months to June 30 and oper-
ating profits were at or less level
pebbled at R3 727 800
(R3 722 900).

Because dividend income is
tax-free in the hands of com-
panies, the tax rate plummeted
from 39% to 24% and taxed
attributable profit rose 22.7% to
R2 632 000. Earnings a share
were 23.6c compared with 19.5c
in 1979.

According to the interim re-
port, fierce competition has
meant that the economic up-
turn has not yet been felt in the
insurance industry. As expect-
ed, the report says, underwrit-
ing profit was lower and claims
costs continued to escalate in
line with inflation.

The report warns that a gen-
eral increase in premiums ap-
pears to be inevitable.

The managing director, Mr
Fred Haslett, tells me motor
experience was particularly un-
fortunate, even though premi-
ums written rose sharply in
line with new vehicle sales.
Claims costs were sharply
higher and there was a big
increase in vehicles stolen,
many of which were not
recovered.

The crime rate generally was
higher. Fire and marine experi-
ence was better. Investment in-
come rose very substantially.

Mr Haslett said he had no
idea when SA Eagle would re-
ceive a dividend from its 25%-stake in African Eagle. He
said that in a time of high
liquidity and low interest rates,
funds were probably better re-
tained in African Eagle.

Mr Haslett expected compe-
tition to lessen. At the same
time he was confident that in-
vestment income would con-
tinue to rise, so he was optimistic
about SA Eagle in the medium
term.

COMMENT: SA Eagle is prob-
ably the most conservative of
the short-term insurers. Un-
derwriting profits are stated
only after the most generous
unchecked claims and contin-
gency provisions. African Ea-
gle earnings are not-quoted
equity accounted.

So declared earnings are of
exceptional quality.

With investments and the Af-
rican Eagle investment in at
cost and many assets written
down and some not even includ-
ed in the balance sheet, assets
are also conservatively stated.

If rates are to rise across the
industry, as SA Eagle expects,
the company can only do much
better. Now that private fixed
investment in the form of new
factories, machinery and plan-
t offices and houses is starting
to move, overcapacity in the
insurance industry could quickly
be taken up.

So the future is bright and it
will be surprising, if, at the
yearend, SA Eagle is not still
at least 25% ahead with earn-
ings and the dividend does not
move in line.
De Beers, LSE

not impressive

The Star Bureau

LONDON — While important changes in British company law could result from De Beer's controversial "dawn raid" on the shares of Consolidated Gold Fields, Fleet Street financial editors feel there is still a "reluctance" to admit that there was anything wrong with the deal.

But there is a general consensus, following the publication of the Department of Trade's report on the deal, that De Beers Mining Company comes out of the report badly.

One city editor, Patrick Lay in the Daily Express, says that Mr Harry Oppenheimer, has tarnished his "Mr Nice Guy" image by resorting to his back door methods of gaining the 25 percent stake in Gold Fields.

The report by two investigators, ordered by the Department of Trade following an outcry over the covert buying of shares by De Beers, was given prominence in most of the serious Fleet Street newsmen.

In his analysis of the report the financial editor of The Times says that while De Beers comes out of the report badly, the behaviour of our Stock Exchange is also "hardly impressive."

He was referring to the "alarmingly off-hand response" by the Stock Exchange to the increasing urgent demands from Consolidated to put their shares on the "callinan system" which they felt — though the inspectors did not agree — would have revealed the buyer.

"Given all the evidence, it is hardly surprising that the inspectors have concluded that De Beers stalked Consolid using a system designed specifically to avoid its exposure under the 5 percent rule," says The Times analysis.

"But the inspectors were finally not convinced that the system could have worked, if it had operated perfectly, which it did not."

The Guardian's financial editor says it "seems certain" that De Beers will be prosecuted for its "accidental breach of company law."
Ical slow, but NEI 26% ahead

By DAVID CARTE
Deputy Financial Editor

IN SPITE of under-budget profits at Ical, its wholly owned subsidiary and biggest profit contributor, Northern Engineering Investments, pushed up turnover 77% and pre-tax profit 28.5% in the six months to the end of June.

The interim report shows turnover up from R14.985m to R61.985m and pre-tax profit from R3.295m to R14.119m. The tax rate was more or less constant at 40% and taxed attributable profit was 22% above at R2.971m (1979: R1.925m).

Earnings rose 26% to 47.5c (37.4c) a share and the dividend was raised in line from 11c to 14c.

The rise in profits and turnover was partly due to higher turnover in Ical and partly to the inclusion of Reyrolle Parsons and one or two smaller new acquisitions for the first time. Because they are into lower margin areas of engineering, the acquisitions also had the effect of reducing margins.

The managing director, Mr H "Bitz" Bieber, tells me order books are "very healthy" and that although profits on some Ical contracts were below budget, they were still profitable. Mr Bieber says these contracts have been conservatively allowed for and are now behind Ical.

He is therefore optimistic for the future, forecasting better profits in the second half.

COMMENT: The second half is traditionally better, so this is not a bold forecast and it would be disappointing if it were not easily beaten.
Gen Malan calls for war on inflation

Own Correspondent

The public and private sectors should make a concerted effort to implement an anti-inflationary strategy, the Chief of the Defence Force, General Magnus Malan, said today.

Addressing the annual meeting of Volkskas group in Pretoria, he said the economy was "one of the major battlefields in the total onslaught upon South Africa."

Despite efforts by the State and private sector, inflation remained higher than 10 percent.

The disruptive effect of inflation on the allocation of resources and on economic growth was all too familiar. Curbing inflation was a prerequisite for long-term economic growth.

The public and private sectors should make an effort to fight inflation effectively as soon as possible.

General Malan said the Defence Force had an important contribution to make. Together with the increasing threat to security, inflation had, during the 1970s, contributed strongly to defence expenditure.

The Defence Force tried, however, to keep inflation in check by increasing effectiveness and efficient management.

A "virtually unbridled" population growth demanded the creation of about 250,000 job opportunities a year. More than R10,000 was needed to create a single job.

General Malan said the shortage of skilled labour led to unemployment among the unskilled.
Dr André du Toit of the KWV was today elected chairman of Volkskas group.

The position is regarded as one of the most prestigious in the Afrikaner financial world.

Dr du Toit was vice-chairman of the group and was considered one of the strongest contenders for the position.

He is chairman of the KWV and serves on many agricultural bodies. He succeeds Dr Jan Huter who retires today after 35 years with Volkskas.

Dr Tommy Muller, chairman of Icoor, was elected vice-chairman.
Sanlam deal

CAPE TOWN—In a R12 400 000 transaction, Sanlam has acquired from National Acceptances land and a development agreement for the construction of a complex in Claremont, Cape Town, which includes a corporate headquarters and supermarket for Pick 'n Pay.

Sanlam takes over the complex from National Acceptances. On completion of the proposed development on the consolidated site of 13,000 sq metres, National Acceptances will act as project co-ordinators managing the construction by LTA and will also let space.

The total project is to be completed by the end of March 1992.

The development is sited at the corner of Main and Camp Ground roads at the edge of Claremont's central business district, and will provide for a supermarket of 4,902 sq metres and for specialty shops covering a further 2,864 sq metres.

— Sapa.
Investors wary over gold

For Volkas

This week on the JSE

Business
Booming
Barclays
record

By DAVID CARTE

Deputy Financial Editor

THE BOOMING economy generally and soaring consumer
spending in particular lifted
Barclays National Bank’s operat-
ing profit to a record
R250 000 in the six months to
June 30.

The interim report shows
taxed profit at a year-on-year high
for a half-year at R14 800 000.
Earnings a share were 65.46
and the dividend 26c.

Because Barclays has
charged its year-end, figures for
the same six months of 1979 are
not provided. But taxed profit
was 9% better on an annual-
ised basis than in the 15
months to the end of Decem-
ber, Barclays last reporting
period.

Perhaps an even better indi-
cator of improved fortunes was
that return on shareholders’
funds is up from 18.7% in the
most recent accounting period
to a record 21.7%.

The half-year balance sheet
shows shareholders’ funds up
nearly 40% since the year-end.
Total deposits rose 11.6% to
R250 million, total assets 15%
to R747 million and advances
and other accounts 10% to
R210 million.

Barclays managing director
Mr Bob Aldworth, ascribed the
successful half-year to booming
consumer finance, a 7% in-
crease in lending in the com-
mercial bank and the contain-
ment of operating costs.

The commercial bank, he
said, had come back strongly
in the half-year. Not only were
lendings up appreciably; for-
eign exchange profits were
better, despite fierce com-
petition and demand for project
funds there was strong.

Wesbank profits had also
grown “substantially”, thanks
largely to the strong demand
for vehicles and other con-
sumer durables. Recent tax cuts
had added to this, but there
was an eight-week waiting list
for many vehicles and this
could be a temporary depress-
ant in the HP market. But
there was sufficient momentum
in Wesbank’s HP book to en-
sure an excellent second half
as well.

Merchant banking profits
were “in line with those of last
year”, while insurance broking
profits were up 35%, he said.

Before declaring these prof-
its, Barclays had set aside
30% of the “general provi-
sion” for bad and
doubtful debts and a further
undisclosed amount for “specific
bad debts, Mr Aldworth
said.

But the authorities are likely
to toughen up HP conditions
and could do something to curb
credit cards. Higher liquid as-
set requirements are also a
prospect. The authorities also
want interest rates to rise and
failing a much higher gold
price, their will will probably
be done.

All these measures would
be bad news for banks, which have
prospered with deposit rates
falling faster than lending rates
and HP spending booming.

But if profit growth slows, it
will not do so immediately.

Hard brakes on the economy
are extremely unlikely and
Barclays is already seven
months down the road to its
year-end with plenty of momen-
tum behind it. There is there-
fore little doubt that Barclays
will do even better in the sec-
ond half. Level-poodage would
suggest earnings of 186c. It
would think 186c for the year
would be easy running for
Barclays.

Considering that the bad debt
provision of 1.5% of total
advances comes to nearly R50
million, earnings are of excel-
lent quality.

Dividend cover at the inter-
im was up from 2.3 to 2.5,
indicating perhaps that Bar-
clays expects some of its cap-
tal surplus to be used up in the
spending binge at the end of the
year. If cover at the year-end
is held at 2.5, the total dividend
could be 60c — a 20% improve-
ment on that of 1979.

With the share up from 87c
since the beginning of the
week, these results were larg-
ely anticipated, probably be-
cause Stanlib’s provided an
indicator. The total dividend I
expect would put the share at
83c on a prospective yield of
6.4%, which for South Africa’s
biggest bank is reasonable in
spite of the clouds on the one-
year horizon.

because the group’s bad debt
experience had improved, the
specific provision this half-year
was less.

Mr Aldworth said Barclays
had a comfortable capital sur-
plus, which would allow it to
take another R100-million in de-
posits if it so wished. Like most
banks, Barclays was up against its
credit ceiling.

But Mr Aldworth said he was
optimistic about immediate
prospects for the group. He did
not foresee hard application of
the economic brakes in the
immediate future and believed
the demand for consumer credit
would level off soon.

The skilled labour shortage
was a bigger problem than the
expanding money supply.

COMMENT: Consumers nor-
mally spend heavily at the end of
the year and with tax cuts
behind them and pay increases
ahead of them, this festive sea-
son could develop into a posi-
tive orgy — unless there are
counters.

Deflationary measures do
seem probable in the near fu-
ture. Lower credit ceilings are
unlikely. In fact credit ceilings
could soon be scrapped, which
would be positive for bank prof-
its.
Volkskas top job goes to the Cape

By DAVID CARTE
Deputy Financial Editor

DR ANDRE J du Toit, chairman of the KWV, Cape Wine & Distillers and Boland Bank, was yesterday elected chairman of Volkskas Group, the R4 000-million banking and industrial group.

Dr Tommie Muller, chairman of Iscor and Amcor, was appointed deputy chairman.

Although Dr Du Toit was deputy chairman of Volkskas before the retirement of Dr Jan Hurter, many Volkskas observers were surprised at the appointment.

This was because of Dr Du Toit's agricultural and viticultural instead of banking background and because he lives in the Cape, and Volkskas has always been regarded as a Northern Transvaal operation.

After suggestions in the Afrikaans Press that brothers Dr Hilgard and Dr Tommie Muller were engaged in a struggle for the chairmanship, there was a tight veil of secrecy over yesterday's board meeting.

If any members of the 12-member board were not available for election, this was not revealed.

Favourite for the appointment before the election was the present managing director of Volkskas, Mr Danie van Buysstein. But although this could not be confirmed, Mr Van Buysstein is believed to have resigned himself because he wishes to retire in two years.

His appointment might have been awkward for the group because at this stage he does not have an obvious successor.

Rival bankers raised eyebrows at the fact that Dr Du Toit is also a director of Boland Bank, South Africa's fifth largest bank, and wondered whether further "interference" between Volkskas and Boland might be a consequence of his election.

Besides his chairmanship of Volkskas, the KWV, Cape Wine and Boland Bank, Dr Du Toit is chairman of the Paarl Agricultural Society, a commissioner of Escom and a director of Smaal and Cape Afrikaans business interests.

Some observers said the appointment looked like a conciliatory move designed to show the Cape that Volkskas was a national rather than a Northern Transvaal operation.

He was born at Tulbagh and went to Paarl Boys High. He attained an MSc in agriculture at Stellenbosch in 1957 and was later awarded an honorary doctorate in agriculture.

After lecturing in viticulture and winemaking at Stellenbosch, he went farming and held many distinguished positions in agriculture over many years.

Dr Tommie Muller obtained a BSc in mining engineering at Wits University, where he was best student, and an MSc at Birmingham University in 1949. He was awarded an honorary DComs by Potchefstroom University in 1959.

After a distinguished mining career, he became managing director of Fedmyn in 1961. In 1968 he was chairman of the Chamber of Mines. He was a leading figure in Fedmyn's takeover of General Mining.

He resigned his post when he was appointed to the board of Iscor in March 1971. He became chairman of Iscor in 1971.
A BOLD new multi-million deal between National Acceptances (NA), Sanlam and Pick 'n Pay reflects NA's aggressive new role as a property developer.

According to Etienne le Roux, assistant general manager of Sanlam, it also reflects Sanlam's "continuing preference for projects in which we do not necessarily act as entrepreneurs but from which we can acquire satisfactory returns, both immediate and long-term."

In the R24 million transaction, Sanlam has acquired from NA both land and a development agreement for the construction of a large complex in Claremont, Cape Town, which includes corporate headquarters and a supermarket for Pick 'n Pay.

In terms of the agreement, Sanlam will take over the complex from NA when the development is completed.

Some 18 sites were assembled by NA to produce a consolidated site of some 13 600 square metres in the prime Campdown Road/Main Road/Drapers Street area.

NA will act as project coordinators, managing construction by LRA. It will also let the available space.

Completion is set for end-March 1982.

The project will include a supermarket of just under 5,000 square metres and some 2,800 square metres for 15 specialty shops.

Office accommodation in a tower block will top 9,250 square metres, of which Pick 'n Pay will require only part.

National Acceptances assembled the site and put together the package before approaching Sanlam.

Managing director Bill Balsdon tells me this is in line with the more ambitious policy of his company's property arm, which has recently been busy with complexes in East London, Pietermaritzburg and King William's Town, as well as other centres.

By STEPHEN ORPEN

National Acceptances is now divisionalised into a money market division under Francis Whitby, and corporate finance and managed leasing under James Andersen.

Important in property has been Tiny Jones, based in Cape Town, while Pat Court and Bill Vipond head the division.

John Conradie is the Durban man on the executive committee, while the first non-executive director is Sandy Morrison of Marshall Industries rescue fame.

Mr Balsdon says profitability in money market operations has been exciting as interest rates have declined.

As much as R200 million a month is now being handled in NCDs and Bankers' Acceptances.

This points to an annual figure of around R2 000 million compared with around R1 000 million five or six years ago.
Banks hike pay to keep staff

IN keeping with the trend in other sectors of the economy, salaries within the financial sector have soared by up to 50% this year.

With few exceptions, banks and building societies are responding positively to the problems of increased staff turnover.

For instance, salary negotiations between Barclays and Standard and their trade union — South African Society of Bank Officers (Sasbo) — are on the cards. A meeting initiated by Sasbo is scheduled for early next month.

Sasbo demands are likely to be influenced substantially by salary adjustments of the other banking institutions that do not fall under its jurisdiction.

Between them, Standard and Barclays employ about 27,000 people and the total number of employees in commercial banks is about 60,000.

By PENELOPE MORGAN

Volkskas has met the challenge of a buoyant labour market with an unprecedented move. It has brought forward and increased the annual bonus to staff.

In the past, the bonus constituted a double cheque paid once a year in November. This year, the bank paid out the bonus in July and increased it by nearly 25%.

Apparently, the reasoning behind the move was to keep staff. An increased turnover of staff, especially at the more junior levels, necessitates more training with greater losses to the employer.

According to leading Johannesburg business consultancy P E Consulting, whose annual salary survey is due to be published next month, the average increase for the financial institutions is between 15% and 20%.

with building societies at the top of the scale.

At least three of the five big building societies brought forward their annual salary reviews.

The biggest building society, United, did not bring forward salary increases. But, according to joint managing director Peter Richardson, they will be very high — for certain categories of staff as high as 50%.

All of the institutions I spoke to this week agreed with Mr Richardson: "The biggest push is at the bottom."

The average starting salary for a 25-year-old unskilled clerk is R600 a month.

Drastic increases for banking and building society employees are significant because, together with the public service, this sector has traditionally paid very conservative salaries.

But, like public service personnel, bank employees get the advantage of housing and other worthwhile benefits.
New Volkskas chairman a surprise choice

ONE OF the Afrikaner business establishment's most powerful jobs - the chairmanship of the R4,000 million Volkskas group - went to 'wine farmer' Dr Andre J. du Toit this week.

Dr du Toit is also chairman of KWV, Cape Wine & Distillers and Boland Bank.

His election to the Volkskas chair, on Friday, following the retirement of Dr Jan Hurter, came as some surprise in banking circles. Although Dr du Toit has been vice-chairman of the huge banking and industrial group for 20 years, his Cape background in agriculture and viticulture is seen as an unusual choice for what is traditionally regarded as an ONS Transvaal domain.

Dr du Toit's appointment is seen by some analysts as an interim appointment - he is 69 and must retire in six years' time. This speculation is based on reports that the favourite for the job - the group's present managing director, Mr John van der Huyse - has warned the board that he wishes to retire in two years' time.

Can't give suit easy

It is clear from the history of agriculture in SA that the development of agriculture does not reflect the operation of market forces or meet the requirements of the agriculture sector. The contrary is true: Development has been determined by government measures to ensure co-operative efforts of farmers and the support of government to the extent that farmers are submitted to control and competition, from market forces. In addition, the need for some form of protection and control has been seen as essential to protect the farmers' interests and maintain the food supply. That is the essence of the system.
The proper way to act on interest rates

A report that the Minister of Finance, Senator Beveridge, was making interest rates a topic, and it appears, ahead of the annual address of the Governor of the Reserve Bank, led to conjecture last week in business circles about what he could say and do.

The fact that he has been a loud voice from the Treasury on interest rates, and that he is not going to do that, is not surprising, and according to the Dr. De Kock, says it is

In the past, the Dr. De Kock world of ours, if the authorities want to do anything about interest rates, they will use the market. The days of controls and regulation by prescription have gone — one hopes.

Interest rates, which really mean the price of money, will be determined by the market forces of supply and demand. If the authorities wish to see rates move up or down, they will intervene in the market as a buyer or a seller, as the case may be, and the Reserve Bank has been performing in the short-term market with telling results in the past few months.

What most people who were trained in the Fed and the Central Bank model is that interest rates are a derivative of a market and not a target. They depend entirely on the flow of funds into the money market and each bank's need for money.

And one thing that the authorities won't do at present is to supply the funds, they are doing everything they can to supply the paper — even if the Reserve Bank has to take a trading loss to make it more attractive to the market.

This is the reason for Mr. D. H. Van Wyk's concern expressed in his interviews, chairmanship. If the selling of government securities or debentures means that the Reserve Bank has to bear heavy losses, it will find it difficult to continue.

Granted that the central bank has large reserves of gold, but this is not the case when losses crept into the system.

Harold Fridjhon on Monday

The Reserve Bank might then look to the Treasury to make good the losses. The Minister would then have to go to Parliament for finance, and that would be embarrassing for everybody concerned.

But, I do not think that Mr. Van Wyk has fears well-founded. The Reserve Bank will not come to the market for money this year and the institutions will, sooner or later, have to top up their requirements of prescribed assets.

Of course, prescribed assets don't necessarily mean only Government and other designated stocks. They also include deposits with banks and holding money, and at present these institutions are being overloaded with demands which are more of an embarrassment than necessities of value.

The rate course of action is to leave rates rather than raise them, as has been done recently. If the Reserve Bank itself leaves rates at present levels, I think it is wrong, and there are many alternatives to which they can appeal.

The authorities' demands for money at present are not so short as the investment market should change, and that, if they might, the authorities might find themselves in a position similar to that which they experienced in 1934 when they had to get official support to help them cut off a field season.

It has no reason other than that the authorities do not want at this juncture a flood of additional money meaning the system. As the prescribed asset requirements, of insurance companies and pension funds being deposited at the end of the year as some commentators predict.

Quite apart from the cash flow, which a wholesale selling off of Government and other stocks has been generating, I can see Senator Horwood acting before he receives the second De Kock Commission report and has it approved by the Government. Don't forget that the business of government is virtually suspended from December 16 until the first or second week in January.

Then the regulations will have to be drafted with all the huff, dragging feet which the bureaucracy is noted.

Even if the De Kock report recommends, as I think it will, that the prescribed assets held by insurance companies and pension funds be reduced, I am equally sure that the holdings will be phased out in case steps, possibly over a few years.

This would mean that there would be no selling of assets, no sudden withdrawal of balances from banks and building societies.

They would return their holdings, but the percentages of these holdings would drop as the other assets grow. But there is no reason that they would be little buying of new stock and if the gold price remained high, the government would not have to rush to market to increase its limits.

And the corporations and the municipalities would then have to make these market offerings attractive, which could mean an increase in rates.

And if rates went up, insurance companies and pension funds might even become buyers.
FINANCE

BIGGER

DIVIDENDS—

WOOLWORTHS

A MORE liberal dividend policy is to be pursued by Woolworths as a result of its strong financial position through retaining profits over the years, says the chairman, Mr R S Sonnenberg, in his annual review.

It remains our intention to reduce the disparity between the interim and final dividends. Greatly improved trading conditions led to the payment of an 18c final for the year ending May but the interim was not raised in line. Turnover so far is 20 percent up on a year ago and Mr Sonnenberg expects the improvement to continue at least until the end of the year, with a "satisfactory" increase in profits coming.

HIGHEST

More than 60 percent of merchandise sold in Woolworths are made in South Africa, the highest proportion ever achieved.

Turnover, which rose almost 14 percent to R193.5-million is likely to grow significantly from several stores developments.

The current year will benefit from expansions at Paarl, Port Elizabeth and Somerset West.

Extensions are also being made at Springs and Maritzburg stores and a major development has started at Rosebank, Johannesburg, and at Klerksdorp.

A prime site has been bought for a store in Nelspruit.

Mitchell's Plain is also to have a store in the shopping centre in premises leased after forming a company with the Coloured Development Corporation.

Mr Sonnenberg urges the Minister of Finance, Senator Owen Horwood, to re-examine company taxation in the light of the effect of inflation on profits.

Group profits of R30.5-million before tax would have been R9.6-million less if based on current costs, with earnings of 85.1c a share against 62.3c reported for the year.

Tom Hood
Property Editor

THE BOOM has brought a growing demand for industrial properties, with rentals up between 30% and 50% over last year, says Mr Brian Clarence, J H Isaacs' industrial manager and alternate director.

He was commenting on turnover of more than R4 000 000 chalked up by JHI's industrial sales division in the past three months.

They include:
- R1 100 000 from the sale and lease of a 4 000m² Transvaal Metal Industries factory in Wadeville, Germiston.
- R1 000 000 of ground, zoned for manufacturing, sold at Halfway House, on the eastern side of the Ben Schoeman Highway.
- Nearly R1 000 000 of ground sold in the Roodekop area, off the Heidelberg road.
- About R1 000 000 sales in the City Deep industrial township.

Mr Clarence said it was becoming increasingly difficult to meet tenants' requirements.

"Smaller industrial units of between 300m² and 800m² are in particular demand and tenants are prepared to pay rentals of more than R20/m², compared with R14.50/m² a year ago.

"While there are pockets of this type of space in some industrial areas, there is virtually none in Hertodale, Denver or City Deep."

Larger factories were letting at rentals of R15/m² compared with R11.50/m² a year ago. In isolated cases, where large space was available though — for example 10 000m² — rentals could be as low as R10/m².

These lower rates also apply in the central area of Johannesburg where there is generally poor factory space, multi-storied and with security defects.

Although buildings were difficult to come by, they still presented better value than the construction of new ones.

Mr Clarence believes more and more tenants will have to turn to developing properties to suit themselves.

However, with land values at R40/m² and building costs increasing at 25% a year compounded, "those who build now will soon be getting a bargain in terms of future replacement costs"."
Blacks on white collar course

Deputy Financial Editor
NEDBANK has put its first batch of black employees on to the CIS-run Foundation for Business Studies' course.

The course teaches grass-roots business principles, enabling employees who are literate and numerate but without formal qualifications to aspire to clerical and other white collar jobs.

Business English or Sake Afrikaans, Basic Accounting, Business Calculation, Introduction to Law and Business Economics are some of the subjects in the course.

On successful completion of the course, candidates will be well set to attempt higher qualifications such as the Institute of Bankers or CIS courses.

Nedbank's official policy is that any man, regardless of race, may take a job if he is good enough for it and the bank expects the course to enable more blacks to take advantage of the opportunities inherent in this policy.
Rand is poised for stable time ahead

By Pieter de Vos

The rand seems set for a period of stability until the end of the year, but it could appreciate further up to a rate of 137 US cents by July next year.

According to Barclays' estimates, the rand may fall back to 129 US cents from its present level above 131 US cents, but it should rapidly improve next year.

As imports continue rising towards the end of the year in preparation of the South African Christmas trade, increasing demand for dollars to pay for overseas purchases could cause the rand to weaken, says Mr Sid Sharp, manager of Barclays' economics department. However, the rate is not expected to reach below 129 US cents.

The switching from local financing to overseas financing of imports — brought about by the raising of the forward cover discount earlier this year — only delayed the outflow of dollars.

By borrowing dollars and covering them forward, the South African importer pays the relatively cheaper overseas financing. But by now, some of these loans must be repaid as the financial period draws to a close.

As some of these forward cover transactions may not be renewed by South African importers, the outflow of dollars may cause further downward pressure on the rand.

The effect of this on the rand may be limited by financing current imports in the same manner — that is, borrowing dollars once again to pay for current imports, covering their liability forward.

Next year a weakening dollar — as the new US president steps up the American spending programme to fulfill election promises — coupled with the possibility of a higher gold price, may lead to a renewed strengthening of the rand against the dollar, he says.

A rate of almost 132 US cents is predicted for January reaching about 137 US cents by June next year.

Dr Peet Strydom of Senbank is in agreement with Mr Sharp about the rand's prospects for this year.

According to Senbank, the weighted rand has increased by almost 7 percent since the beginning of this year. Against a relatively strong international currency such as the German mark, the rand has gained about 10 percent in value.

However, Dr Strydom expects the rand to stabilise as the Northern Hemisphere takes its annual summer leave and foreign exchange markets quieten down.

Next year he sees even slower appreciation of the rand as South African imports continue rising and the overseas recession limits export growth.

(b) Insufficient creativity — failure to generate a large number of possible solutions to a problem leaves a large number of unexplored possibilities.

(c) Temporary or time circumstances which force all except a solution to meet short schedules without search for the lowest cost solutions.

(d) Honest wrong belief which exist in all people as a result of opinions and experiences, rather than facts.
SA ENTERING INVESTMENT BOOM—BANKER

Financial Editor

SOUTH AFRICA is heading for a major investment boom, Mr R A Rundle, managing director of Nedfin, said in Cape Town today.

He said financial institutions such as Nedfin, one of the country’s leading general banks, had been asked to finance new private sector capital investments costing more than R1.25-billion.

With many sectors of manufacturing industry now operating at more than 90 percent of capacity, further large expansion programmes must be expected in the coming months.

The projects so far announced would be completed within the next two to three years.

PROJECTS

Some of the companies involved and the cost of their projects were:

- Sappi, R400-million.
- Atlantic Diesel, R155-million.
- Sentrachem, R160-million.
- KEC, R90-million.
- Buclets, R115-million.

Mandi Paper, R140-million.
Middleburg Steel, R120-million.

Most of these projects would be financed through leasing or hire-purchase agreements.

MARKED CHANGE

In the past 10 years bank financing had undergone a marked change. Today the general banks were providing the bulk of the finance for new investment and were filling the role previously held by the merchant banks.

Leasing and hire-purchase business had become the growth area in banking.

Between March 1978 and March 1980, bank advances for leasing had risen 39 percent from R247-million to R1.178-million, while loans for hire-purchase had risen 140 percent from R744-million to R1.793-million.

In contrast, loans on overdrafts had risen only 14 percent from R4.016-million to R4.504-million.

This reflected the fact that for most companies the use of hire-purchase or leasing facilities was usually the cheapest way of financing new investment.

After the investment and initial allowances had been taken into account, this form of financing usually worked out about two percent cheaper than other forms.

Referring to the high level of liquidity in the economy, he said the situation was becoming serious.

With the mining houses at times investing up to R400-million a week, the country was awash with money.

Much was being invested short-term with the banks and building societies, were re-investing it long-term. This could lead to a dangerous situation.

His solution would be to allow the banks to become medium-term capital exporters. Money invested overseas could quickly and easily be repatriated if the country’s balance of payments position deteriorated.
Volkskas gives a warning on gold

By Pieter de Vos

South Africa should not rely too heavily on the price of gold for continued growth, Volkskas warns in its latest economic report.

The country's gold receipts could amount to R11.000m this year compared with slightly more than R6.000m last year, the bank says.

This estimate — based on an average gold price above 600 dollars — means that even if imports should rise by as much as 50 percent this year, gold alone will be able to pay for 70 percent of imports.

Last year's gold receipts of R6.000m paid for 62 percent of all goods imports.

But a gold price of about 500 dollars is required to keep the current account of the Balance of Payments in balance.

The surplus on the current account will be considerably smaller in the second quarter of the year than the large surplus of R1.977m in the first. Indeed, the surplus might be down to between R300m and R500m, despite an average gold price of 544,91 dollars.

VARIABLE

If trade statistics are adjusted to leave gold bullion exports out of account, the remaining items reveal a trade deficit of R1.692m in the first six months of this year against a deficit of R309m in the comparative period last year.

In the second quarter, the deficit would amount to R1.176m (R309m).

Gold is a diminishing asset even if the higher gold price has extended the lives of many mines. The gold price is variable. Import substitution and attempts to export more commercial goods and services should continue.

Yet the Balance of Payments should not inhibit growth overnight even if the gold price falls strongly.

South Africa's good credit rating, the exchange rate which could be used to absorb unexpected shocks and Sarol II which will soon be operating at full capacity should allow enough elbow-room until the next international upswing.

The bank notes that fixed capital formation is already taking place at an appreciable level. Imports of machinery and mechanical appliances show an increase of 43 percent during the first six months of this year and an increase of 51 percent in the second quarter compared with a year ago.
The general in banking

JUST as serving members of the defence force should abstain from party political involvement, so should they be careful not to allow their military positions to be used for commercial advertising. The Chief of the Defence Force, General Magnus Malan, came close to it this week when his portrait, in full military regalia, topped a newspaper advertisement containing the chairman’s address and General Malan’s own address, as seconder, for the Volkskas Group. The circumstances were mitigated by General Malan’s explanation that his late father had been chairman of the bank, and that he had a personal tie with the current retiring chairman, Dr J A Hurter. Nevertheless it remains undesirable for South Africa’s most senior soldier to ally himself so closely with a particular financial institution and to use its annual general meeting as a platform to talk, albeit in economic terms, about the defence force.
Billions at stake in bank card war

By Mike Sullivan

Six of South Africa's major banks are locked in a credit card war which will involve more than R1 000-million this year.

The battle is for the biggest slice of the multibillion-rand credit card cake, and the banks are prepared to write off millions in efforts to increase their market share from the current six percent of total consumer spending.

Within the next two months South Africa will have at least nine bank-backed credit cards and some bankers are concerned that bad debts will rise as more people are sucked into the “credit-go-round.”

Using several cards, members of the public will be able to run up debts of more than R12 000, according to bank estimates, and in some cases be able to use the credit card from one bank to pay off debts to another.

The temptation to get overextended on credit has been dramatically increased by the introduction of a large number of cards, said Mr. Colin Gregory, divisional general manager of Barclays Barclaycard---the country's most widely used card.

He admits that card operations are “not very profitable” and are mainly designed as a promotional tool by the banks.

The Star has learned that Barclaycard, which has been in operation for more than 10 years, is likely to make a profit of just over R500 000 this year on an investment of about R157-million, less than one third of one percent.

The banks operating or planning to operate credit cards are: Barclays, Standard, Santam, Nedbank, Volkskas and Trust Bank.

Other banks admit that they are in the red but will not say by how much.

Their loss margins are likely to be increased as a cut price war hots up between the banks.

One major bank recently approached some of Johannesburg's largest retail outlets with an offer to cut the charges they in exclusive recognition.

Other banks have so far refrained from retaliating but the battle lines are clearly drawn.

Another bank has angered its colleagues by hinting “Unscrupulous” by inviting his wife to take credit without his knowledge, and then expect him to pay the bill.

A spokesman for the bank involved said that in his opinion the man would have been in a position to pay. “Any other forms of credit available to free-spenders wives are far more dangerous,” he said.

He added that an invitation to apply for a credit card did not automatically mean that one would be granted.

The banks argue that their credit checks are stringent, but informed sources have also said that the volume of cards issued---some cases 10 000 a week---precludes thorough checks.

This is supported by a series of trial applications made by one bank to some of its competitors.

In one instance a card with R500 worth of credit was granted to a man who already had three judgments against him for non-payment of debts.

Said one banker: “The system is wide open to abuse. We can only pray that people remain honest.”

--- Page 4, Col 2 ---
Sebe challenges building societies

KING WILLIAM'S TOWN,
— South African building societies were yesterday challenged by Ciskei's Chief Minister, Chief Leonard Sebe, to adopt a positive attitude towards development of the South African blacks states.

Chief Sebe was speaking at a function at Zwelitsha near here, where two major South African companies handed over R17 000 to the Ciskei Government, to bring to R17 000 the total amount of sponsorship of the Ciskei Education Conference, which was held in June in East London.

Chief Sebe told representatives of the companies, Mr R. Nemat and Mr B. Diezel, "You have opened a window of goodwill in which the wind of fellowship can come through."

He said there were many whites who boasted of having had a long period of close contact with blacks "but their contact was more obstruction than fellowship."

Chief Sebe said the majority of people who supported building societies in South Africa were blacks and yet the societies were reluctant to help in the development of the black states.

He said: "We hide behind the demand for security and yet every day they accept investments, which give their companies security, from black clients."

Chief Sebe reassured all those who helped the Ciskei financially, "that every cent of your donation is used for the benefit of the Ciskei, which is why the nation demands withdrawal from office of those who do not have the nation's interests at heart."

Chief Sebe said it was time the companies adopted a positive attitude towards the development of the black states and help initiate development schemes which would benefit blacks.

He said: "In our case, they can approach our Department of Agriculture and find out where they could possibly help in agricultural development."

He said all those who showed goodwill to the Ciskei "will reap the fruits of their goodwill in the Greater Ciskei, which will include everyone in the decision-making process."

DDR
Boffins and banks clash on credit card danger

By Mike Sullivan

Banks involved in the credit card war deny that the system boosts inflation — but the Bureau for Economic Research in Stellenbosch and the Housewives' League are convinced that it does.

With inflation running at 15 percent the introduction of new credit facilities could encourage manufacturers to raise prices even further.

This is the view of Professor J.L. Sadie, director of the Bureau for Economic Research.

He said that the introduction of new credit cards is likely to encourage more liberal spending which would inevitably put pressure on prices.

Mrs Joyce Hurwitz, national president of the Housewives League, said her organization was extremely concerned about the rush of consumers buying on credit.

The league planned to investigate the reasons for the dramatic fall in cash discounts at chain stores, she said. In her opinion this is due to stores having to pay interest on their credit facilites.

"We find that the stores are unwilling to tell us how much they pay the card operators — but it must certainly have an effect on prices," she said.

"Normally we encourage cash purchases as being the best way of keeping out of financial trouble but now people who pay cash could also be helping to finance those who use credit cards.

"It is a disturbing trend," Mrs Hurwitz said.

But the banks defend the card system and say that it can help to keep down inflation.

Mr. Colin Gregor of Barclaycard says that financing their own credit card can cost stores up to 13 percent while the card system offers them immediate payment of cash for a fee of about five percent.

Thus, he says, must be passed on to the consumer.

Mr. Randle Carter, general manager of Standard Bank Card, which offers a revolving credit system allowing people to pay off a percentage of what they owe on their cards over an extended period, says that if these cards are inflationary it is to a minimal extent.

He warns, however, that people must be responsible in the use of cards.

The liberal credit facilities available in a booming economy could tighten if there is a downturn and then the banks might have to call for prompt payment of outstanding accounts.

This, says Professor Sadie, could accelerate a downward swing in the economy if the present boom were to level out.

But banks are adamant that they intend to be careful about those to whom they issue their cards and to use strict vetting procedures as a safeguard in the event of troubled financial times ahead.
UAL clinches biggest SA property deal ever

By DAVID CARTE
Deputy Financial Editor

IN THE biggest single property deal ever clinched in South Africa, Union Acceptances Limited has sold its 50% stake in Eastgate to Liberty Life for R28,500,000.

UAL sold its half share in the country's biggest single shopping centre because it was not its policy to be involved in property, Mr Johan Nel, managing director of UAL, told Business Mail yesterday.

The R28,500,000 price tag represents a substantial profit for UAL, which is now believed to have recouped nearly all the losses it sustained through the Summit-Sumner property collapse.

Mr Michael Rapp, managing director of Rapp and Maister, Liberty's property subsidiary, who concluded the purchase, said it was an "excellent investment" for Liberty.

The yield on the R28,500,000 half stake just acquired, he said, was "about 8.5%", while that on Liberty's original investment in Eastgate was "about 11.5%". This meant Liberty had obtained all of the country's prime shopping centre on a yield of roughly 10%.

Because rentals were linked to steeply rising turnovers at Eastgate, Liberty was "very satisfied" with the terms.

The latest investment brought Liberty's property portfolio to R50 million, said Mr Rapp. All its properties were prime shops and offices and fully let.

Liberty's total investment portfolio at market valuation, Mr Rapp said, was about R1,200-million, so property represented nearly 33% of Liberty's total investments.

Because it believed that a merchant bank should not be involved in property, UAL was a reluctant participant in the development of Eastgate from the outset.

It was obliged to participate because, when it took over the land on which Eastgate stands from the insolvent Summit-Sumner group, it inherited an obligation to develop Eastgate with Liberty.

"We decided to develop Eastgate, get it going and then opt out and that is what we have done," said Mr Nel.
CAPE TOWN.—The premium income of the Southern Life Association showed an increase of R13 563 000 over that for the previous year, it was announced at the association’s annual general meeting held in Cape Town yesterday.

The income, which includes purchase money for annuities, amounted to R91 594 000 compared to R77 251 000 the previous year.

The total investment income, made up of interest, dividends and rents net of property expenses, amounted to R33 928 000 compared to R31 215 000 for the previous year.

The amount payable in respect of death and disability claims was R12 615 800 (R10 210 000) while the figure for matured policies was R9 189 000 (R8 784 000).

Policyholders’ funds retained and invested to provide for future payments under existing policies presently amounted to R20 340 000, compared to R17 511 000 for the previous year. — Sapa.
FINANCE

Industrial companies report soaring profits

SHARPLY higher dividends will soon be flowing into shareholders' pockets as a result of soaring profits announced by several large industrial companies today.

Group Five Engineering achieved a R3-million turnaround to a profit of R53.3-million after a R11.5-million loss for its first half.

Dividend payments will be resumed with a 7c interim. Even better profits for the second half are forecast.

- Booming car sales more than doubled the net profit of McCarthy Group to R8.8-million and the final dividend of 15c was 185 percent up on the 4.5c of a year ago.

The year's total payout of 18c is 138 percent higher than last year's 8c.

- Sales by Protea Holdings grew by 29 percent to R275-million in the year to June and the final dividend is 4c higher at 16c, taking the year's total to 24c, which is a 41 percent increase.

- Net profit of R16.5-million was 60 percent higher.

The interim pay-out from BTR South Africa is being doubled to 22c.

- Dividends, fixed at 31c, however, soared to R6-million, almost two-and-a-half times the first half earnings of 1979.

- From Anglo Transvaal Industries an interim of 10c lifts the payout by 16 percent over last year's.

- A 37 percent rise in final dividend by 22c will be paid by New Waterrand Gold Exploration Company boosting the year's total by 90 percent to 36c.

Net profit gained 67 percent to R6.1-million.

- Selected Mining Holdings' final is up by 30 percent to 38c, making 36c (28c) for the year.

- Witbank Colliery, after increased output, is paying a 20c final against 14c, raising the year's total to 260c.

- A 50 percent increase in interim dividend to 8c will be paid by Darling and Hodgson. Earnings rose 42 percent to R5.5-million while turnover of R122.5-million showed a 32 percent improvement for the half-year.

Tom Hood

Argus Correspondent

JOHANNESBURG—South Africa's shortage of skilled workers is now set at more than 100,000 and as a result another 400,000 unskilled workers are estimated to be without jobs, Sigma's managing-director, Mr Fred Butler, said today.
FINANCE

SIX BANKS IN CREDIT CARD WAR

Argus Correspondent

JOHANNESBURG.—Six major banks are locked in a credit card war which will involve more than R1 000-million this year. The battle is for the biggest slice of the credit cake and the banks are prepared to write off millions in an effort to increase their market share from the current six percent of total consumer spending.

In the United States cards account for 19 percent of credit transactions but the bad debt ratio runs at about 1.1 percent—a percentage that would put most South African card operators out of business.

Most South African banks admit they have few safeguards to prevent people running up massive debts on the card system and are relying mainly on the basic honesty of their customers.

Cut-throat competition prevents them from cross checking card applicants and ensuring that individuals are not using a number of cards beyond their incomes.

BAD DEBTS

Within the next two months South Africa will have at least nine bank-backed credit cards and some bankers are concerned that bad debts will rise as more people are sucked in.

Using several cards members of the public will be able to run up debts of more than R12 000, according to bank estimates, and in some cases use the credit card from one bank to pay off debts to another.

'The temptation to get over-extended on credit has been sharply increased by the introduction of a large number of cards,' says Mr Colin Greger, divisional general manager of Barclaycard—the country's most widely used card.

He admits that card operations are 'not very profitable' and are mainly designed as a promotional tool.

Barclaycard, which has been in operation for more than 10 years, is likely to make a profit of just over R500 000 this year on an investment of about R187 million—less than 0.33 percent.

Other banks admit that they are in the red on credit cards but will not say how much.

Tight loss margins are likely to be increased as the cut-price war hots up.

EXCLUSIVE USE

One major bank recently approached some of Johannesburg's largest retail outlets with an offer to cut their percentage charges in exchange for exclusive use of its card. Other banks have so far refrained from retailling.

Another bank has angered its colleagues by testing for business.

The bank has sent out application forms for cards to a list of government employees and has also approached non-working wives of professional men without informing their husbands.

In one instance a credit card with up to R12 000 worth of credit was granted to a man who already had three judgments against him for non-payment of debts.

WIDE OPEN

One banker said: 'The system is wide open to abuse. We can only pray that people remain honest and cautious in their use of credit.'

'Any hope of real cooperation between the banks to control the amount of credit granted to individuals is doomed in the present climate of competition.'

At present no bank could afford to be left out of the rush to grant credit but he warned that things were fine as long as the economy continued to boom.

'It we have a downturn in the economy then the banks will demand payment and some people might find it beyond their means to settle up immediately.'

The banks operating or planning to operate credit cards are Barclays Standard, Santam, Nedbank, Volkskas and Trust.
R28.5-m for a half share of Eastgate

By DAVID CARTE
Deputy Financial Editor

In a R28.560.000 deal clinched yesterday, Liberty Life acquired UAL's half share of Eastgate, to give Liberty a 100% holding in the shopping complex.

This is South Africa's biggest single property deal.

UAL — Union Acceptances Limited — and Liberty together developed Eastgate, the country's biggest shopping centre under one roof.

UAL sold its stake, according to its managing director, Mr Johan Nel, because it felt that a merchant bank should not be a large property owner.

UAL was a reluctant participant in Eastgate from the outset and only became involved because it took over the land on which the centre stands from the cash-strapped Summit-Sumner group and, in doing so, inherited an obligation to develop the centre.

Now that the centre is operating successfully UAL has decided to withdraw at a handsome capital profit which probably wipes out all its losses from the Summit-Sumner property disaster.

Mr Michael Rapp, who concluded the purchase for Liberty Life, said he was delighted with it — even though UAL had made a big capital profit.

© See Page 13
De Beers industrial dazzles

RAPID technological progress in the field of synthetic diamonds has forged a dazzling future for the De Beers group in a growing R200-million industrial diamond market.

A totally new sector estimated to be worth more than R22-million by 1986 has been created by the latest product developed by De Beers Industrial, called Amborite, a cutting tool second in hardness only to a diamond.

These were among key points emerging from an exclusive and wide-ranging interview this week with Dr Henry Dyer, managing director of De Beers Industrial Diamond Division and a director of De Beers Consolidated.

Dr Dyer was a member of the De Beers team of scientists which successfully synthesised diamonds in 1959.

Other points made in the interview, which revealed many figures not previously disclosed, are:

- The Industrial Diamond Division (Debid) is in the throes of a R120-million expansion aimed at doubling production capacity by 1986.
- Some 60% of this is being spent locally on the group's South African operations, largely on Ultra High Pressure Units, the diamond synthesis facility at Springs.
- A new subsidiary, Debox, has been set up to provide Debid with specialised products and expertise in the engineering, electronics, chemicals and carbide fields.
- Total capital investment in Debid is now well over R195-million.
- Some 3,500 people, including 400 scientists, are employed world-wide.
- This year's research budget is R18-million for local operations alone.

"The amount is only likely to increase. We believe we spend more than competitors on research and are gaining a technological edge on our main rival as a result," Dr Dyer says.

De Beers' major competitor in the industrial diamonds market is General Electric (GE), which was first to develop and market synthesised diamonds after Swedish scientists perfected the technique in the late 50s.

Because of its dominance as a natural diamond producer, De Beers is market leader in the world industrial diamond market. It now has some 90% of the total free world market, including natural and synthetic diamonds.

GE retains its lead in the synthetics market. But De Beers believes its technology and aggressive marketing are rapidly whittling down GE's lead.

Also, they have concentrated more closely on the sophisticated upper end of the market where prices are higher.

The growth of synthetic diamond business is shown by the rise in its share of Debid's turnover from 28% in 1970 to 55% in 1979.

The total industrial diamond market has grown in carat volume at just under 10% over the past 10 to 20 years but, because of the impact of synthetics, the growth in value was significantly lower.

"The growth of the synthetic business has tended to stabilise prices. I think this is largely behind us now and we expect price increases at least at a level with labour and material costs.

"Market growth is about to accelerate. It could be as high as 20% in volume and considerably more than that in value," Dr Dyer says.

The five-year expansion is to increase production capacity at the three plants in Ireland, Sweden and Springs, South Africa, and also develop an infrastructure that will supply the group with its own raw materials.

R24,6-million is being spent in three separate projects at the Springs plant alone. Vecor was recently awarded a R4-million contract for high pressure presses.

A further R24-million is being spent on expanding and equipping the Diamond Research Laboratory in Johannesburg.

Industrial diamonds have a vast range of applications in cutting and shaping hard substances. The latest Debid product development, Amborite, has filled a major gap in the market — perhaps the last remaining one.

The one big flaw with using diamond as a cutting agent is that chemical reactions occur when it is used on ferrous metals, resulting in rapid wear.

Amborite is a diamond analogue created by subjecting cubic boron nitride to extremely high temperature and pressure.

The result is a material which is not quite as hard, but has many of the properties of diamond. Most important, it can be used successfully in machining a wide range of ferrous metals, especially hardened tool steels, which could previously be shaped only by grinding before cutting is necessary.

New ground has also been broken by the material's use as a tool. It is supplied as a solid piece, thereby giving twice the cutting edges as conventional tools.

"More efficient applications of existing technology and improved quality and economics are likely to be the targets of future research," Dr Dyer says.

"The market is now largely covered and I suspect we will see no further dramatic technological developments."

By ANDREW McNULTY
Reserve Bank

Getting aid from

Just Bank still
Bank underlines need for caution

A special economic review by Hill Samuel contains the following conclusion: "The stock market is in a traditionally expensive area, and while this does not necessarily mean the share market is about to peak, investors should exercise caution in their decision making."

The conclusion is derived from the accompanying graph, which is based on the relationship between average industrial dividend yields and long-term interest rates.

The bank's yield ratio graph indicates that the ratio of the industrial share average dividend yield to the RSA long-term stock yield is approaching the level around which the market peaked in both 1965 and 1973 — at a point where historic dividend yields are less than half the long-term RSA rate.

The present ratio is 0.4.

In spite of the danger signals, Hill Samuel nevertheless believes that there does appear to be justification for channelling further funds into the equity market.

But in the end — and this is a view which accords with the vast majority of commentators — the gold price is the critical determining factor for the economy, interest rates and the stock market.

Accordingly, says Hill Samuel, should gold continue to move higher, the bull market could remain in a bull phase "for some time" and this would obviously necessitate "a re-appraisal of the situation."

One can hardly argue with Hill Samuel's assessment of the outlook for the JSE.

But in interpreting the data upon which the ratio graph is based, it is instructive to bear in mind that the economy is in what is probably the strongest growth phase in South Africa's history.

As such, historic industrial share yields become relatively less meaningful, tending as they do to depress the ratio to a level somewhat lower than would be necessary to obtain a true perspective of the situation.

A final observation. The inflation rate is currently a good deal higher than it was in either 1965 or 1973 and this has doubtless introduced distortions which render a comparison between the present ratio and those of 1965 and 1973 somewhat less valid than might otherwise have been the case.
BUSINESSMEN in Durban's Grey Street complex last night described differing 'special risks' insurance rates for premises in the city's Indian and white business zones as 'blatant discrimination'.

The South African Special Risks Insurance Association provides insurance for buildings damaged during political riots.

As this was Government-sponsored, there should be no discrimination in premium rates, Mr Haribhai Naran, a businessman and member of the South African Indian Council, said.

'We feel very strongly about this,' he said, adding that the insurance association and the Government owed the Indian and other black communities an explanation.

Mr Naran said the discrimination in rates gave the impression that the authorities felt premises in Indian areas were more vulnerable to danger in times of political unrest than premises in white areas.

Mr K T Manjee, chairman of the Grey Street Area Local Affairs Committee, said he was also angry about the scale. He had written to the Town Clerk of Durban.

Mr Gordon Hawgath, asking the City Council to approach the authorities with a view to having the discriminatory premium changed.

He said the premium for riot insurance on properties in the Grey Street area was R3 for every R1000 of cover, while in the rest of Durban's central business district the premium was R1 per R1000 cover.
HIRE PURCHASE

Fuelling inflation?

Church Square is worried about the dramatic growth in hire purchase business and is considering steps to combat it. That, at any rate, is the current speculation in banking circles following a recent meeting.

Bankers insist that there is already a natural restraint on hire purchase loans in the form of motor car suppliers. This in itself places a limit on credit growth.

But have banks been too lenient in granting hire purchase credit? Of course, none admits to this, but there are certainly indications that their bad debt experiences are on the increase. According to one, a bad debt ratio of 2½% to total book would be considered "disastrous." The target ratio is between 2½% and 3%. So far, that figure hasn't been exceeded.

Governor De Jongh . . . cut back on hire lending

between Reserve Bank Governor Bob de Jongh and top private sector bankers.

According to some bankers, the governor is worried about the extent to which hire purchase lending has been fuelled by banks' eagerness to extend hire purchase credit. In the view of some Reserve Bank insiders, the remarkable hire purchase boom is encouraging consumer credit to grow more rapidly than the production process can cope with. Thus, in turn, is fuelling the demand-pull inflationary cycle.

The most likely tightening up procedure would be for the authorities to increase the minimum deposit regulation (currently 2½% and to shorten the maximum 42-month repayment period.

Such a move would undoubtedly meet with substantial resistance from the motor industry, a large portion of whose business is heavily reliant on hire purchase. But the fact that the motor industry has not yet
ANTIGLOPS AND FOR BLACKS

BY TOBY HUDSON
BY PENELOPE MORGAN

Big five push up their assets

HAINING FINE WINE & SPIRITS

18/06/1983
R20 000 donation for the Foundation

MACDEM, a holding company of a large group of non-ferrous metals and semi-manufacturers yesterday donated a cheque of R20 000 to the Urban Foundation — bringing its total for the past three years to R65 000.

The money is earmarked for the Foundation's Germiston Working Committee which has launched several projects in the Katlehong township.

Handing over the cheque to the Foundation's Executive Director, Mr Justice Steyn, Mr Murray Coutts-Trotter, managing director of Macdem said the donation was an extension of the group's staff policy.

The chairman of the Germiston Working Committee, Mr Tom Jones said many projects had been undertaken in the past few years. He added that a clinic which will cost R100 000 will be built before the end of the year. It will be run by permanent qualified nurses.

A self-help business centre is planned to give financial assistance and guidance to Katlehong residents to set up businesses of their own. Also in the pipeline is a self-help housing scheme. This entails the provision of know-how and cheap materials to enable people to build their own houses.

Mr. Murray Coutts-Trotter, managing director of Macdem presents a cheque to the executive director of the Urban Foundation, Mr Justice Steyn.
THE total assets of the Rembrandt group, excluding its mining, banking and insurance interests, amount to nearly R3 500-million and its annual turnover is more than R6 400-million, the chairman, Dr Anton Rupert, told shareholders at the annual meeting at Stellenbosch today.

He said the group continued to be the fourth largest cigarette manufacturer in the west with 64 factories in 20 countries.

In liquor, the group was among the biggest distillers in the world and had interests in an overseas brewing group with 10 breweries.

In South Africa the group had interests in mining, banking, insurance, manufacture and trade, including the chemical oil, clothing and printing industries.

The company's partnership with a European group in an overseas investment company was intended to lead to an investment in resource-based industries. The investment company had obtained interests in metals, minerals and energy resources.

During the year the company increased its stake in Federale Mynbou and the Volkskas groups obtained an interest in the Legal and General insurance company and moved into detergents by obtaining a half share in the Henkel company.

The total cigarette market in South Africa was increasing by about 5 percent a year and it was expected that a similar gross rate would be maintained in the coming years.

The small business development corporation organised by the company had granted financial aid amounting to about R250 000 for the first 25 small businesses. It had also assisted other businesses whose problem after investigation were shown to be a lack of management expertise rather than money.

Derek Tomney
Rembrandt assets keep soaring up

By Jean Boon

Even leaving aside the booming banking and insurance interests of the sprawling Rembrandt Group, total assets have soared to nearly R1.4bn.

Chairman Dr Anton Rupert told shareholders at the annual general meeting that the group's annual turnover is now more than R6bn.

The Rembrandt Group remains the fourth largest cigarette manufacturer in the West with 61 factories in 36 countries and is among the biggest distributors in the world with interests in 40 countries.

Apart from its South African interests in banking, insurance, manufacturing and trade, including the essential oil, clothing and mining industries, it's partnership with a European group in overseas investments has given it entry into metals, minerals and energy resources.

The group increased its interests in Federico 25% last year and the Velleka Group obtained an interest in the Sasol and General Velleka Finance Company.

It has moved into detergents by obtaining a half share in the Harkel Company.

The Small Reform Development Corporation, which the Rembrandt Group started with R6.5m and which has now grown to R2.9bn, has invested in the first one-third interest in the year. It has also helped other businesses where it problems after investigation.

Dr Rupert said that the global cigarette market in South Africa was increasing by about five percent a year and it was expected that a similar growth rate would be maintained in the coming years.
SA TO RAISE R190-m CREDIT IN EUROPE

LONDON. — South Africa is poised to raise a 250-million dollar (R190-million) credit in Europe.

The credit is being arranged by Dresdner Bank of West Germany with Citicorp of the United States, Britain's Barclays Bank and the Union Bank of Switzerland.

Detailed terms are still being negotiated. But a clear principle has been established that the funds will be used to finance housing and education projects for the country's black population.

Dresdner Bank last arranged a credit of 150-million dollars (R85-million) for South Africa two years ago. The borrowing carried a margin of 1.5 percent over five years.

LOWER MARGIN

Today, however, the general downward pressure of Eurocredit spreads coupled with the improved rating for South African credit would dictate a significantly lower margin.

News of the Eurocredit comes after a noticeable build-up of South African activity in the Euromarket in recent months.

In June it launched a 120-million German mark (R55-million) bond issue, its first public international bond since the Soviet riots in 1976.

Last week Standard Bank of South Africa announced a R150-million dollar (R399-million) floating rate note issue, the first such issue for a South African bank.

REHABILITATION

The latest credit marks a significant step towards the rehabilitation of South Africa as a respectable international borrower largely because it is being handled with much less discretion than is normally the case for its Euro-market borrowings.

The banks are beginning to accept that South Africa has set on a gradual relaxation of apartheid. At the same time they are aware that the rapid rise in the gold price over the past two years makes the country's first-class economic risk. — Financial Times News Service.
PROCLAMATION

By the State President of the Republic of South Africa

No. R146, 1980

COMMENCEMENT OF SECTIONS 5 (1), 6 (1) AND 7 (1) OF THE COMPANIES AMENDMENT ACT, 1980

Under and by virtue of the powers vested in me by sections 5 (1), 6 (1) and 7 (1) of the Companies Amendment Act, 1980 (Act 84 of 1980), I hereby determine that sections 5 (1), 6 (1) and 7 (1) of that Act shall come into operation on 1 September 1980.

Given under my Hand and the Seal of the Republic of South Africa at Pretoria this thirty-first day of August, One thousand Nine hundred and eighty.

M. Viljoen,
State President

By Order of the State President on Council,
S. W. van der Merwe
Boast for the Societies

R4 Million Borrowing

Property Correspondent

Property Correspondent
How SW banks operate credit card systems
Profits take big economic surge

By DAVID CARTE
Deputy Financial Editor

WITH the economic growth rate surging from 3% a year ago to 6.5% at the end of June, company profits have taken off in recent months.

The unprecedented gold price levels of the past year have pushed the profits of mining companies and mining houses to record heights.

And a Rand Daily Mail survey has found that 63 listed financial and industrial companies reporting for the period to the end of June have increased their pre-tax profits on average by more than 80%.

Companies reporting for the period to the end of June increased their profits before tax by an average 106%, while those reporting for the year to June 30 were on average 60% ahead of the previous year's figures. (See table on Page 11.)

The profit climb has not been confined to smaller companies. Even the country's biggest companies have achieved spectacular profit growth.

Anglo American Corporation, for instance, reported a R120-million — or 44% — pre-tax gain in the year to the end of March.

And in the year to June 30, Goldfields of South Africa boosted pre-tax profit 88% to R120-million and Johannesburg Consolidated Investments gained by 60% to R78 200 000.

Among giant industrial companies, Barlowa scored an R69-million or 59% pre-tax increase to R218 870 000, SA Breweries boosted profit 40% to R13 290 000 and ABT achieved a 69% improvement.

In the financial sector, Barclays, Standard, Volkskas, Nedbank and Randcorp, controllers of the "big five" banks, have never done better.

Two of the biggest profit increases, among June-reporting companies, were achieved by Toyota — the only listed motor manufacturer — and Greaterns, the country's biggest retailers and owners of the Cheekers, Greaterns and Ackermans chains.
<table>
<thead>
<tr>
<th>Interim Reports</th>
<th>Pre-tax Profit</th>
<th>Earnings a share</th>
<th>Dividends a share</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caroco</td>
<td>58</td>
<td>75</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Trienni</td>
<td>356</td>
<td>231</td>
<td>92</td>
<td>60</td>
</tr>
<tr>
<td>Sappi</td>
<td>80</td>
<td>92</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Dunswart</td>
<td>316</td>
<td>260</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toyots</td>
<td>704</td>
<td>140</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AECl</td>
<td>69</td>
<td>80</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Matalo</td>
<td>56</td>
<td>64</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>SAAN</td>
<td>303</td>
<td>317</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Standard Brass</td>
<td>same</td>
<td>3.5</td>
<td>same</td>
<td></td>
</tr>
<tr>
<td>Verlef</td>
<td>19.5</td>
<td>n/c</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>NEI</td>
<td>26.5</td>
<td>26.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unidev</td>
<td>25.0</td>
<td>26</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>SAGel</td>
<td>40</td>
<td>34</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Starbile</td>
<td>112</td>
<td>80</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Ericksen</td>
<td>407</td>
<td>650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GHS</td>
<td>155</td>
<td>150</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Rennie</td>
<td>45</td>
<td>61</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Adcock Ingram</td>
<td>28</td>
<td>25</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Udec</td>
<td>41</td>
<td>37</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>D &amp; H</td>
<td>29</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BTR</td>
<td>144</td>
<td>145</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>TW Beckett</td>
<td>n/a</td>
<td>36</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Clauge Neon</td>
<td>n/a</td>
<td>49</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>Cons Glass</td>
<td>n/a</td>
<td>39</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Globe</td>
<td>n/a</td>
<td>38</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>I &amp; J</td>
<td>n/a</td>
<td>10</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Nat Bolt</td>
<td>n/a</td>
<td>91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awea</td>
<td>n/a</td>
<td>10</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Protea</td>
<td>55</td>
<td>50</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>DRG</td>
<td>42</td>
<td>n/c</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anglo Alpha</td>
<td>73</td>
<td>110</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Tiger</td>
<td>22</td>
<td>23</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Libelle</td>
<td>n/a</td>
<td>15</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Lamberts Bay</td>
<td>42</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seaswe</td>
<td>30</td>
<td>54</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Heggie</td>
<td>56</td>
<td>46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trek</td>
<td>74</td>
<td>47</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Foschini</td>
<td>15</td>
<td>62</td>
<td>n/a</td>
<td></td>
</tr>
</tbody>
</table>

### Prelim Reports

<table>
<thead>
<tr>
<th>Reports</th>
<th>Pre-tax Profit</th>
<th>Earnings a share</th>
<th>Dividends a share</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everite</td>
<td>69</td>
<td>93</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Indal</td>
<td>72</td>
<td>62</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Natsel</td>
<td>88</td>
<td>72</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Woolworths</td>
<td>20</td>
<td>20</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Pirex Paper</td>
<td>79</td>
<td>-19</td>
<td>n/c</td>
<td></td>
</tr>
<tr>
<td>Cusen</td>
<td>20</td>
<td>13</td>
<td>same</td>
<td></td>
</tr>
<tr>
<td>Reuter &amp; Lenz</td>
<td>n/a</td>
<td>124</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Highveld</td>
<td>81</td>
<td>60</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Seedel</td>
<td>91</td>
<td>146</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abercom</td>
<td>52</td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Celim</td>
<td>53</td>
<td>53</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>W &amp; A</td>
<td>93</td>
<td>74</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>McCarty</td>
<td>68</td>
<td>139</td>
<td>138</td>
<td></td>
</tr>
<tr>
<td>Edgars</td>
<td>82</td>
<td>90</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Besse</td>
<td>31</td>
<td>8</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Safmarine</td>
<td>103</td>
<td>50</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Rand Madn</td>
<td>85</td>
<td>74</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Chem Hold</td>
<td>68</td>
<td>66</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Cullinan</td>
<td>66</td>
<td>63</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Griniker</td>
<td>27</td>
<td>27</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Tedex</td>
<td>38</td>
<td>56</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Ellerine</td>
<td>30</td>
<td>28</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Sondreham</td>
<td>n/a</td>
<td>62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankcorp</td>
<td>n/a</td>
<td>68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amco</td>
<td>77</td>
<td>48</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>Sasol</td>
<td>43</td>
<td>44</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

n/a = not available

* all in 1979

\* This table shows how June-reporting industrial and financial companies' pre-tax profits, earnings and dividends grew in the most recent reporting period.

\* Because their growth would have been infinite, companies such as Greaterman, which returned to profit from loss, have been omitted.

\* So have several smaller companies whose large percentage increases might have distorted averages unduly. Also, the results of Barclays and a few others were not comparable, so have also been left out.
SA's SAVINGS RATE AMONG THE HIGHEST

SOUTH AFRICA has one of the highest rates of savings in the world, figures issued by the Reserve Bank show.

In the 12 months ended June, South Africans saved R18 148-million, equal to 32.8 percent of the country's gross domestic product. This compares with a 31.2 percent savings rate in 1978-79.

The South African savings rate is about double that of most developed Western countries. However, it is still some way below the record rate of 40 percent achieved by the Japanese.

Total savings rose by R444-million or 32.5 percent in 1979-80. This followed an increase of R428-million or 25 percent in the previous 12 months.

Savings by companies rose by R2 994-million after rising R1 054-million in the previous year.

However, the rate of personal savings dropped by R79-million in 1979-80, reflecting the increase in consumer spending. In 1978-79 personal savings rose by R1 741-million.

Savings by the Government increased by R651-million in 1979-80, which brought the overall increase of the three sectors to R3 336-million.

A R1 108-million increase in the provision for depreciation brought the total increase to gross domestic saving to R4 444-million.

THIRD YEAR

As a result of the continued strong rise in savings, the rate of domestic savings exceeded investment for the third year running.

As only R14 855-million was needed to finance fixed and inventory investment, there was a savings surplus of R3 622-million which the Reserve Bank says 'was available for the reduction of South Africa's net indebtedness to the rest of the world'.

The Reserve Bank points out that there has been change in the composition of domestic savings in recent years.

Corporate saving, which accounted for about 24 percent of all saving in the period 1969-70 to 1976-77, rose to 60 percent of the total in 1979-80.

In contrast, the share of personal saving declined from an annual average of 54 percent in the seven years ended June 1977 to 22 percent in 1979-80.

The Government sector's share dropped slightly from 22 percent to 18 percent in this period.
DURBAN. -- Students at the Commercial and Computer College in West Street, Durban, were sent home yesterday after some had allegedly caused trouble by trying to establish whether the college was registered or not.

The students were asked to bring their parents to the college today to discuss the situation.

Students said yesterday that recent rumours that the college was not registered had caused concern about the value of certificates issued to them on completion of the 10-month course in computer operation.

Yesterday none of the officials at the college could confirm or deny its registration.

A spokesman for the Department of Indian Affairs said the college was definitely not registered with his department.

The principal of the college, Mr. Abraham, who would not give his initials -- 'certain information cannot be supplied to anybody' -- refused to comment.

The college has been operating for eight years. It has four lecturers and about 300 students divided into classes of 70.

Fees are R40 a year, with a down payment of R40 and monthly payments of R100 for 10 months. -- Napa
BANK QUARTERLY

Lending surge

The banks' quarterly returns for the second quarter of 1980 illustrate the surge in bank lending, other than on overdraft, that has taken place over the last year, and the effect of high liquidity levels on the banking system.

The most significant increase among the commercial banks has been in bank's acceptances. This reflects the extent to which these banks have taken over business previously handled by the merchant banks. A prime factor behind the increase in this form of off-balance sheet lending is the fact that the drop in short-term rates has made it far cheaper than utilizing overdraft facilities, the cost of which is pegged to Bank rate.

In addition, extensive local financing of foreign trade at the beginning of the year gave a strong boost to the acceptance market.

The merchant banks, on the other hand, have shown the most visible increase in their contingent liabilities. These include acceptances re-discounted, guarantees of different kinds, letters of credit, and so on — all forms of bank-endorsed borrowing.

Current account deposits with the commercial banks have continued to grow at a faster rate than total deposits. This trend is due to a combination of factors, among them the fact that low interest rates provide little incentive to move funds into term deposits.

More fundamentally, the surge in cheque deposits reflects high levels of liquidity generated by the BOP current account surplus, and by the fiscal emphasis on private consumer spending. Bankers say there is a very close statistical correlation between current account growth and hire purchase increases. Current accounts are relatively volatile forms of deposits, and bankers express the fear that there may be large withdrawals at interest rate movements make other avenues of investment more attractive.

Exemplifying the level of consumer confidence in the economy, the general banks have seen large increases in their lending books. Leasing and hire-purchase together rose almost twice as fast in the second quarter as in the first, and leasing had its sharpest rise in four years.

The most dramatic improvement was shown by Santam, which rose from a relatively small base to increase its overall market share by 25%. This was probably due to one or two very large contracts.

Demand by the banks for NCDs is inversely related to their need for funds. In most cases, NCD holdings have been run down, which in itself is an indication of the high levels of liquidity currently being enjoyed by the banking system.

BIG FIVE — ACCEPTANCES ACCELERATE

<table>
<thead>
<tr>
<th>Bank</th>
<th>Cheque deposits Total deposits</th>
<th>NCDs</th>
<th>Risk lendings</th>
<th>Acceptances</th>
<th>Continent liabilities</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays</td>
<td>1 498</td>
<td>1 414</td>
<td>241</td>
<td>1 523</td>
<td>234</td>
<td>1 937</td>
</tr>
<tr>
<td>% change</td>
<td>40</td>
<td>20</td>
<td>11</td>
<td>3</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Standard</td>
<td>1 277</td>
<td>3 358</td>
<td>166</td>
<td>1 524</td>
<td>91</td>
<td>1 226</td>
</tr>
<tr>
<td>% change</td>
<td>44</td>
<td>26</td>
<td>-8</td>
<td>7</td>
<td>*5</td>
<td>30</td>
</tr>
<tr>
<td>Volkskas</td>
<td>2 563</td>
<td>3 358</td>
<td>357</td>
<td>76</td>
<td>77</td>
<td>438</td>
</tr>
<tr>
<td>% change</td>
<td>54</td>
<td>23</td>
<td>nil</td>
<td>9</td>
<td>100</td>
<td>-16</td>
</tr>
<tr>
<td>Nedbank</td>
<td>236</td>
<td>1 656</td>
<td>209</td>
<td>649</td>
<td>284</td>
<td>677</td>
</tr>
<tr>
<td>% change</td>
<td>44</td>
<td>21</td>
<td>23</td>
<td>21</td>
<td>*5</td>
<td>12</td>
</tr>
<tr>
<td>Trust</td>
<td>186</td>
<td>1 220</td>
<td>91</td>
<td>944</td>
<td>121</td>
<td>149</td>
</tr>
<tr>
<td>% change</td>
<td>44</td>
<td>17</td>
<td>-20</td>
<td>26</td>
<td>169</td>
<td>45</td>
</tr>
</tbody>
</table>

* % change on June 1979 quarter.

MERCHANT BANKS — CONTINGENCIES CLIMB

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total deposits</th>
<th>NCDs</th>
<th>Acceptances</th>
<th>Risk lendings</th>
<th>Continent liabilities</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAL</td>
<td>168</td>
<td>22</td>
<td>230</td>
<td>36</td>
<td>79</td>
<td>77</td>
</tr>
<tr>
<td>% change</td>
<td>5</td>
<td>-37</td>
<td>125</td>
<td>71</td>
<td>53</td>
<td>10</td>
</tr>
<tr>
<td>Sanbank</td>
<td>161</td>
<td>48</td>
<td>231</td>
<td>75</td>
<td>177</td>
<td>88</td>
</tr>
<tr>
<td>% change</td>
<td>7</td>
<td>-4</td>
<td>15</td>
<td>nil</td>
<td>*11</td>
<td>19</td>
</tr>
<tr>
<td>Standard</td>
<td>128</td>
<td>15</td>
<td>187</td>
<td>77</td>
<td>94</td>
<td>60</td>
</tr>
<tr>
<td>% change</td>
<td>10</td>
<td>-36</td>
<td>36</td>
<td>*8</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Barclays (M)</td>
<td>109</td>
<td>12</td>
<td>48</td>
<td>21</td>
<td>10</td>
<td>76</td>
</tr>
<tr>
<td>% change</td>
<td>-4</td>
<td>-8</td>
<td>-19</td>
<td>-43</td>
<td>42</td>
<td>-18</td>
</tr>
<tr>
<td>Hill Samuel</td>
<td>95</td>
<td>11</td>
<td>74</td>
<td>81</td>
<td>110</td>
<td>11</td>
</tr>
<tr>
<td>% change</td>
<td>6</td>
<td>-35</td>
<td>37</td>
<td>-2</td>
<td>*3</td>
<td>-15</td>
</tr>
<tr>
<td>Mercantile</td>
<td>163</td>
<td>10</td>
<td>29</td>
<td>105</td>
<td>41</td>
<td>27</td>
</tr>
<tr>
<td>% change</td>
<td>18</td>
<td>100</td>
<td>46</td>
<td>27</td>
<td>21</td>
<td>-7</td>
</tr>
<tr>
<td>Finansbank</td>
<td>82</td>
<td>9</td>
<td>15</td>
<td>40</td>
<td>46</td>
<td>19</td>
</tr>
<tr>
<td>% change</td>
<td>28</td>
<td>-8</td>
<td>15</td>
<td>-7</td>
<td>*3</td>
<td>38</td>
</tr>
<tr>
<td>Volkskas (M)</td>
<td>76</td>
<td>16</td>
<td>82</td>
<td>33</td>
<td>118</td>
<td>48</td>
</tr>
<tr>
<td>% change</td>
<td>10</td>
<td>13</td>
<td>55</td>
<td>10</td>
<td>2</td>
<td>*4</td>
</tr>
<tr>
<td>Rand Merchant</td>
<td>4</td>
<td>nil</td>
<td>25</td>
<td>2</td>
<td>84</td>
<td>1.2</td>
</tr>
<tr>
<td>% change</td>
<td>-67</td>
<td>nil</td>
<td>*4</td>
<td>nil</td>
<td>*30</td>
<td>20</td>
</tr>
</tbody>
</table>

% change on June 1979 quarter.

HP AND LEASING LEAP

<table>
<thead>
<tr>
<th>Bank</th>
<th>Hire purchase</th>
<th>Leasing</th>
<th>Total</th>
<th>% share of market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanbic/Stancor</td>
<td>571</td>
<td>1 077</td>
<td>26.4</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>29</td>
<td>44</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Barclays Western</td>
<td>539</td>
<td>744</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>61</td>
<td>44</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>268</td>
<td>559</td>
<td>13.6</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>52</td>
<td>59</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>Barclays (C)</td>
<td>100</td>
<td>353</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>22</td>
<td>7</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Nedfin</td>
<td>108</td>
<td>205</td>
<td>6.3</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>15</td>
<td>-7</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Santam</td>
<td>2 173</td>
<td>359</td>
<td>8.6</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>53</td>
<td>78</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Volkskas (C)</td>
<td>83</td>
<td>137</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>32</td>
<td>28</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>Volkskas Industrial</td>
<td>48</td>
<td>81</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>45</td>
<td>138</td>
<td>72</td>
<td></td>
</tr>
</tbody>
</table>

% change over June 1979 quarter.

Source: AND SOUTH
Pension funds and institutions are taking over
Property scene changes

By COLIN VINEALL
Property Editor

PENSION funds, insurance companies and other investment institutions which represent
savers are gradually taking over the ownership of real estate freeholds on a world-wide
basis, says the Richard Ellis International

This is 'the significant development in world property markets,' says the report. (1)
"It is in the interests of these new owners that the most effective economic use is made of
these assets. From the standpoint of the occupiers - the corporations and organisations
engaged in manufacturing, administration and retailing - this willingness of the institutions
to acquire and improve the assets needed for their operations has the additional plus that
it frees their own capital for direct use in their own businesses.

"The challenge to both institutional investors and corporate occupiers is to achieve their objectives at a steady pace of
expansion and growth in a world which suffers oscillations in interest rates, trading volumes, economic prosperity and
political interventions."

On offices, the report says it is interesting to analyse data on office equipment. As might be expected the main markets continue to be
advanced industrialised countries, but it is evident that the fastest growing markets are in the rapidly developing countries -
office activities are increasing at the highest-rate in countries such as Brazil, Argentina, Indonesia, Singapore, Hong Kong and
Nigeria.

But these countries face major problems on the supply side. Characteristically, office space is characteristically
short, partly because of the high land cost. Surprisingly, however, the office space is short, partly because of the high
land cost. Surprisingly, however, the office space is short, partly because of the high
land cost. Surprisingly, however, the office space is short, partly because of the high
land cost. Surprisingly, however, the office space is short, partly because of the high
Our economy is booming while We're Winning!

By TONY HUDSON
Finance Editor

SOUTH AFRICA has taken the lead in the world growth stakes as Western nations stagger under the combined impact of rampant inflation and recession.

Main reasons for this are:
- A rapidly-rising gold price which could reach as high as 850 dollars an ounce;
- Soaring non-gold mineral sales; and
- A booming economy with rapidly rising company profits while the rest of the world stagnates.

As average South African benefits from this by:
- More tax cuts;
- Better job opportunities for all races; and
- A drop in the inflation rate.

Figures released this week show that this country, with a growth rate of more than 10 percent for the first six months of the year, has passed previous leader Japan. That country hit the eight percent mark in the first part of the year. Signs are that its economy is now flagging and that the figure could drop in the next few months.

And with gold firmly set on an upward path, we are going to have more than enough hard cash to meet the most sophisticated industrial expansion plans in the next few years.

Finance Minister Owen Horwood set his sights on 350 dollars an ounce for gold for the current year, but the average price to June was 366 dollars.

So far for the period to June 30 this year, South Africa earned more than R2.56 million than it bargained for — and that was only for the first six months.

The present indications are that the average for the second half of the year is going to be well above that of the first half. This means Senator Horwood is going to have more than R4.000 million extra to play with when he comes to do his budget next year.

And so healthy is the outlook that bankers no longer have to resort to underwrite methods for obtaining overseas cash. They now compete openly at competitive rates for foreign capital.

Trial runs have shown the world is now only too eager to lend money to this country. Loans of up to R250 million are in the pipeline.

Reports from London say that credit is being arranged by Deutschner Bank of West Germany together with the US's Citicorp, Barclays of UK and Switzerland's Union Bank.

Detailed terms are still being negotiated but the principle has been established that the funds will be used to finance black housing and education projects.

Internally, the economic scene is good.

A survey of companies reporting this year, shows that 93 listed on the financial and industrial sections of the Johannesburg Stock Exchange show pre-tax profit increases of more than 50 percent, while companies reporting to the six months to June 30 show profits up by as much as 125 percent.

And on the inflation front, leading economists feel that while the problem is not yet licked, the signs are that it is becoming controllable.

The public will benefit by:
- Further tax cuts. As more and more money flows into the country from gold sales, the Treasury will be more able to reduce the tax burden on the individual and on companies;
- More jobs. As industry starts to expand — at present it is operating at over 90 percent capacity — more and more jobs will become available to all races. Additional income earned will be reinjected into the economy, thus acting as a further boost to growth.

But three possible flies in the ointment which could change the whole scenario are:

- Politics: If the aspirations of the non-white segments of the community are not recognised and realised to some degree by Government, riots and violence will cancel any good that is being done by the economy at present;

Labour relations: If not handled properly industrial unrest will destroy the profit record needed to attract the much needed overseas investment in this country.

- Skilled labour shortage: This is tied to the other two factors if they take place, desperately needed labour will not come to South Africa because of unrest, and the consequent shortage could well strangle the current boom.
South Africa's supply of the board of the company's was approved by the board of managers. General Fraser, president of the board of directors, in London, the meeting in London, the board of directors, at a board meeting in South Africa, the board of directors, of the company, General Fraser, president of the board of directors, in South Africa.

After leaving the board of directors, he served as an officer in the South African army. He saw service during the Second World War and the Korean War.

Commander John Causey.

Col. John Causey, Chief of the Army, political officer of the army, political officer of the army, political officer of the army, political officer of the army, political officer of the army.

After the revolution, he was appointed the chief of the army. In 1965, he was appointed the chief of the army. In 1965, he was appointed the chief of the army. A former chief of the army.

Rothmans

to head

FRASER STREET
Building Societies

Raking it in

There is little in the 1980 annual reports of the building societies to upset their cozy pecking order or the way they run things.

part of the Trust Bank group, is being played down by Sanlam.

Shareholdings and deposits rose by 19.6% in 1979-80. Mortgage advances, however, were up by only 16.5%, another year in which the societies have taken in more money than they have lent.

A cut in the deposit rate thus appears to be called for, but the societies argue that with surging demand for mortgages they cannot afford to lose money. Indeed, the accounts of the Big Five show that between 73.8% and 78.3% of their total funds available are committed in mortgage advances.

Even allowing for prepayment investments, which must be equivalent to 10% of liabilities to the public, and a safety margin of 3%, the societies still have considerable amounts to lend to home seekers.

To measure the societies’ "profitability" on funds employed, non-dividend appropriations and non-trading charges to profit were added back to determine the societies’ trading profit, which is calculated as a percentage of total assets.

The second largest society, SA Perm, takes only sixth place in terms of this measurement. This is mainly attributable to the Perm’s very conservative accounting policy of writing off the cost of premiums paid on stocks acquired in the year of purchase against profit on the realisation of investments. These amounts are substantial, in the current year totalling R19.8m.

True profit

While subsequent profits on the realisation of investments are added back to revenue, one critic says such huge adjustments to the figures make it impossible to assess the Perm’s true profit. Since its merger with the old Perseverance Society rate has been 29.4%. This is almost identical to the 29.5% average annual growth in the past 10 years for the societies as a whole, but the true growth figure could well be higher.

Surprisingly, Standard ranks fourth from the bottom when it comes to "profit" as a percentage of assets. A 1922 report on "profits" partly accounts for this, but its low rate of mortgage advances may also have diminished gains from mortgage interest. (At 89.5% Standard has the lowest proportion of any society of its funds tied up in home loans.)

Bottom of the "profitability" and asset growth list in Sambouh, Provincial, Natal and Grahamstown, by contrast, despite their more modest asset growth rates, among the more "profitable" of the societies.

With the April cut in the mortgage rates, the Big Five stood to forgo upward of R17m in interest, which has aroused fears that "profit" margins could be squeezed. The combined trading profit of the Big Five in the past financial year was R29.3m. But the most recent newsletter of the Building Societies' Association

GROWING ASSETS

<table>
<thead>
<tr>
<th>RANKED BY:</th>
<th>Total % total</th>
<th>Total assets</th>
<th>Increase</th>
<th>Shares</th>
<th>Increase</th>
<th>Deposits</th>
<th>Increase</th>
<th>Mortgages</th>
<th>Increase</th>
<th>Increases</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>United</td>
<td>3 313.1</td>
<td>10.7</td>
<td>1 790.0</td>
<td>22</td>
<td>1 500.0</td>
<td>10.1</td>
<td>2 317.7</td>
<td>14.8</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2</td>
<td>SA Perm</td>
<td>2 433.2</td>
<td>22.9</td>
<td>1 250.0</td>
<td>23.3</td>
<td>1 000.0</td>
<td>23.0</td>
<td>2 612.0</td>
<td>10.7</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>Allied</td>
<td>1 080.7</td>
<td>21.6</td>
<td>1 010.0</td>
<td>11.5</td>
<td>800.0</td>
<td>24.0</td>
<td>1 010.0</td>
<td>7.5</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>9</td>
<td>City</td>
<td>1 842.4</td>
<td>15.6</td>
<td>725.0</td>
<td>17.3</td>
<td>500.0</td>
<td>14.2</td>
<td>1 445.6</td>
<td>13.6</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>709.5</td>
<td>13.9</td>
<td>709.0</td>
<td>9.8</td>
<td>257.0</td>
<td>18.3</td>
<td>1 279.4</td>
<td>6.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>10</td>
<td>Natal</td>
<td>1 034.1</td>
<td>15.5</td>
<td>534.0</td>
<td>13.0</td>
<td>470.0</td>
<td>18.0</td>
<td>1 070.0</td>
<td>14.0</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>7</td>
<td>898.4</td>
<td>14.3</td>
<td>445.2</td>
<td>13.0</td>
<td>470.0</td>
<td>18.0</td>
<td>970.0</td>
<td>11.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>11</td>
<td>Saambou</td>
<td>622.4</td>
<td>15.9</td>
<td>476.7</td>
<td>21.3</td>
<td>326.0</td>
<td>6.0</td>
<td>690.0</td>
<td>11.2</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>7</td>
<td>712.8</td>
<td>13.3</td>
<td>351.3</td>
<td>9.1</td>
<td>265.0</td>
<td>21.1</td>
<td>845.0</td>
<td>11.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>3</td>
<td>S Trident</td>
<td>362.8</td>
<td>21.2</td>
<td>103.4</td>
<td>31.4</td>
<td>100.7</td>
<td>3.5</td>
<td>266.7</td>
<td>20.7</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>291.5</td>
<td>15.1</td>
<td>124.5</td>
<td>32.6</td>
<td>183.0</td>
<td>23.8</td>
<td>212.6</td>
<td>8.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>Standard</td>
<td>200.3</td>
<td>71.1</td>
<td>101.1</td>
<td>52.7</td>
<td>100.3</td>
<td>61.4</td>
<td>210.2</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>1</td>
<td>276.7</td>
<td>56.5</td>
<td>58.7</td>
<td>23.4</td>
<td>88.3</td>
<td>45.3</td>
<td>123.5</td>
<td>39.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>6</td>
<td>Trust</td>
<td>156.0</td>
<td>18.0</td>
<td>108.0</td>
<td>20.0</td>
<td>93.0</td>
<td>5.6</td>
<td>226.0</td>
<td>21.6</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>156.5</td>
<td>18.1</td>
<td>118.5</td>
<td>54.2</td>
<td>93.3</td>
<td>5.4</td>
<td>212.9</td>
<td>30.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>10</td>
<td>156.0</td>
<td>20.1</td>
<td>108.0</td>
<td>20.0</td>
<td>83.1</td>
<td>20.6</td>
<td>111.0</td>
<td>15.2</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>8</td>
<td>156.0</td>
<td>18.1</td>
<td>118.5</td>
<td>54.2</td>
<td>93.3</td>
<td>5.4</td>
<td>212.9</td>
<td>30.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>9</td>
<td>156.0</td>
<td>18.1</td>
<td>118.5</td>
<td>54.2</td>
<td>93.3</td>
<td>5.4</td>
<td>212.9</td>
<td>30.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>7</td>
<td>50.0</td>
<td>16.5</td>
<td>23.8</td>
<td>13.0</td>
<td>19.3</td>
<td>19.7</td>
<td>41.5</td>
<td>16.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>11</td>
<td>46.3</td>
<td>15.4</td>
<td>20.7</td>
<td>20.3</td>
<td>20.5</td>
<td>10.5</td>
<td>34.9</td>
<td>7.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TRADING SUCCESS

<table>
<thead>
<tr>
<th></th>
<th>United</th>
<th>-Provincial</th>
<th>-Natal</th>
<th>-Grahamstown</th>
<th>-Trust</th>
<th>-SA Perm</th>
<th>-Allied</th>
<th>-Standard</th>
<th>-Eastern Province</th>
<th>-Southern Trident</th>
<th>-Saambou</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained profit at March 31 1980</td>
<td>4 618.0</td>
<td>223</td>
<td>760.0</td>
<td>606.0</td>
<td>80</td>
<td>1 639.0</td>
<td>7 377.0</td>
<td>446.0</td>
<td>158</td>
<td>172</td>
<td>3 217.0</td>
</tr>
<tr>
<td>ADDS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Transfers to reserves</td>
<td>7 900.0</td>
<td>200</td>
<td>2 750.0</td>
<td>110</td>
<td>500</td>
<td>3 000.0</td>
<td>1 112</td>
<td>219</td>
<td>485</td>
<td>2 750.0</td>
<td></td>
</tr>
<tr>
<td>- Taxation</td>
<td>7 945.0</td>
<td>147</td>
<td>2 040.0</td>
<td>120</td>
<td>841</td>
<td>5 645.0</td>
<td>1 823</td>
<td>157</td>
<td>219</td>
<td>1 611.0</td>
<td></td>
</tr>
<tr>
<td>- Depreciation</td>
<td>3 500.0</td>
<td>49</td>
<td>1 350.0</td>
<td>37</td>
<td>500</td>
<td>8 150.0</td>
<td>1 375</td>
<td>122</td>
<td>195</td>
<td>361</td>
<td>994.0</td>
</tr>
<tr>
<td>- Provisions &amp; write-downs</td>
<td>1 200.0</td>
<td>59</td>
<td>99</td>
<td>50</td>
<td>50</td>
<td>5 565.0</td>
<td>1 273</td>
<td>185</td>
<td>295</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Donations &amp; special contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LESS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained Profit on</td>
<td>25 263.0</td>
<td>-</td>
<td>7 039.0</td>
<td>947</td>
<td>1 085</td>
<td>13 676.0</td>
<td>10 972.0</td>
<td>1 295.0</td>
<td>798</td>
<td>1 174</td>
<td>7 061.0</td>
</tr>
<tr>
<td>March 31 1979</td>
<td>4 316.0</td>
<td>216</td>
<td>536.0</td>
<td>531</td>
<td>45</td>
<td>2 349.0</td>
<td>2 564.0</td>
<td>259</td>
<td>15</td>
<td>253</td>
<td>7 039.0</td>
</tr>
<tr>
<td>Trading Profit (1)</td>
<td>20 947.0</td>
<td>403</td>
<td>6 503.0</td>
<td>363</td>
<td>1 040</td>
<td>11 327.0</td>
<td>10 712.0</td>
<td>1 036.0</td>
<td>742</td>
<td>1 165</td>
<td>7 061.0</td>
</tr>
</tbody>
</table>

| Total assets mean, 1979-80 financial year | 2 884 | 59 | 845.0 | 47 | 178 | 2 797.0 | 2 118.0 | 200 | 172 | 3 222.0 |
| Trading profit as % of total assets (1) | 0.72 | 0.04 | 0.07 | 0.05 | 0.01 | 0.40 | 0.43 | 0.42 | 0.32 | 0.72 | 0.04 |
Auctions

The number of transactions

Sold

More Than

Prices Seen

Checks on Rising

Alain Cooper, Property Editor

The writing is on the wall for rock-bottom prices in both the botton and top of the housing market in the Cape. Building societies are concerned about the phenomenal rise in house prices. THE PRC is on the wall for rock-bottom prices in both the botton and top of the housing market in the Cape. Building societies are concerned about the phenomenal rise in house prices. THE PRC is on the wall for rock-bottom prices in both the botton and top of the housing market in the Cape. Building societies are concerned about the phenomenal rise in house prices.
Money bounds into building societies

By HAROLD FRIDjhON

MONEY poured into the building societies during the quarter ended June 30 1983. Funds invested grew at a rate of 4.1% to a total of R10 489 900 000.

The biggest increase in the volume of money received was in investment in shares, which rose by R393 million to R6 833 800 000, a 5.5% advance during the quarter.

This is a significant gain because it represents longer term money than other funds which the societies receive. Compared with the inflow in the June quarter 1979 this is a 78.4% improvement.

Fixed deposits rose by only R38 400 000 to a total of R6 680 800 000.

This inflow is at a much reduced rate compared with the quarter to June 1979 when the societies received R97 200 000 and explains why the societies raised their fixed deposit rates.

Alternative investments must have seemed more attractive to traditional building society investors.

Compared with R14 million in the quarter to June 1979, the inflow of money into savings accounts swelled by up to R79 million in the last quarter taking the total to R2 229 600 000 at the end of June 1983.

The increased figure suggests that in spite of the tendency to spend today and save tomorrow because of the fallacy of inflation, a large sector of the public is taking care of their rainy day money and not rushing off to the shops.

The slow increase in the volume of money in transmission accounts — an increase of R9 million to R48 million — suggests that the authorities overestimated the position when they created this hybrid account.

In its official comment, the Association of Building Societies says that it expects investment money to remain in free supply for the rest of the year.

Building societies should not experience any serious difficulties in meeting loan demands. However, the increases in property prices will mean that more and more money is needed to finance the same number of bonds.

This is borne out by the association’s statistics.

At June 1979 the average bond on houses was R19 959; by the June quarter 1983 this figure had increased by 17% to R23 997. In the last quarter, the gross amount lent on bonds exceeded R311 million — more than double what at the same period in 1979, with the quarterly capital repayment reaching R338 million.

Spelling out the steps in the phasing down of tax benefits on subscription shares, the association’s newsletter says that for the tax year ending 29 February 1981 dividends will be tax free up to the extent of a capital sum of R150 000.

For the tax year to 29 February 1982 the capital among will be reduced to R100 000 a person and in 1983 this capital amount will be further reduced to R50 000 which will be the limit for all ensuing years.

The building societies are considering issuing a new class of subscription share with slightly higher dividends and partially tax free.
R187.5-m Loan Seen as Test for SA

LONDON. — Final terms for the 230-million-dollar (R187.5 million) seven-year France vet for South Africa have been

The loan, the largest subscription bond floated in the South Africa, will carry an interest rate of 4.5% per cent. The London underwriting, with a nominal rate for the first two years, came to a mere R for the prospective.

According to a Financial Times report, the loan is expected to be a test of South Africa's economic in the future, since payment in a large spread and a wide range is considered vital.

WIDE SPREAD

The Finance Minister, Dr. H. K. Hertzog, announced that the bonds were to be sold in France at 96.25 over the bond of 96.25 per cent, and that the spread was to be 1.75 per cent over the initial.

The Economist says: The bond manager, Mr. M. J. T. de Beer, has stated that he will be glad to have the bonds sold at the initial.

The problem has been taken up on the terms of a new spread.
The new S. African economics

By BEN TEMKIN

...or how to set up perfect monopolies for the producers

The new S. African economics is a phenomenon which looks as though it will become deeply rooted in the structure of our society.

The most obvious of the "old" words is the fact that demand falls off when the price of meat goes even higher.

When the demand falls off, the producers try to sell more if the price they receive is higher.

We should have been prepared for this, but it is surprising that it was not anticipated.

The price of meat has reached a new high level, and it is not surprising that the amount of meat produced has increased.

What Hendrik Schoeman told us at the time of the dairy crisis was that producers were being forced to cut back on production because the price they received in the market place was not high enough to make it uneconomical for them to sell their products.

To preserve their profits, they would have to have the price of their products increased. It was expected that the higher prices would cause a fall-off in production, but this would tend to reduce production rather than prices.

While we chatted at the dairy crisis to the economic theory we had been taught, we failed to notice that there was no contradiction at all.

What happened in the dairy industry was that the State had created a monopoly by bringing all producers together under one central board. This monopoly therefore raised or lowered prices at its own discretion and adjusted its supplies to meet the required demand in such a way as to give itself the level of profit it desired.

Mr Schoeman and the Dairy Board were not rewriting economics — they were simply applying the lessons they had learnt from the textbooks.

It should, therefore, be no surprise to us to see a repeat of the dairy-price cycle with red meat. The Meat Board has, like the Dairy Board, created a monopoly which can distort prices to the consumer.

Competition is diminishing by the day — it would be hardly surprising to find that most meat sales in cities are now through the supermarkets, which are dominated by big meat-producing corporations.

This is a perfect state of affairs in which the price to the producer can be raised to a level which promises him some very good profits if he is efficient, while at the same time by paying a forced return for their laours. It is worth noting that the Meat Board has been accused of not doing so.

As we all have learnt to our bitter regret, prices forecasts from those who control prices are self-fulfilling. Armed with this knowledge, we can expect, therefore, that the rising prices will be the result of the Meat Board's policy.

Furthermore, we are told that if we boycott red meat, then not only will prices rise but there will be a shortage which will induce further price increases. The Meat Board is telling us that it will control supply in line with demand to ensure that its prices will be met.

Here we see again perfect monopoly in action. Of course, if it is to work effectively, the producers must be able to sell as much of what they produce as possible. This is why housewives are now forced to buy red meat.

If they do, then some of the producers will inevitably have to go out of business altogether — and that is hardly the intention of the authorities in a state which has a vested interest in keeping as many white farmers on the land as possible.

In case anybody disputes this latter assertion, let it be noted that the Meat Board made a staggering loss on exports of meat at the expense of the local consumer during its last reported financial year. You don't make this kind of loss unless you really care about your important constituents.

The new South African economics is, therefore, concerned with new theories. What it is, in practice, an example of how free enterprise can be distorted by State control to the extent of the basic laws of supply and demand no longer operating. Effectively, monopoly regulates competition at the expense of the consumer while at the same time promoting inefficiencies among producers.

The dilemma is that it will take years for the South African consumer to break the red meat-eating habit. A boycott, unless it is almost a total boycott, is unlikely to force prices down. A monopoly of an essential product is neither price-sensitive nor demand-sensitive because demand cannot change radically enough as prices change.

If there is a hope that meat prices and the prices of other agricultural products will tend to maintain a more gradual increase, then it is the hope that we will be able to root out the unnecessary State controls that are strangling our so-called free enterprise system.
Omnia in reverse takeover of Columbus

By HAROLD FRIDJON

OMNIA Holdings has done a reverse takeover of Columbus Holdings, a company controlled by Mr Peter Gann.

Shareholders in German African Finance Corporation will be allotted 9,965,590 shares in Columbus German African with 33.2% of the capital, in return for one of the major shareholders in the Omnia Group which is involved in the production and marketing of dry and liquid fertilizers.

Among the conditions for the deal are:

- Columbus consolidates its shares with one new for every two old shares, reducing the capital to one million new share from two million old.
- Columbus will acquire sufficient shares in Omnia so that its holding will be not less than 50%, but with the right to accept 52.8%.
- Columbus will issue a further 3,927,997 shares - with a maximum of 4,281,876 shares - increasing the Columbus issued capital to between 12,527,690 and 13,283,876 shares.

The board will be reconstituted without Mr Gann.

The effective date of the transactions will be October 1, 1988 and Columbus will participate in the final dividend to December 1988. This will result in Columbus shareholders receiving a dividend of not less than 20% a consolidated share.

A transmitted listing statement is being prepared and shareholders should await that before taking any action.
Diroyal profit improves

Financial Reporter

DIERSIFIED industrial holding company, "Diroyal Investments," continued to improve in the six months to end June.

According to the interim report, taxed profit in the first half rose 7½% to R111,000 (R64,000) while earnings a share climbed 70% to 9.6c (5.3c).

Earnings for the second half of the year "should not be less than those achieved in the first half" according to Diroyal's directors.

The improved performance over the period reflects "buoyant trading conditions affecting all the divisions of the group" says the report.

It adds that the interim profits incorporate those of Premier Wire which was acquired in the second half of 1979.

Joint managing director, Mr. J. Sander, says that while Premier Wire made a maiden contribution to earnings, all divisions in the group contributed to the improvement.

If Diroyal's earnings only held in the second half, and earnings are 18c for the year, assuming dividend cover is held at 2.5, it should pay a dividend of 7.2c.

At 87c, this puts the share on a prospective yield of 7.4%.
Liberty Life has brilliant half-year

By HAROLD PRIDJON

LIBERTY LIFE has had an exceptional half-year to June 1980. Net premium income is up 31%. Net investment income is up 31%. New business is up 33%. And the interim dividend has been raised by 19% from 42c last June to 50c.

A final dividend of 60c a share has been forecast making 115c for the year to December compared with 100c last year.

There was a tremendous spurt in premium income which was R72 570 000 in the six months to June 1979, R75 518 000 in the second six months of last year and then R94 269 000 in the first half of this year. This indicates a tremendous and successful drive for business this year, an inference which is confirmed by the new business which has been written in the first half.

New annualised premiums, which exclude single premiums and annuities, reached a record peak of R22 000 000, compared with the previous record figure of R12-million which was attained in the first half of last year.

In addition single premiums and annuities brought in R16 500 000 compared with R13 100 000 for the period to June 1979.

Mr Donald Gordon, the chairman, told Business Mail that the new business written was not a reflection of the improved economic environment.

He said that Liberty Life's performance represented deeper market penetration as a result of a sophisticated marketing operation.

He was very pleased with the increase in new business written as well as with the group's investment performance.

Investment income for the half year had gone up from R28 400 000 to R37 415 000 — this reflected the better economic climate because dividends on equities had been sharply increased, and income generated from property investments was also higher.

The net taxed surplus rose from R6 721 000 to R7 714 000 but, because of the impracticability of doing a full actuarial valuation at the half year, this figure is an estimate based on the results achieved during the financial year to December 1979.

Earnings a share on this basis are calculated at 69c against 65c last June and 133,45c for the full financial year. The current interim dividend is covered 1.28 times.

Based on the last two dividends at last night's share price, the yield is 5.1%.
Liberty Holdings interim up

By HAROLD FRIDJHON

LIBERTY Holdings, which has a 25% interest in Guardian Assurance, 81% in Liberty Life and 65% in Guardbank Management, and wholly owns Rapp & Maister and Glicor, has declared an interim dividend for the half year to June 1980 of 9c a share against 7.5c last year.

Last year the company paid 10.5c. The directors forecast that this year total dividends should be about 22.5c.

On a basis of last year's final and this year's interim — 21c — at last night's market price, the yield is 0.8%.

Taxed profit of Liberty Holdings was R7 887 000 compared with R7 710 000 for the first half of 1979.

Attributable profit after prefs was R6 684 000, against R5 320 000 which is an equivalent to earnings of 15.05c against 12.43c.
No decision yet on prescribed investments

"No recommendations have been made and no decisions taken on the future of prescribed investment requirements for South African financial institutions, Finance Minister, Senator Owen Horwood said yesterday."

Commenting on speculation that prescribed investments for insurance companies, pension funds and other financial institutions are to be abolished soon, Senator Horwood said speculation was totally unfounded.

The role of prescribed investments was being investigated by the De Rock Commission and any proposals on this would form part of the package of recommendations in its final report, which is not expected until early 1981.

Senator Horwood said since the Reserve Bank governor was due to present his annual address to stockholders next week he did not want to comment now on interest rates or any other details of monetary policy discussed by the committee for financial policy and strategy.

He said the committee, which comprises mainly senior Reserve Bank and Treasury officials, had met twice last week under his chairmanship for in-depth discussions of present economic conditions and policies. — Reuters.
Monetary problem answers mooted

BY HAROLD FRIDJION

SOME of South Africa's monetary problems which were mentioned by Senator Owen Horwood when he addressed the National Congress of the Nationalist Party this week could largely be solved by a higher exchange rate for the rand and by greater use of the forward exchange mechanism.

This is the view of a banking economist who was commenting on the Minister defining as major problem areas:

- Undue fluctuations in the broad money supply;
- The liquidity overhang;
- The distorted interest rate structure; and
- The resultant abnormal increase in borrowing and lending outside the banking system.

Senator Horwood was discussing these problems when he was talking about the money supply.

Although South Africa had not yet adopted the practice of publishing official targets for the rate of increase in money supply, he had said in his budget speech that a rate of increase somewhat below the rate of inflation would not be unreasonable.

This was still his view, and as inflation was running at a rate of about 14% this implied a target rate of increase for the broad money supply of not more than about 10% for 1980.

"Viewed in this light," he said, "the increase of more than 20% in the broad money supply during the year ended June 1980 is clearly excessive and must be reduced substantially in the period ahead."

The De Kock Commission, which will not report until early next year, is at present studying ways and means of controlling money supply which Senator Horwood viewed as an essential ingredient in sustaining a high rate of real economic growth while at the same time preventing the development of general demand inflation.

The bank economist, discussing the four problems mentioned by the Minister, said that by the very nature of the South African economy smoothing out the undue fluctuations in the broad money supply would not be easy.

In the first place, while the gold price remains at its present levels, there were the very large monthly accruals of receipts from gold. This money remained in the system and was only mopped up by tax at intermittent periods.

Another factor which distorted the flow of money was the receipts of agricultural crops like maize and sugar which raised large seasonal inflows.

There were other factors, too, which were peculiar to this country and were part and parcel of its normal economic rhythm.

But the liquidity overhang and its concomitant distortion of interest rates could be eased out if the exchange rate of the rand were allowed to rise to a more realistic level and if the authorities were to handle the foreign exchange market with a little more sensitivity.

For example yesterday the rand gained five points in early morning trading then suddenly in the afternoon it dropped 12 points. No one in the market could see any reason for the wide movement of the currency, but nonetheless it happened.

In spite of the increase in imports on present balance-of-payments criteria the rand should be higher than R1.31/32. People have forgotten, he said, that five years ago the rate was R1.40.

Of course a higher rand would be unfavourable to exporters but the resultant decrease in the number of rand earned would ease the overall liquidity position slightly and this would be to everyone's benefit.

The economist took the view that a high rand/dollar ratio would force exporters to work for greater efficiencies in their operations so as to make their goods more competitive in world markets.

He pointed out that the exporting countries with the hardest currencies were those which had the lowest inflation rates while those who had taken refuge behind soft currencies were not only losing their shares of world markets but were also experiencing wild inflation rates.

On the question of the forward exchange premiums as a tool for liquidity control, he pointed out that in April/May of this year by encouraging traders to finance their transactions through the rand instead of through other currencies, the Reserve Bank had allowed many millions, some say billions, of rand to flow out of the country, thereby easing internal hyper-liquidity.

Suddenly the Reserve Bank changed policy and the forward premium/discount resulted in a switch from onshore to offshore financing with the ultimate result of increasing local liquidity, an event which was exaggerated as the return flow of former financing started to come in.

In recent weeks, the Reserve Bank has changed policy again, but this time they have forbidden South African financing of third party transactions, the rand financing can only apply to direct deals between South Africans and foreigners.

But the relaxation is already making an impact on the local scene. Some 50% to 60% of new transactions being negotiated are rand-financed.

The economist is critical of Reserve Bank policy. He says that the authorities in Pretoria do not appear to be certain of how to handle this tool of control. If it is used sensitively with an awareness of market forces it could help to tap off much of the liquidity which is presently creating problems.

He said that he would be very interested in seeing De Kock Commission recommendations for controlling, by market means, the borrowing and lending which takes place outside the banking sector. If rates are pushed too high as a means of control, this would only lead to a flourishing grey market and that would be impossible to control.
Building
suppliers
to expand

MAJOR developments are planned by two companies supplying the building industry.

Cullinan Holdings is to increase its building brick capacity by 30 percent to meet heavy demand. Output almost doubled last year, says the chairman, Mr Neil Cullinan.

Earnings of 13c (53c) and dividends of 3c (37c) are forecast for the current year.

Maselite is to boost the capacity of its hardboard factory by at least 50 percent after the complete sale of total production in the year to June.

The expansion is being financed by the company's strong cash position, say the directors.

Exports earned more than R2.25-million in foreign exchange to bring pretax profits to R4.3-million.

Gypsum Industries is paying a final dividend of 45c, up 50 percent on last year's 25c, taking the total to 75c (40c). Taxed profit jumped to R2.4-million from R1.1-million.

Lower margins arising from non-recurring concessions paid to regain lost market share pushed down pretax profit of clothing manufacturer Veka from R230,000 to R198,000 in the six months to June.

Preference dividends for the period, with all arrear preference payments, will be paid on October 31.

Nieer Holdings has sufficient underutilised gearing capacity to enable...
Investment in SA up R700m since early 1979

LONDON — Direct foreign investment in South Africa through the financial rand has totalled R700m since early 1979, the Finance Minister, Senator Owen Horwood, has revealed here.

It had by far outweighed disinvestment by overseas companies — such as Bridon, International Telephone and Telegraph, Anglo American and Racal — selling their interests to South African companies.

Senator Horwood, speaking at a Press conference at the end of this three-day visit to London yesterday also said the commercial rand's value against other currencies should continue to rise.

“We must expect a further increase,” he said. “It helps with our anti-inflationary efforts and cheaper imports, although it does make difficulties for some exporters.”

“We can expect to see the commercial rand appreciating for some time,” he said.

Senator Horwood reiterated suggestions that the wide fluctuations in the financial rand discount (which has ranged between nine percent and 45 percent this year) indicated heavy disinvestment by overseas interests.

“There has been significant investment through the financial rand — in total so far it has been R700-million, most of it equity investment,” he said.

“If (the demand) was bound to ease off, but I don’t think there has been any particular wave of disinvestment. “On the contrary, the tendency has been the other way — apart from these few cases,”

Dr. Gerhard de Kock, senior Deputy Governor of the Reserve Bank, who takes over as Governor in January, said the new rules on investment through the financial rand had paid off handsomely for firms such as Volkswagen and BMW.

“They were able to invest at a substantial discount, car sales are 50 percent up, and they can now remit their dividends at the commercial rand rate which has gone up,” he said.

Senator Horwood said South Africa was “committed to a reduction of exchange controls” and he hoped for a narrowing of the financial rand discount which could ultimately lead to a unitary foreign exchange policy.

“We would like to go further on exchange controls. We have to do this gradually, but we are reasonably committed,” he said.

By John Cavill, Financial Correspondent
Row over US bank loan to South Africa

Washington — A row over a US bank loan to South Africa has been brewing after it was revealed that a major American bank is participating in an international $2.6 billion loan package for South Africa.

The participants include Deerfield Bank of Georgia, Bank of Nova Scotia, and the United States' biggest loan to a single company.

Two years ago, Citicorp, which made the loan, had said it would not lend to South Africa.

The bank has been accused of supporting the apartheid regime in South Africa.

The loan is to be used for debt relief and investment in infrastructure.

The South African government has been facing pressure from both domestic and international investors to stop supporting the apartheid regime.

The loan is seen as a major step forward in the country's economic development.

The bank has been accused of supporting the apartheid regime in South Africa.

The loan is to be used for debt relief and investment in infrastructure.

The South African government has been facing pressure from both domestic and international investors to stop supporting the apartheid regime.

The loan is seen as a major step forward in the country's economic development.

The bank has been accused of supporting the apartheid regime in South Africa.

The loan is to be used for debt relief and investment in infrastructure.

The South African government has been facing pressure from both domestic and international investors to stop supporting the apartheid regime.

The loan is seen as a major step forward in the country's economic development.

The bank has been accused of supporting the apartheid regime in South Africa.

The loan is to be used for debt relief and investment in infrastructure.

The South African government has been facing pressure from both domestic and international investors to stop supporting the apartheid regime.

The loan is seen as a major step forward in the country's economic development.

The bank has been accused of supporting the apartheid regime in South Africa.

The loan is to be used for debt relief and investment in infrastructure.

The South African government has been facing pressure from both domestic and international investors to stop supporting the apartheid regime.

The loan is seen as a major step forward in the country's economic development.

The bank has been accused of supporting the apartheid regime in South Africa.

The loan is to be used for debt relief and investment in infrastructure.

The South African government has been facing pressure from both domestic and international investors to stop supporting the apartheid regime.

The loan is seen as a major step forward in the country's economic development.

The bank has been accused of supporting the apartheid regime in South Africa.

The loan is to be used for debt relief and investment in infrastructure.

The South African government has been facing pressure from both domestic and international investors to stop supporting the apartheid regime.

The loan is seen as a major step forward in the country's economic development.

The bank has been accused of supporting the apartheid regime in South Africa.

The loan is to be used for debt relief and investment in infrastructure.

The South African government has been facing pressure from both domestic and international investors to stop supporting the apartheid regime.

The loan is seen as a major step forward in the country's economic development.
GF PROPS

Investments pay

Activities: Property and investment company owned 43.7% by GFSA.

Lupiapsdsviels dumps and Sub Nigel mine and has 25% share in profits generated by WR Cons from Lupiapsdsviels mine.

Chairman: A M D Gnodde.

Capital structure: 10.2m ordinaries of 2.5c. Market capitalisation: R35.2m.


R4.2m, Net cash: R1.8m. Current ratio: 1.5. Group cash flow: R2.8m.

Capital commitments: R640 mln.

Share market: Price: 35c (1979-80); high: 34.5c, low: 105c; trading volume last quarter, 302,000 shares. Yields: 6.6% on earnings, 2.9% on dividend.

Cover: 1.9. PE ratio: 18.

Turnover (Rm)
Pre-tax profit (Rm)
Earnings (1c)
Dividends (1c)
Net assets value (g)

1977 78 79 80
6.1 4.9 5.0 6.1
2.4 1.2 1.5 2.6
10.5 6.9 10.0 10.2
1.5 6.6
125 132 188 254

Growing property demand and a strong gold price sugar well for Gold Fields Property Company this year. Chairman Dri Gnodde, however, remains conservative in his forecast that the company should be able "to consider a further slight increase" in dividends.

The total payout was lifted 67% to 10c (6c) on earnings of 19.2c (10c) last year following a substantial increase in rental and dividend income. Rents rose to R2m (R1.8m), while investment income tripled to R638,000 (R268,000). Profit on property sales increased to R592,000 (R288,000), but other revenue sources were little changed.

In 1978, GF Props sold its mining rights on Lupiapsdsviels to WR Cons for R13m plus 25% of the pre-tax profit generated from mining the uranium-bearing Bird Reef. Last year's operations on the Bird Reef contributed nothing, but Gnodde says a positive cash flow should be possible by end-June 1981.

The net working profit from operations on Lupiapsdsviels was R1.4m, of which R1.3m was earned in the June quarter. But previous losses and capex meant an overall R4.5m loss which has to be matched by profit before GF Props receives any contribution.

Though this year might see only a small contribution to earnings, 1981-82 could see WR Cons becoming a major income source. In line with last year's performance by WR Cons, and after taking into account losses still to be absorbed, a minimum contribution pre-tax of R400,000 is due. Accruing next year - equivalent to 2.5c a share after tax. This is, of course, dependent on WR Cons' uranium contracts and the gold price. In the June quarter WR Cons reported a loss on gold operations as a result of high costs and low-grade deposits.

This year, GF Props' property activities should benefit from the sale of townhouse developments in Sandton and Durban, as well as further industrial/commercial sites. In addition, rental income seems set for another increase as the property market firms and the group's returns improve.

A major bull factor is the group's investment portfolio which was expanded as a result of the R31m received for the Lupiapsdsviels mining title. At end-June the listed portfolio was worth R15m (R6.7m) at market value, and by now it should have appreciated to some R19m with the latest advance in gold share prices. After the recent high gold dividend declarations, the group's holdings in gold mines and GFSA should produce a higher dividend income in 1980-81. The 250,000 Saso shares purchased during the year should add some R55,000 to investment income this year (R32,000).

Still in the wings are GF Props' sand dumps and slimes dams. Gnodde says prospects look only marginal at this stage, but better extraction methods are being investigated. The group has some 70 Mt in dumps and dams at Lupiapsdsviels and Sub Nigel, but it appears unlikely there will be any near-term announcement. Future developments on the East Rand include the possibility of some tie-up with Vlaks for recovery of gold from some 30 Mt slimes and sands.

Vlaks itself is investigating the prospects for treating its material with that of its neighbours. Basing GF Props' net worth on the current market value of its portfolio, the share price represents only a small premium of about 7%. And this places no value on the WR Cons arrangement or the dumps and dams. On income grounds, the share looks fairly expensive near-term, but the gearing to the gold price and the speculative appeal of the dumps could add further impetus.

Dee Kesten
dents Gold Shares

Heavy Profit-taking

This week the JSE

BUSINESS
Caution over Trust Bank shares justified

Dr F J Du Plessis, chairman of the Trust Bank, came in for considerable criticism a few weeks ago when he declared that the price of Trust Bank shares was 'entirely unjustifiable.'

At the time Dr du Plessis made his remarks the shares were standing at just below 200c. After his warning they dropped to a low of around 140c and have since remained around this level.

Dr du Plessis's remarks came as a shock to the market as everything indicated that Trust Bank was doing exceptionally well. This, in fact, has been confirmed by the annual report issued this week, which shows that profits in the 12 months ended June rose almost four times from R3.3-million to R13.3-million.

NEW BRANCHES

In the same period group assets rose 21 per cent to R1 794-million, while acceptance creditors increased from R62-million to R120-million.

The bank has also opened 68 new branches and all in all it seems well placed to increase its business and profits greatly in the next few years.

However, there are some facts and figures in the annual report that suggest that perhaps Dr du Plessis had some justification for cautioning investors against expecting too much from the company.

He reports that the bank still has 'fundamental problems' with its property portfolio and that it will be some time before this ceases, having an adverse effect upon the bank's profits.

DIVIDENDS

He points out that there is a continued need to build up the bank's reserves. Consequently, it is necessary to plough back profits and it is therefore unlikely that any dividends will be paid before 1986.

But another reason for treating Trust Bank shares with caution is the bank's capital structure. When it was in trouble in the mid-1970s it raised R2.5-million by the issue of convertible preference shares.

It raised another R2.5-million in the same way last year.

Both lots of preference shares will be converted into ordinary shares in 1985 and this will enlarge Trust Bank's ordinary issued share capital from 50.0-million to a whopping 133-million shares.

9c A SHARE

On a share capital of this size last year's earnings are peanuts, amounting to about 9c a share, out of which the company, if it had not to build up its reserves, could probably afford to pay a dividend of only 3c a share.

This would justify a price for Trust Bank shares of not much more than 60c or perhaps 75c at the outside. And as Trust Bank is not paying a dividend, even 60c could be considered in some cases a high price for the share.

If these are the sort of figures Dr du Plessis has in mind, his concern about the high level of the share price is understandable. Nonetheless, the market could well be justified in taking a more optimistic view.

For the investor who wants to buy low and sell high what really matters is what sort of dividends Trust Bank will pay in 1985 when these are resumed.

It is clear from Dr du Plessis's remarks that a continued improvement in the business climate could greatly reduce the burden imposed on the company by the property portfolio.

In fact, with Cabinet Ministers forecasting that building costs will double in three years, it cannot be too long before Trust Bank's property starts producing revenue.

PROFIT GROWTH

This development, coupled with some above-average growth in bank profits could considerably increase Trust Bank's earnings by 1985.

While this is not a certainty, but only a possibility, many people are prepared to take a chance on it, and this accounts for the current interest in the shares.

They may end up with profits or with losses, but taking a view is the essence of share investment.

PREFS

Some readers have asked about the merits of investing in preference shares, in which there is still a substantial trade on the Johannesburg Stock Exchange.

The advantage of investing in them is that you get a slightly higher return than you would from an investment in fixed deposits.

Good quality preference shares are giving a return of between 10 percent and 11 percent, which is pretty competitive.

Another advantage is that one-third of their dividends are exempt from tax.
A disadvantage of preference share investment is that the market value of the shares fluctuates inversely to movements in interest rates. As a result the price will fall if interest rates rise.

This does not matter if you don't have to sell your preference shares, but it could be a major consideration if you may need to convert your shares to cash in the near future.

With interest rates more likely to rise than fall, this doesn't seem the best time to buy preference shares.

But by early next year interest rates should be approaching their peaks so the investor would then get a higher return on his money and also the prospect of capital profits when interest rates start falling.

THE ARGUS unit trust index fell 0.20 of a point to 330.50 points this week.
GOVERNMENT MAY TAKE HEAT OUT OF BOOM

The profession having a ci profession In return, their will manage you take this events indi look at the minds.

Government spokesmen have recently made it clear that they are increasingly concerned about the continued high rate of inflation.

A little while ago the monetary authorities were attributing most of the price increases to 'bottle-neck' inflation, implying that prices would right themselves given enough time.

But it has not gone unnoticed that in the past few days both the Minister of Finance, Senator O.P. Horwood, and the governor-elect of the Reserve Bank, Dr Gerhard de Kock, have suddenly started blaming the high prices on strongly rising demand inflation.

TOO MUCH MONEY

This reference to demand inflation suggests that they believe a situation is beginning to exist where too much money is chasing too few goods. The inference is all too clear that steps must be taken to curb spending.

But it is probably not the high rate of inflation that is causing the Government to rethink its economic policies. There have also been a number of other developments lately that have made a reappraisal vitally necessary.

A year ago the continued sluggishness of the economy and the high rate of black unemployment left the Government with no other course than to go all out for growth. This policy has proved to be highly successful. But with a serious and potentially crippling skill-labour shortage developing, some throttling back in the growth rate would appear to have become essential.

SLOWER RATE

Another development which is also probably requiring a change in policy is the continuing recession overseas. Foreign economists believe the recovery from the recession could be extremely slow.

This means that South Africa's export earnings are not likely to be as high as they would have been in more buoyant business conditions.

This is another indication that a slightly slower growth rate would be desirable so as to protect the balance of payments from undue pressure.

While most people appear to be in agreement on the need for policy changes there is considerable disagreement on what the Government is likely to do.

However, as a start it is widely believed that in a bid to mop up some of the inflationary surplus liquidity in the economy the Government may soon allow the banks and other financial institutions to invest their surplus cash overseas.

Both Senator Horwood and Dr de Kock referred to the possible easing of exchange control when they were in Washington at the annual meeting of the International Monetary Fund last week.

EXCHANGE CONTROL

This move would be welcomed, provided, there was no exchange risk. British and American interest rates are higher than they are in this country and it would help the banks increase their profits.

Financial Editor

SPECULATION is growing in business and economic circles that the Government could soon announce major changes in economic policy aimed at taking some of the heat out of the boom and so prolong its duration.

There have also been suggestions that the value of the rand may be raised. This would also have marked deflationary effects.

However, there is considerable opposition to this as it would make South Africa's exports dearer. Moreover, with the world in recession, increasing the value of the rand would be undesirable at this stage.

Senator Horwood also suggested at the IMF that he favoured uniting the financial and commercial rand. A number of people believe the only way to achieve this is by merging the two rates — 94 cents (US) and 130 cents — at around 115 or 120 cents.

Thus there is a feeling that the exchange rate of the rand might fall before it rises.

All in all, the next few months could see some highly important policy changes emanating from the Reserve Bank and the Treasury.

The outflow of money would contract the domestic money supply, possibly leading to higher short-term interest rates and less easy credit.

This could slow down economic activity and reduce pressure on prices. This could also lead to a hardening of long-term interest rates.
SA GROWTH RATE PROBABLY WORLD'S BEST

THE South African economy grew in real terms at an annual rate of 8.2 percent in the second quarter of this year, figures issued by the Department of Statistics show.

This growth rate was probably the highest in the world, surpassing even those being achieved in the highly successful developing countries in the Far East, such as Singapore, Taiwan and South Korea.

In the first quarter of the year the economy was growing in real terms at just below 7 percent at an annual rate.

For the first six months of the year the annual average growth rate was 7.0 percent. In the same period last year it was only about 2.5 percent.

LIVING STANDARD

For South Africans this upsurge in the economic growth rate means they can expect a real improvement in their standard of living.

In the three months ended June their net income a head in real terms was growing at an annual rate of just under 6 percent and for the first six months of this year the increase averaged 4.5 percent.

At this rate of increase living standards will double in about 15 years.

This increase in income was reflected in the large increase in salary and wage payments in the second quarter.

These totalled R7 008-million at current prices, an increase of 22.2 percent on the year-ago figure.

REMONERATION

The remuneration of employees was running at an annual rate of R25 065-million in the second quarter compared with R23 384-million in the second quarter of last year.

However, along with the workers the owners of the country's factors of production are also benefiting, with their share rising by 54.9 percent in current terms from an annual rate of R18 108-million in the second quarter of last year to an annual rate of R28 346-million in the second quarter of this year.

With more money in their pockets South Africans have been on a spending spree.

Private consumption expenditure in the second quarter of the year was running at an annual rate of R50 260-million at current prices - an increase of 23.4 percent on the year-ago figure.

Biggest increase in spending compared with a year ago was on durable goods.

The increase here was 34.7 percent to an annual rate of R3 498-million.

Spending on semi-durables rose 22.3 percent to R5 298-million at an annual rate, while that on non-durables increased by 29.1 percent to R14 382-million.

Spending on services rose 20.2 percent to R7 341-million.

At the same time investment spending has also risen strongly, increasing 10.3 percent in real terms in the first half of this year.
on the strength
Until

has been able
But I should like to give the highest pri

which consisted thorough study

AF & OVR
GETS BOOST FROM VELA

AN R823 000-turnaround by the loss-making Vella Sportswear subsidiary helped African and Overseas Enterprises to double its earnings to 87.53c from 44.72c a share for the year to June.

Vella made a net profit of R823 000 compared with last year's R494 000 loss, which included a R174 000 write-off of stocks.

It is not liable for this year and has accumulated tax losses of R364 000 to be set against future earnings.

African and Overseas Enterprises's chairman, Vella's managing director, is very pleased with a 31 percent rise in earnings, improved traditions and demand for the 'Tom and Vella' branded clothing.

31 PERCENT

The group's net profit jumped 31 percent to R2.2 million, compared with a 7 percent rise in R1.1 million last year.

The dividend is being raised 23 percent to 27c (22c).

The main subsidiary, Rex Trustform, contributed R716c to earnings and Vella contributed R1.19m.

Mr Shub foresees another improvement in profit in the current year with both operating companies reporting a continuing upswing in demand.

Although the L'Omo shirt manufacturer moved into a larger factory, retail demand still exceeds its capacity.

The group's workforce increased by 333 to 4387 over the year.

Tom Hood

ISSUED BY THE DEPARTMENT OF
AFFAIRS AND INFORMATION
NATIONAL EDUCATION

31 OCTOBER 1980
PRETORIA
SOUTH AFRICA is experiencing an economic boom that is expected to last at least until the end of next year, says the latest Standard Bank review on the economic outlook.

The review said that following a marked acceleration in economic activity over a broad front last year, the present economic upswing bore all the characteristics of a fully-fledged boom.

There were indications that economic growth would this year reach 7 percent — the kind of growth last realised in the golden 80s.

While the demand was likely to remain strong throughout 1981, a deteriorating balance of trade position, as well as mounting problems in the production sector of the economy, could be expected to have an inhibiting effect on growth next year.

**BRAKE ON GROWTH**

The emergence of these issues, said the review, was largely hidden until recently by the high gold price as well as by the great deal of slack which had been created as a result of the past recession.

The major factors inhibiting a continued acceleration of the pace of the economy were likely to be:

- Acute shortage of skilled labour,
- Shortage of productive capacity and materials,
- Inflation of prices and wages,
- Pressure on the current account,
- Tightening financial conditions and rising interest rates.

A combination of these factors indicated that it was likely that there would be some slowing from current high levels of growth during the second half of 1981.

The review said: "Government spending — mainly on salaries — must be expected to rise during the course of 1981 because of increased demands on the public sector resulting from the rapid growth rate.

The official policy of limiting the public sector's expansion should keep expenditure growth down to around 2.7 percent in real terms, still well below the economy's overall growth rate."
Man who tells blockings

All about share dealings

In the stock market, the block community has its own distinct peculiarities. The crew is always in constant flux, with new members joining and leaving every day. The block community is known for its intense competitive spirit, with traders vying to outperform each other.

The block community is divided into several clubs, each with its own set of rules and traditions. The most prestigious club is the "Big Block" club, which is reserved for the top traders in the community.

The block community is also known for its unique language, which includes terms like "block," "fill," and "hit." These terms are used to describe the process of buying and selling stocks in large quantities.

Despite the intense competition, the block community is also known for its strong sense of community. Members often help each other out and share information to ensure that everyone is on the same page.

In recent years, the block community has faced increased scrutiny from regulators, who have been concerned about the potential for insider trading and other illegal activities.

Despite these challenges, the block community continues to thrive, with new members always eager to join the ranks of the elite.
Because Farzana had to leave the office early, she arranged for her colleague to take care of the following morning's tasks. She started the proceedings.

OPEN DAY

1. Open Mornings

1.1 Because of the氯 airspace difficulties experienced

1.2 Open Mornings, it was decided to hold open

1.2.1 Open Mornings, it was decided to hold open

1.2.2 Open Mornings, it was decided to hold open

1.2.3 Open Mornings, it was decided to hold open

1.3 Open Mornings, it was decided to hold open

Nedbank is raising its final dividend by 46 percent to 27c (15c) for the year to September 30.

38c dividend
Blacks turning from capitalism, says Anglo chief

Financial Reporter

PRIVATE enterprise in South Africa is so trapped in a mesh of legislative restrictions and controls that it barely exists, Mr Dennis Etheredge, one of Anglo American's top executives, told builders attending their annual congress in Durban yesterday.

Delivering the congress' keynote address, Mr Etheredge said the tragedy of the situation was that blacks were turning against capitalism because they were trapped in an even greater legislative and regulatory morass than whites.

'Recent surveys have shown that they do not like capitalism,' he said, 'but the socialist controls over every aspect of their lives prevent them from knowing what capitalism is.'

He said unless the Government took steps to dismantle the web of legislative restrictions and worked towards giving blacks meaningful participation in the system, the country would be heading for disaster.

While the Government had shown signs that it was prepared to act, and there were signs that things were improving from the white man's point of view, blacks generally felt that there had been little meaningful advance from the position of a few years ago.

Six-point plan

He proposed a six-point plan of action which would help towards bringing about a more equitable participation by blacks in the system:

- 'Pressure must be kept on Government to make the necessary changes to ensure a genuine free market situation for all races;
- More training must be done to enable blacks to take their place in society alongside whites;
- The development of small businesses and black entrepreneurs must be encouraged;
- Investment should be decentralised to rural areas where unemployment is often the greatest;
- Business should recognise its social responsibility in doing its share for the upliftment of blacks;
- Each individual should become involved in personally spreading the benefits of system so that everyone may prosper.'

Those restrictions which prevent blacks from participating equally with whites in the market must go,' said Mr Etheredge.

'You cannot convince an employee that he is benefiting from the free enterprise system if he receives a wage that does not even provide for a minimum of a decent standard of living.'

Wage gap

He added that it would take time to close the wage gap but: 'If we keep wages low so that we can create as many jobs as possible, there must be two grave results: firstly we as an exporting country will not be able to keep pace with an increasingly competitive world and secondly, the free enterprise system will be rejected by black people and eventually overturned.'

He added that it was in the interests of existing business to encourage the participation of black entrepreneurs.

'There will often be production units which in the hands of small businesses with few overheads can be done efficiently, more cheaply and with the creations of new capitalists.'

Finally, Mr Etheredge said that big business must do more to ease the burden of the country's less privileged population groups.

'The face of capitalism is ugly enough in South Africa without making it more ugly by not using some shareholders' funds to contribute to educational, health and welfare needs.

Only answer

'The socialist experiment in many countries, especially in Africa, is perhaps the best evidence that capitalism with its emphasis on private ownership and enterprise and on generating wealth is the only answer to real economic growth.'

'But if we wish to reduce the likelihood of capitalism being rejected here in the future, each one of us must become personally involved in spreading the benefits of the system to everyone to ensure the highest possible participation of our diverse peoples in entrepreneurship and a genuine free market economy.'
Pension funds threatened, says Sanlam chief

Argus Correspondent

JOHANNESBURG. — Because of escalating inflation, pension and insurance funds might soon be heading for bankruptcy, says the managing director of Sanlam, Dr Fred du Plessis.

At a conference on the economic prospects for 1981 organised by the SA Association of Business Management, he said for five consecutive years South Africa had had a negative real rate of interest.

With the rate of inflation higher than interest rates, investors showed a loss on their investment in real terms.

When the present growth rate of about 7.5 percent dropped to around five percent by the middle of next year, demand for capital would shrink and long-term interest rates would sink still further below the inflation rate level.

SPENT DOOM

At the same time, employment would grow more slowly.

This spent doom for many funds, and their takeover by the State could be the only option left.

Dr du Plessis said the unsurge in demand that had created the present boom was highly artificial.

Export demand, in spite of the recession in overseas countries had been prompted by stockpiling. But stockpiling programmes would have been completed by the middle of next year.

Pent-up internal demand was still not satisfied and would continue for another nine months.

Around mid-1981 the economy would overheat and have to be switched off. It would then be back to square one, although on somewhat higher level.
Putco shares up 300% since break-up report

By Tony Duigan and Geoff Shuttleworth

Speculators have driven up the price of Putco shares on the Johannesburg Stock Exchange by nearly 300% percent over the past two months following a report in The Star that the Government was to step in and order the break-up of the transport conglomerate.

The shares now stand at 330c, compared with the range of 130/140c during July.

Reports on the breakup of the company into four regional companies — a proposal put to Mr Athone Carlen, managing director of Putco, by the director-general of the Department of Transport, Mr A B Eksteen — appeared in The Star last month and led to speculation that the Government might take a direct stake in Putco.

The transport giant, which moves one million passengers a day, is controlled by the Carlen family, which holds 54 percent of the shares.

Putco's net asset value — the theoretical breakup price of the company — is much higher than the 330c share price. The value is 1826.5c per share — an increase of more than 700 percent in five years.

The Government's move to break up Putco is a result of the substantial amount of money the Department of Transport sinks into the company each year in the form of subsidies — R40-million this year alone.

The Government must protect the taxpayer's investment in Putco, Mr Eksteen said when he told The Star of his recommendation to the company that it break up.

Putco has yet to make a final decision on the proposals put by the Department of Transport.
IN SPITE OF numerous protests by organised commerce and industry, the Treasury has not dropped its idea of introducing a capital gains tax.

In fact it seems it is only a matter of time before the Treasury launches a campaign to convince Parliament and the business world of the advantages of a capital gains tax.

The Minister of Finance, Senator O P F Horwood, told a meeting in Pretoria recently that the Government was in no way committed to a possible tax on capital gains.

"Nevertheless, I believe a useful purpose can be served by having a public debate on the issue, as was the case with sales tax and the proposed taxation of fringe benefits," he said.

RESOLVE ISSUE

But before the debate on a capital gains tax could start, it was first necessary to complete the last round of consultations on the fringe benefits tax issue, and to resolve that issue for the future.

The principles of the free enterprise system put no limits on the extent to which wealth could be acquired.

But this did not mean that wealth should be left strictly untouched by the fiscus if the object was to spread the tax burden evenly over the community.

TAX ON WEALTH

He was, against a tax on wealth as such. But when enrichment took place, by the realisation of capital assets a new situation arose.

Consideration should be given to whether, and how, the realised gain should be taxed.

The Finance commission recommended a 20 percent capital gains tax on gains arising from the disposal of marketable securities and fixed property.

NO DECISION

No final decision on this recommendation was ever taken, but the Standing Commission on Taxation Policy recently considered the matter and had made proposals.

Apart from a capital gains tax the Treasury was also likely in the future to investigate a change in income tax with tax levied on income earned outside South Africa's borders, especially in the homelands, a change in private company tax, and the levying of PAYE on dividends.
**Banks plan new fee structure next year**

BANKS are now reaching finality on a new fee structure and it should come into operation early next year, says Mr Norman Axten, general manager, Barclays Bank.

He told students at the University of Cape Town Graduate School of Business that there would only be one flat fee in the new structure. People who used the banks most would be charged the fee.

"There has been a change last January, but this change must be finalised soon."

Mr Axten said South African banks had more severe restrictions placed on their ability to lend money freely than banks in other countries.

"One of the changes the Dr Kock commission wanted to instigate was to move away from the system where banks had to make 10 percent of loans with the Reserve Bank without interest."

Of R1-million deposited with a bank, only R420 000 could be lent out freely.

**GOLD EXPORTS**

The value of the country's gold exports now amounted to 50 percent of total exports. A big drop in the gold price would thus have an immediate effect on the balance of payments.

A rise or fall of one dollar in the gold price could make a difference of $20 million (R150 million) to South Africa's earnings.

"If the gold price were to drop by 100 dollars, it would mean a fall of 2 billion dollars (R1.5 billion) in our earnings from gold."

"We are now more dependent on the gold cushion than a year ago but I do not see a collapse similar to the one that occurred five years ago."

**FINANCE**
Blacks can contribute to the SA economy — Soweto bank boss

BY JS MOJAPELO

MR Harry Lugojojo, the Standard Bank’s first black manager in Soweto, regards his achievement in the banking world as proof that if blacks are given the chance they can make a meaningful contribution to the country’s economy.

Mr Lugojojo, 47, father of five daughters, joined the bank as a clerk in 1963.

On August 15, 1976, he was appointed the first black manager of a branch in Soweto. There are now two other black bank managers in Soweto.

"Undoubtedly, I enjoy banking. It is a career I would encourage black kids to follow. My success in the banking world is a challenging responsibility to me as a black man. But it is proof that blacks can contribute in the country."

Before joining the bank, I worked as a clerk on a part-time basis with the university clinic in Alexandra. My employers were reluctant to give me a testimonial when I told them I was leaving them for a new job. They thought I was too good to be released," Mr Lugojojo said.

In 1965, he was appointed a teller and was among the first blacks in the country to be promoted to that position.

"In those days, because of the political situation, it was difficult to get blacks graded as tellers in a bank, I was a teller at the Alexandra branch," Mr Lugojojo said.

Mr Lugojojo was appointed the first black marketing officer of the bank when the bank intensified its programme of social services in the communities it served.

During a trade fair in Soweto in 1975, Mr Lugojojo and a colleague — while manning the bank’s stall at the fair — decided that there was a great need for a bank for the Soweto people.

Mr Lugojojo was suddenly "transferred" from Bramley to the bank’s training school, with 12 other black clerks from various parts of Johannesburg, for a year of intensive training in all aspects of banking.

After the training, Mr Lugojojo was given a post at one of the bank’s branches for a further six months of on-service training.

"I was deeply touched when on August 15, 1975, I was called to the general manager’s office and given a letter of appointment as the first black manager in the whole bank. I was later placed at the first Soweto branch," Mr Lugojojo said.

Standard Bank was the second bank to establish a branch in Soweto in 1975.

When Mr Lugojojo took over as Soweto manager, he had a staff of 14. The present staff is 21.

At first, Mr Lugojojo had to contend with the belief among blacks that only the best service could be rendered by banks owned by whites.

"This has changed, and we are now being accepted as second to none," Mr Lugojojo said.
Fast growth in Transvaal helps Boland.

SHARPLY increased business from the Transvaal, where Boland Bank opened three branches, helped to boost half-year profits by 27 percent to R2-million after tax.

The bank is planning to open more Transvaal branches because growth per branch is much higher than in the Cape country districts, says the managing director, Mr Gerr Liebenberg.

Earnings rose to 32.9c from 26.9c for the six months to September and shareholders are getting a 20 percent rise in interim dividend to 10c from 8c.

The results indicate that the bank made full use of the favourable economic climate and this trend should continue in the second half, say the directors.

Commenting on the results, Mr Liebenberg said the buoyant property market on the coast also contributed to the bank's higher earnings.

TOM HOOD

E.H. Carr's of true objectivity, activity, so what's read, doesn't really of interpretation and and his facts is orion knows, if he's, the historian is his interpretation, to assign primary to veld, who, as a story textbooks, is are familiar. The of South African revealed through expression of sympo-

In these books by Bentu authors, no distinction is drawn between Boer and Briton, Conservative or Liberal - these all fall into the category of "white oppressors." The authors seem to be anti-everything - anti-British, anti-Boer and anti-Missionary. Their version has an economic basis: as they see it, there was first Boer feudalism with its slaves and retainers; then came the British urban capitalistic system - finally (a pinch of Marxist salt is added) the time will come when Bentu socialism will prevail.

(Emphasis mine throughout, p1 22 - 3).

BIBLIOGRAPHY:

OSCAR HANDLIN: Truth in History. Belknap 1979 Harvard ch. 4; Theories of Interpretation.

H. Bernstein, J. Depolchin: "The Object of African History: A materialist perspective" from History in Africa vol. 5 1978


Problems on bonds for blacks

A FALL in the liquidity of building societies, plus an unsaleable demand from both the black and white sectors, posed grave consequences for South Africa, a leading property specialist said in Cape Town last night.

Mr Sam Turecki, of SBE Real Estates, said that the past 18 months had been 'bleak', since there had been 'more than enough liquidity in building societies to meet all bond applications.'

'the liquidity is starting to fall and the possibility of higher interest rates on mortgages is rising.'

In view of these signs and in view of the fact that the availability of funds has already become almost inexhaustible, since it now emanates from both whites and blacks, I foresee grave consequences for this country, particularly with respect to the black population,' Mr Turecki added.

'How are we to explain to them the unavailability of building society funds just at the time when they are at last in a position of requiring them?'

He appealed to the authorities to oblige life assurance and pension funds to pay money into building societies.

VENUE: ZIMARA HALL, CANG

ADMISSION: 50c
SOUTH AFRICA IS WELL PLACED TODAY TO
meet the strategic mineral requirements of the West, says Dr. J.C. Cronjé, chair
man of Woodbank and Union Acceptances.

By Merwyn Harris

IN 80S, BANKER SAYS
SA POLISHED FOR SURGE

TOP BUSINESSMEN ATTENDED A PARTY IN CAPE TOWN THIS WEEK TO CELEBRATE THE 25TH ANNIVERSARY OF UNION ACCEPTANCES LIMITED. FROM LEFT ARE: Mr. A. Ross, general manager; Mr. H. Kassius, financial director; Woodrow, and Mr. G. Richardson, deputy managing director. UAL.
Letting in fresh air

The 60-year-old cartel agreement between SA commercial banks is about to be jettisoned. At worst, some bankers say, it will survive only another six months.

The first crack in the agreement, known as Roco, discernible to the public came last week when the signatories decided to scrap the minimum charges on the discounting of the bills.

For decades, this agreement — although it has recently been honoured more often in the breach — has inhibited competition and innovation in commercial banking markets.

The system of minimum charges it lays down has also weighed heavily against the man-in-the-street and in favour of corporate bank customers.

There are two basic reasons for Roco's imminent demise:

□ The appointment of Dr Gerhard de Kock to the Governorship of the Reserve Bank and the attitude of the Commission of Inquiry into the Monetary System and Monetary Policy, which he chairs, towards competition.

The commission's final report, which is expected to have far-reaching implications for financial institutions, is due early next year.

□ There has been such a concentration of banking assets into five large bank groups over the last five years that the need to keep competitors out has decreased markedly. In fact, there are very few independent banks left in SA, except very small ones serving special interests. Consequently, some of the Roco signatories themselves are now feeling the confines of the agreement.

The power of Roco really derived from the dependence of smaller commercial banks on the large branch networks of the giant commercial banks to clear their out-of-town cheques.

Gentlemen's agreement

The register, originally "a gentleman's agreement" among commercial banks, which specifies minimum charges for various banking services, has been in evidence since the turn of the century, but was first put on a formal basis in the 1920s. It was instituted after a spate of bank failures to discourage the smaller banks from undercutting competitors to the point at which they found themselves in difficulties.

Although ad hoc changes have been made in response to immediate pressures, the mechanism of the register has not been effectively overhauled in the last sixty years.

The register's minimum charge stipulations cover ledger fees, cheque collections, transfers, advances and some foreign exchange commissions. Signatories to the register include the "big five" bank groups — Barclays, Standard, Nedbank, Trust and Volkskas — and five other smaller commercial banks.

But changing conditions in the industry have led to the formation of a committee to review the whole structure of bank charges. One pressing problem has been that of the regional distribution of charges, which were important when fund transfers relied on a slow, expensive postal service, but which have been superceded by advances in electronics and telecommunications.

The announcement of the findings of this committee (its initial proposals were withdrawn) have been imminent for nearly a year. By now it seems accepted that its final decisions will be timed to coincide with the report of the De Kock commission. But it may well be that the committee will announce no more than the termination of the register.

Bankers are in general agreement that Roco is on the way out. It remains, nevertheless, a sensitive subject, about which most are reluctant to speak. "It is basically an industry cartel," says one, "and no industry likes to publicise the existence of cartels within it. But there is something to be said for this one."

"The fact remains that SA is not only overbanked at the retail level, but also maintains peculiarly high reserve requirements. Completely free competition could lead the smaller banks into trouble." But Roco didn't save those that were placed under curatorship in the mid-Seventies.

Another factor in its demise is the encroachment of the building societies into the daily payments mechanism.

Yet another factor could be that a large American bank has been exploring the possibility in Pretoria of a local banking licence. Talk is that official concern at the concentration of financial power in five groups could mean it gets a sympathetic ear.

If it is allowed in, the cat will certainly be among the competitive pigeons.
MUTUAL & FEDERAL

Nifty moves

Activities: Short-term insurer in SA and SWA. Immediate holding company is Mutual & Federal Investments, whose shareholders are Old Mutual (51%) and Royal Insurance of the UK (49%).

Chairman: J G van der Horst; managing director: M J Levett.

Capital structure: 1.4m of ordinary shares of 50c. Market capitalisation: R33.5m.

Financial: Year to June 30 1980. Return on cost of investment portfolio: 10.3%. Underwriting surplus: gross premium income, 6.7% (5.5%). Taxed return on shareholders' funds: 8.5% (16.2%).


<table>
<thead>
<tr>
<th>Year</th>
<th>Earned premiums (Rm)</th>
<th>Insurance expenditure (Rm)</th>
<th>Underwriting surplus (Rm)</th>
<th>Investment income (Rm)</th>
<th>Pre-tax profit (Rm)</th>
<th>Taxed profit (Rm)</th>
<th>Earnings (c)</th>
<th>Dividends (c)</th>
<th>Net assets (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td>42.7</td>
<td>47.5</td>
<td>52.7</td>
<td>81.1</td>
<td>134.3</td>
<td>53.4</td>
<td>119.2</td>
<td>119.2</td>
<td>231</td>
</tr>
<tr>
<td>78</td>
<td>44.6</td>
<td>47.8</td>
<td>50.4</td>
<td>76.0</td>
<td>109.1</td>
<td>53.4</td>
<td>119.2</td>
<td>119.2</td>
<td>231</td>
</tr>
<tr>
<td>79</td>
<td>48.2</td>
<td>48.8</td>
<td>54.2</td>
<td>81.5</td>
<td>119.2</td>
<td>53.4</td>
<td>119.2</td>
<td>119.2</td>
<td>231</td>
</tr>
<tr>
<td>80</td>
<td>51.3</td>
<td>50.4</td>
<td>56.7</td>
<td>87.7</td>
<td>125.9</td>
<td>53.4</td>
<td>119.2</td>
<td>119.2</td>
<td>231</td>
</tr>
</tbody>
</table>

In the 1979 annual report, chairman Jan van der Horst warned that it was time for the industry "to return to more balanced premium rates if acceptable standards of service, growth in reserves and general stability are to be maintained." The year has proven Van der Horst's fears to have been well founded.

Continued "severe pressure" on premium rates and a high level of weather claims combined sharply to reduce underwriting surplus from R715,000. In terms of a percentage of earned premiums, the surplus has fallen from 9.3% to 1.2%. Admittedly, the 1979 surplus was way above average and the drop is somewhat distorted — the average over the past three years was 5.4%.

Management had foreseen, as far as events can be predicted by a short-term insurer, the narrowing of margins in insurance and sought to protect earnings by increasing investment exposure.

During the year, investments, at cost, were increased by over R10m; the bulk went into preference and ordinary shares, while government securities were lightened by just under R2m.

This strategy paid off handsomely with net investment income increased to R6.5m. Three-quarters of total investment income now derives from dividends. Capital profits are credited to investment reserves.

A pointer to the group's short-term performance can be gleaned from the fact that premium income, net of reinsurance, increased by only 16%, while claims expenditure increased by 31%. An acceptable industry view now seems to be that, though there is a significant inflation component in the claims increase, it is unlikely that the rate of increase will be repeated this year. Premium income should at least level-peg, as few believe rates can come down further or, indeed, be main-
Big boost for Picbel

By Ann Crotty

Picbel has increased its after-tax income in the year to June 30 by 106 percent over the previous year from R4,9m last year to R10,1m this year.

Attributable earnings have shot from 24c to 80c a share. Dividends have doubled from 4c a share last year to 8c a share this year.

The chairman, Mr Jan Pickard, says: "The demand for our group products, ie meat, canned goods, garments, hotel accommodation and white goods was at a very high level and every division achieved record earnings."

Picfin which is also part of the Pickard stable increased earnings from 41c to 62c a share while dividends have been increased from 18c to 20c a share.

Mr Pickard said that "with effect from July 1 the Picfoods (formerly Asokor) meat interests were merged with those of General Mining Union Corporation, with Picfoods retaining a 39 percent interest in the enlarged Karoo, valued at about R27m as at November 3, 1990. For purposes of clarification the Karoo earnings of 41c per Picfin share which are attributable to that portion affected by the merger have been excluded from earnings."

Despite this, Picfin earnings registered an increase of 21c a share.
ERPM rights issue virtually subscribed

The East Rand Proprietary Mines rights issue has been virtually fully subscribed.

Rand Mines announced yesterday that the 40-for-100 issue of R1.00 shares at R30.00 per share was 98.25% subscribed. The issue, which closed yesterday, will raise R47.5-million which will provide a "cushion" to enable ERPM to continue with its capital expansion programme in the event of temporary downturns in the price of gold.

A spokesman for the company said that subscriptions came in from several countries, including Britain, France, Belgium, Switzerland, New Zealand, South Africa and SWA/Namibia. But the country which provided the most subscriptions was France, where ERPM is roughly 50% held.

Transvaal Consolidated Land and Exploration Company, which underwrote the issue, will pick up the remaining 1.75%.
BOOM BRINGS SURGE IN TAX REVENUES

The latest Treasury statement shows that South Africa's economic policies of the past few years, with the emphasis on sound financing policies, are paying off handsomely.

It shows that the South African economy is booming as never before with tax revenue — a key indicator of economic activity — running 40.8 percent ahead of last year's figures, compared with a budgeted increase of 11.5 percent.

For economists all over the world, the most exciting aspect of this boom is that it has been achieved without government pump-priming.

It is certainly not the result of deficit spending or the lavishing of large quantities of cash by the state on capital works.

NOT INCREASED

On the contrary, government spending in real terms has not increased for the past three years.

The boom is thus the result of natural economic forces at last being given their head.

While it is true that the rise in the gold price has greatly helped, the economy would still have been booming even if the gold price had remained at last year's lower levels.

This South African-type boom has many attractions in the West. It creates new wealth and new jobs in today's conditions in a far less inflationary way than does a boom inspired by deficit spending.

It is also a much healthier boom as resources are more efficiently directed by free market forces instead of by bureaucratic decisions.

REFUSING

This is the sort of boom Mrs. Thatcher wants and that is one of the reasons why she is refusing to resimulate the British economy with government spending.

American views are similar.

The governor-elect of the Reserve Bank, Dr. Gerhard de Kock, said recently that South Africa had been a trail-blazer in the field of economic management for several years now.

<table>
<thead>
<tr>
<th>TAX REVENUES: APRIL—SEPTEMBER</th>
<th>Actual increase</th>
<th>Budgeted increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs duties</td>
<td>50.7%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Excise duties</td>
<td>25.0%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Taxes on income</td>
<td>52.6%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Non-resident shareholders' tax</td>
<td>82.6%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Transfer duty</td>
<td>98.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Marketable securities tax</td>
<td>117.6%</td>
<td>15.0%</td>
</tr>
<tr>
<td>General sales tax</td>
<td>24.6%</td>
<td>24.1%</td>
</tr>
<tr>
<td>Inland revenue (total)</td>
<td>44.7%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Tax revenue (total)</td>
<td>40.8%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

It must be pleasant for him and his colleagues to know just how much leading Western countries are now trying to emulate their achievements with the same policies.
Volkskas tops list of merchant banks for first time

By ALEC HOGG

With only a handful of public sector capital market issues scheduled to be placed this year, it is clear that Volkskas Merchant Bank has risen to top issuing house for the first time.

Volkskas has raised R208 500 000 for its public sector clients compared with R188 600 000 in 1979, giving it a market share of 29.4% against last year's 24.8%.

The bank's achievement is even more remarkable when one notes that a R56-million loan placed for the South African Railways and Harbours is not included in the figure because a large chunk of the loan was subscribed for by the Public Debt Commissioners.

Central Merchant Bank (Senbank) rises to second position, with placings worth R135 600 000 (1979: R109 900 000) and a market share of 25.8% (22.9%). The bank has made a considerable recovery from a couple of years ago when most of its capital market executives left the firm to go into stockbroking.

For Union Acceptances (UAL), however, 1980 has not been such a happy year as far as the primary capital market is concerned. The bank lost a lot of ground (and its top spot), with its market share falling from 1979's 38.3% to 22.8%, and issues placed from R269 000 000 to R166 240 000.

But UAL is showing increased dominance in the debenture market where it placed R97 500 000 for corporate clients. None of the other merchant banks managed to place more than R19-million.

Barring Volkskas, the success story of 1980 is Standard Merchant Bank, which in only its second year in the competitive capital market, has exceeded even the most optimistic expectations.

Standard lifted its share of the market from last year's paltry 2.2% to a respectable 10.7%, and by all accounts, the bank's aggressive marketing likely to pose an even bigger threat to the big three next year.

Assuming that Finansbank places the R7-million Port Elizabeth loan later this month, the bank will have achieved a satisfactory year. The Port Elizabeth issue will bring its total to R34 450 000 (R30 700 000) and give it a 4.9% (4.1%) share of the market.

This is a fine achievement, and puts it well clear of its nearest small bank opposition, Frenchbank, which has placed R13 250 000 (R6 900 000) for a market share of 1.9% (0.8%) in the year.

The Rand Merchant Bank/Jeannes Sterianos combination has also done well, placing R13 850 000 (R6 600 000) for a market share of 1.7% (1.2%).

The Industrial Development Corporation (listed as independent on the table) raised R39 000 000 for itself this year.

As can be expected when there is a bear interest rate market, and considerable liquidity in the system — as has been the case for most of 1980 — the amount of money raised by public sector bodies on the capital market will be lower than when there is a bull market and liquidity is tighter, as happened last year.

Total loans placed by merchant banks thus fell in line with the expectation of R701 400 000 compared with last year's R744 000 000.

It must be remembered howver that the Government (RSA) and Land Bank loans are not included in the figures as the authorities handle the issues themselves.
Geared for growth

Activities: Holding company for a banking and financial services group. Principal subsidiaries are Nedsbank, UAL, Nefic, Nedfin, Syfrets Bank and Syfrets Trust Companies. Rhobank is 61% owned and Nedsal Brokers 75% owned. Associates include Sage Holdings, Anglo-African Factors and Anglo-African Shipping.

Chairman: Dr P J C Cronje; chief executive and senior deputy chairman: G S Muller; executive deputy chairman: L G Abrahamse.

Capital structure: 88.2m ordinaries of R1. Market capitalisation: R587m.


Total assets: R4880m. Ratio of deposits to total shareholders' funds 11.7:1. Capital commitments: R5.4m.

Share market: Price: 665c (1978-79: High, 890c; low, 366c; trading volume last quarter, 1.2m shares). Yields: 11.5% on earnings; 8.7% on dividend. Cover: 2.0. PE ratio: 8.7.

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits (Rm)</th>
<th>Advances (Rm)</th>
<th>Net profit (Rm)</th>
<th>Return %</th>
<th>Dividends (c)</th>
<th>Net asset value (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td>2 033 952</td>
<td>1 772 896</td>
<td>318 367</td>
<td>17.7</td>
<td>36.8</td>
<td>208 220 302</td>
</tr>
<tr>
<td>78</td>
<td>2 592 239</td>
<td>2 320 136</td>
<td>47.4 87.4</td>
<td>20.2</td>
<td>42.6</td>
<td>264 27 38</td>
</tr>
<tr>
<td>79</td>
<td>2 329 638</td>
<td>1 868 164</td>
<td>25.3</td>
<td>26.4</td>
<td>46 27</td>
<td>303</td>
</tr>
<tr>
<td>80</td>
<td>2 339 235</td>
<td>1 868 164</td>
<td>25.3</td>
<td>26.4</td>
<td>46 27</td>
<td>303</td>
</tr>
</tbody>
</table>

If there is one thing which has differentiated the Nedsbank group from the other banking majors, it is that its deposits:own funds ratio has been below the statutory 15% limit for many years. The obvious conclusion that can be drawn is that the bank is well able to increase deposits and hence its lending base. That is true enough, but as far as can be seen, the group has no intention of growing in that sort of way.

Management is not prepared to chase deposits solely for the sake of enlarging the group. The attitude is that size for size's sake is pointless. Far more important is earnings quality and return on assets employed. Last year's results should be seen in that light. With the level of earnings now reported, there is adequate scope for increasing business activity this year without necessarily having to opt for a greater proportion of deposits.

At Nedsbank itself, which contributed 64% (59%) of pre-tax income, deposits rose by 23.8% to R2 069.5m last year, while advances and bills discounted were 18.8% higher at R829.6m. So though the rise in advances was higher than 1979's 4.9%, the bank still appears to be under-capitalised, that is, perhaps, not surprising in a year characterised by high levels of corporate liquidity and low interest rates.

The environment is expected to change little during the current year, though it is probably reasonable to assume that the level of advances will be a good deal higher. Many previously arranged loan facilities are starting to be drawn down. At least for the first part of the year, margins are likely to be squeezed in a more competitive banking environment, but that problem could lessen as the year progresses.

UAL, which increased its advances by 39.2% to R863.7m has laid the groundwork for a further advance. Management is remarkably coy about revealing the outcome of the unconsolidated Summit property sale, preferring to wait until disposals are completed before disclosing the final figure. But there has been a R14.9m inflow from sales to date, an additional R23.5m from the sale of the half share in Eastgate and a further undisclosed amount from the sale of the stake in PIT. All this has provided UAL with a larger lending base, as well as giving it further deposit accepting capacity.

On the other side of UAL's business, fund raising for corporate and public sector clients reached a record R230m odd. And though it is impossible to predict future trends, at this stage of the economic cycle there seems little reason to fear a major downturn.

The other three major wholly-owned banking subsidiaries Nedfin, Nefic and Syfrets Bank had to work hard for their profits. Nedfin overcame this year its earlier bad debt problems. Nefic remained underwrite in the face of sluggish short- and medium-term loan demand, but was helped to an 11.5% pre-tax profit advance to R86.7m by higher dividend income. Syfrets Bank, on the other hand, was squeezed by a combination of early loan repayments and falling interest margins. Despite this, the lending portfolio was increased, but that was insufficient to prevent a 3.2% drop in pre-tax income to R813 000. There seems little chance of an early improvement of the earnings trend. The fact is, however, that the current...
The ghost of Rand Bank continues to haunt the corridors of Bankorp — no longer in terms of a troubled and unprofitable operation, but now in terms of the expense involved in converting the Rand Bank shell into a profitable debt factoring division. After pulling Rand Bank back from the precipice of liquidation in late 1979, Bankorp acquired all minorities, required the outstanding deposits, relinquished Rand Bank’s banking licence and changed its name to RSA Factors.

Most of RSA Factors’ profits in the nine months to June 30, 1983 were due to expenses reductions, bad debt recoveries and property sales. To establish the factoring division in today’s competitive market would require a high-budget, long-term marketing strategy. Wisely, the group has decided to take a short cut with the acquisition, be it at a 50% premium, of well-established Repfin Factors.

RSA Factors has bought, for an effective cash outlay of R2.5m, the entire issued share capital of Diroyal’s Republic Factoring and its wholly-owned subsidiary Repfin Factors. The price is made up of the purchase price, R2.5m, and the repayment by Bankorp of R4.3m in loans due to Diroyal from the two companies.

According to Diroyal, the sale will not have any material effect on earnings for the year to December 31, 1983. Net asset value, however, will increase by 22c a share to 58c. Goodwill, therefore, is about R2.5m and as this is one of the major assets of a factoring operation, it can be taken for granted that a high proportion of the purchase price will be made up of the company’s net asset value.

Repin has expanded market coverage strongly over the past two years. In the year to end-December 1979, it increased its contribution to Diroyal’s consolidated net profit by 96% to R247 000. So if goodwill is stripped out, Bankorp was prepared to pay R4.3m in loans due to Diroyal to ensure a holdover working capital. Overall return on capital is not likely to be significantly improved in the immediate future but the share is one to watch. My bet is that the R4m could give a boost to strengthening the base in engineering

Bankorp’s debt... a growing market factor

selling at a premium one of its strongest divisions which, nonetheless, does not coincide with the recently formulated strategy of paring operations to leave a core of manufacturing, retailing and servicing.

A Diroyal spokesman tells me that though there are no specific diversification or expansion projects for which the inflowing R4.3m is earmarked, the group will eventually acquire businesses outside existing areas but in manufacturing. Existing areas include Premier Ware, motor retailing, furniture retailing and ship supply services. This structure has been strengthened with the recent acquisition of the remaining 15% minority stake in Premier.

Most of the Bankorp money will be used by Diroyal in bolstering working capital and overall return on capital is not likely to be significantly improved in the immediate future. But the share is one to watch. My bet is that the R4m could give a boost to strengthening the base in engineering.
INSURANCE NETWORKS

Facilitating transfers

"Insurope", the international insurance group with its secretariat in Brussels, held its annual meeting in Cape Town recently, attended by 34 delegates from 17 countries. This is its first meeting outside Europe. Sanlam was the first life office outside Europe to join it and is the only SA member.

Multinational insurance networks have increased rapidly in recent years: others in the field in SA are John Hancock, Aetna Generali, Swiss Life and Travellers. They serve multinational companies in various ways; by providing information about local conditions, and helping to keep costs down, and insurance and pension benefits up.

One of the main aims is to facilitate the transfer of employees from one country to another with minimum disturbance of their benefit arrangements. For instance, the need for new medical examinations may be avoided, and reserves for insured pensions may be transferred without any penalties or charges being levied by the insurer.

Another advantage of multinational networks is that they can level out claims experience. Company XYZ, for instance, has too small an operation in SA to have an experience rate on its own results, but does not want to be lumped in with Sanlam's other clients.

Via the multinational network, XYZ's SA business can be taken out of Sanlam's pool and put into a larger context. The actual money stays with Sanlam in SA but, by participating with the other XYZ companies on profits, its claims experience may be levelled out.

Similarly, unlike SA, where rates are free and are set close to cost, in some countries (for example, Belgium, Japan, Mexico, Brazil, Spain and Portugal) tariffs on rates are imposed, leading to very high profit margins for life offices. In a year of big claims in SA, but a healthy situation in other countries, the SA experience could be offset against the rest, thus avoiding pushing up rates.

Insurope, explains secretariat manager Frank Smolar, differs from other international insurance networks, which usually work on a bilateral basis between the head office and the local life office in a given country. Insurope, with its international secretariat, bases its operations on multilateral treaties signed between life offices all over the world. The international secretariat also acts as a clearing house. A feature of Insurope's loss carry forward system is that catastrophic losses are not carried forward, but are borne by the other participating SA interests in foreign subsidiaries; and transferability outside Insurope.
Millions pour into building society coffers

TENS of millions of rands in new deposits are now being injected weekly into building society coffers by the country's major financial institutions.

The institutions, which are generating money for investment at a cracking pace, are turning to the building societies to help solve the problem of how best to spread the investment of the vast sums they are themselves producing.

It is argued by some, even from within the building society movement, that the big societies are not acting in the best interests of prospective home owners by accepting these huge deposits from the institutions.

The societies are not saying just how much money they are taking from the institutions but one can get some indication of the size of the flow from the fact that over the past three weeks alone two of the smaller mining houses have deposited almost R80-milion with the societies.

A big life assurance company like Sanlam, for instance, has about R2-million a day to invest.

The reason why the societies seriously jeopardise future availability of mortgage bonds by taking institutional money is that it is unstable money — the institutions are highly likely to withdraw their huge deposits when these mature in about 15 months' time.

The institutions are favouring the societies because their interest rates are at the moment the highest in the market. The rate on five-year shares is 9% whereas the coupon on a new 19-year City of Cape Town issue is 10.30%.

This, together with investors' belief that rates will rise soon means that in 18 months time deposits with the societies will be withdrawn to buy long-dated stocks at higher rates.

Because of the size of the deposits, this will drastically reduce the societies' pool of funds available for home owners.

The fact that the societies are still being offered institutional deposits is indicative of the dilemma facing the big investors. In other words, apart from building society deposits, where are the institutions to put their money?

They are moving into the property market in a big way. Apart from the rash of mammoth property sales, participation bonds and leasebacks have become very popular.

Corporate investors reckon that leasebacks are the most popular investment at the moment because yields are high — in the initial year not less than 9.5%.

The popularity of this type of investment is due to the expected appreciation in the natural value of property over the next 20 years as well as escalation clauses which, over 15 years, can bring the yield up to 18%.

A leaseback arrangement arises when a new owner leases the building back to the original owner.

Although rates are high (from 9.75% to 10.5%), the problem with participation bonds is that the non-tax-deductible raises fee of about 1.5% to 2.5% kills the yield.

Reports from the Johannesburg Stock Exchange are that the institutions are generally holding their portfolios — they are not buying shares on any significant scale.

There are many factors influencing this but with share prices up, yields are down — the average for industrials is about 4.4%, and golds are around the 8% mark.

Dealers reckon that the absence of the big investors from the long-term market is not as significant as it seems.

They claim that by anticipating expected drastic changes in their statutory prescribed investments early in 1981 the institutions have tied themselves up in repurchase agreements with the banks on long-dated paper.

But it is generally accepted that investor resistance in the long-term market is continuing to drive rates up.
Unreliable crystal ball

Gordon Henry is chairman of Stewart Wrightson Holdings, the international insurance group based in London, which owns the Stewart Wrightson broking group in SA.

FM: You have said government has as little right to interfere with insurance brokers’ commissions as it has with supermarket prices. Why is that?

Henry: I do not see why insurance brokers should be selected for special attention. It derives from the historic compulsion of politicians and civil servants to interfere with the mechanisms of certain industries, concerning which there are prejudices.

Insurance brokers are not holders of the public’s funds. They negotiate and arrange the insurance that the public needs with the insurance market. They are not commodity producers. If the basis of remuneration had proven unsatisfactory to the insurance buying public, you would not have had a situation over the past 40 years where an ever-increasing proportion of the public have gone to brokers to buy their insurance.

It might be argued that brokers should charge their clients fees for their services.

It may well be argued, but saying that brokers should work for a fee is a very far cry from saying that brokers’ remuneration should be dictated by government. As long as brokers receive commission from the insurance company, then it is purely an affair between the broker and the company. Would it be valid for the Registrar to interfere in the rate of reward that the company’s own agents get?

In SA, there is official disapproval of ownership ties between underwriters and brokers. What is your attitude to such connections?

To run an insurance company other than on a strictly professional basis under professional management is to ask for trouble. To work from the view that you can have a profit-making insurance company support a profit-making broking operation is bad news indeed.

The recent Fisher Report on Lloyd’s has indicated that it looks at the arrangement of big brokers managing underwriting agencies with disapproval. But this is looking at something in pragmatic terms without having a feel for how it really works.

What is the advantage then of brokers owning underwriting syndicates?

The advantage is the synergy between the two functions. The insurance broker is the best source of providing and encouraging new names to join the underwriting syndicate. He has connections all over the world and the means to refer people to become underwriting members.

Why could introductions not take place without the broker having to own the syndicate?

Of course they could, but we are in the business to make money. This is a profitable side of our businesses and why shouldn’t we do it? We do it effectively, efficiently and morally. We do not take advantage of the financial relationship and clients are sometimes put under pressure. Similarly, nothing should compromise the independence of insurance brokers in their consultative relationship with their clients. They should neither receive business on a plate as a right nor be penalized by the disciplines and sanctions which are generated by competition.

Do you see risk management as gaining in importance in the Eighties?

It could become a real and valid science or a theme for something which people have been doing all the time. In real terms, risk management is an extension of financial management. The principle is to look at all options open to the corpora-
More Growth Ahoy

By Tony Hudson Finance Editor

But the economy will run into heavy weather if issues are not resolved.
Huge new expansion R400-million injection Richoard's Bay gets

Growing international trade will earn billions in foreign exchange

By Andrew McIntyre

The more we know, the more we can do.
Edgars is reaching for the sky

By John Spira

SKY-high targets aimed at rocketing Edgars into world retailing rankings were revealed to Business Times yesterday during a wide-ranging interview with the group's chief executive, Adrian Bellamy.

Edgars' major target is to achieve sales of R500-million by 1985 and R1 000-million well before the end of the decade. Current turnover is R286-million.

Other highlights of the group's long-term corporate plan include:

- Market penetration is slated to grow from its current 13% to around 15%.
- Retail space is expected to expand from 319 000 sq m to 515 000 sq m within five years.
- The number of stores currently standing at 1 029 million, is budgeted to exceed 3 million by 1986.
- Staff employed will swell by 50% from the present 9 000 during this period.

Mr Bellamy emphasises that, while these targets might appear highly ambitious, they must be seen against the backdrop of the likelihood that the 1980s will be a period of dynamic growth for the national economy.

They must also be viewed in the context of the group's remarkable growth record of the 1970s, when:
- Sales grew at an annual average compound rate of 13.2% — from R31-million to R212-million.
- Pretax profit rose from R4.8-million to R33.1-million.
- Return on shareholders' funds rose from 20% to 31%.
- Earnings per share increased from 16c to 27c.
- Total retail space grew from 66 000 sq m to 319 000 sq m.
- Total staff employed expanded from 3 600 to 9 000.

According to Mr Bellamy:

"The strongly positive growth path traced by the group during the past few years and the accelerated growth rates anticipated for the decade ahead have placed Edgars in a new league.

"In order to meet the challenges which will be imposed by this anticipated accelerated growth, Edgars has committed itself to a carefully planned and highly professional approach, with special emphasis on efficiency — efficiency in the utilisation of its human, material, financial and technological resources to the ultimate benefit of its customers, staff and shareholders."

Consequent upon the group's goals for the future and two of its major imperatives for the 1980s — productivity and excellence — a new management structure has been implemented.

Edgars receives its direction from two boards — a corporate board and a management board.
Huletts hunting for a higher final

AFTER such a diet of fancy profit increases are company profit statements starting to look a little bit soggy?

That is certainly the impression from the batch of selected company results issued this week, which again underlines the old market adage that nothing goes on going up forever.

Huletts Corporation, for instance, has reported a modest 14 percent rise in first half earnings on a turnover which rose 41 percent, and has held its interim payment.

The incidence of inflation accounting obviously had its impact, but deeper down its admitted that the effects of the Natal drought have hit sugar earnings quite hard.

So it is largely thanks to improved figures from its non-sugar interests which has enabled Huletts Corporation to report some increase at the half-year stage, though there are question marks over year-end figures.

That its industrial interests are doing well is illustrated by very good results from Holmin, where interim earnings rose from 29 cents to 36.5 cents a share, and the interim payment was raised to 18 cents.

There was a very encouraging note from the board under "prospects" in which shareholders are told that results for the second half will be better than those now reported. Clearly the final will rise.

As for Huletts Corporation itself, it will benefit from a better performance, but depends on sugar. Johannesberg analysts believe that perhaps Huletts Corporation is being too conservative.

Others have their eye on the international sugar price which has been viewed as bullish by sugar brokers in London, so there are mixed factors for potential investors to consider.

And at the back of everybody's mind remains the question whether there will be a cut for the minority interests. Time will tell.

Palamin

On the mining front Palamin announced a reduced third quarterly dividend-down from 33.5 cents to 25 cents a share reflecting the recession in the copper market.

The economic outlook for America and in turn the world should be watched for any view on Palamin.

Bill Samuel

On the banking front there are two companies worth looking at: Nedbank produced its annual report, and the chairman said that the current economic problems are the prelude to several years of rigid real economic advance to 1981, and merchant bank Hill Samuel turned out a very respectable interim profit statement.

At Hill Samuel net earnings were up by 68 percent at 25 cents a share and the interim was raised from 11 cents to 12.5 cents a share. Dividends for the full year are not expected to be less than 47.5 cents a share on the capital as increased by the recent rights issue.

And given the new banking era which will be ushered in with Dr G de Kock as Governor of the Reserve Bank, banking companies should do well.

Nedbank

One point of general interest raised at the Nedbank press conference was the prospect of banks being allowed to invest overseas—something which has been talked about in relation to the new wave of thinking going through Pretoria of late.

Nedbank produced its figures in US dollars as well this year, which at least suggests that it is ready.

Gypsum

One problem which has worried a lot of investors has been that so many shares are too highly priced on the exchange, and at Gypsum there is to be a share split which will improve marketability. There is to be a split from a nominal value of R2 into 10 shares, of a nominal value of 20 cents each.

Caxton

Caxton did very well in the year ended August. In fact it has been one of the best years in the company's history. Net earnings, before an extraordinary item, shot ahead to 63.6 cents a share, and there is a special dividend of 12 cents to make 18 cents a share for the year.

Lastly there was a loss, and no dividend. Anyhow it has a stake in Caxton.

IGI

The toughness of the insurance market is well shown by reports from IGI. But its figures IGI is doing quite well and its earnings are up 8.5 percent at 14.4 cents a share. Earnings of some subsidiaries are excluded.

Though there have been patches of brightness in this week's batch of reports, there have also been some patches of darkness. And if it is true that there is now a more cautious air to the industrial share prices on the JSE.

But then perhaps the market has already heavily discounted results, for it is no secret that industrial shares have been very firm ahead of results.

Movements on the gold board did worry investors in general this week, and this may also explain the dreary performance. There may be still good times ahead, but some companies will clearly be doing better than others. As for market strategy, that clearly should be selective.
Mutual's growing property portfolio

Property Correspondent

At current rates of growth in investment, Old Mutual's property portfolio will be doubling in size every three to four years.

It intends to achieve this by continuing to seek top-quality office, flat, retail and industrial buildings and development opportunities in prime locations, says D. M. Stuart-Findlay, manager property investments.

He points out that many of Old Mutual's current policies will not be paid out until the year 2020. Old Mutual's management is only too aware that investments made today must provide policyholders or beneficiaries with assets of real value in the years to come.

Under these circumstances, several features make property investment a sound investment. These are:

• Property is a long-term investment and well located and designed buildings can enjoy a productive life span of at least 30 to 40 years. This is an ideal feature for the long-term investment requirements of life offices.

• Property is a growth investment. Increasing demands on a finite supply of land assist to offset the effects of inflation. Over the years Old Mutual's investment properties have enjoyed consistent growth in net income.

• Property is a relatively secure investment. For a tenant, rent is a fact of life. To stay in business, a company has to ensure continuity of occupation and the rent cheque is one of the first to be paid.

• Investments in property require large amounts of capital. Life offices do not need to use mortgage bond finance to purchase property.

The boom period in the late 1990s and early 2000s enabled private investors to gear up developments when mortgage interest rates were low and rents were increasing rapidly. The downturn in the economy coupled with soaring interest rates and inflation turned many of these schemes into heavy financial burdens.

"Today, almost all privately held buildings in the CBDs of our cities are owned by financial institutions, which find the steady upward growth trend in income a far more satisfactory feature than do small investors with short-term cash flow problems."
Industry steps up profits and dividends

INDUSTRIAL companies continue to report booming business, higher profits and better dividend payouts.

1. Lieben Match is paying a non-recurring 5c dividend on top of its 15c final, making 45c for the 18 months to September against 25c for the previous year.

   Taxed profit reached R7,8-million, equal to R5,2-million on an annualised basis, which is 48 percent up on the previous 12 months.

   Earnings rose to 88,97c a share for 18 months compared to 39,75c for 12.

   At pre-tax level, profit was R17,4-million or an annualised 40 percent over the 1979 figure.

2. Turnover of Stewarts and Lloyds jumped by R77-million or 27 percent to R388-million in the year to September.

   Taxed profit of almost R12-million was 55 percent higher, a figure depressed by valuing all stocks for the first time on the life inflation-accounting basis.

   An 18c final dividend raised the year's total payout by 27 percent to 28c (22c).

3. Chemical Holdings doubled its pre-tax profit to R2,1-million in the September quarter. Sales were up 29 percent to R17,1-million.

   The half-year's earnings are forecast at R2,4-million, a rise of 85 percent.

4. A 60 percent rise in interim dividend is coming the way of Dermacult's shareholders, the payout rising to 4c from 2.5c a share. Earnings jumped to 21.16c from 7.3c.

   Taxed profit of R213,000 was almost 169 percent higher.

5. Hosken's taxed profit for the half-year was 58 percent higher at R573,000, equal to earnings of 11.7c (6.4c) a share.

6. Chloride boosted its half-year sales by almost 12 percent to R21,5-million.

   But earnings dipped 23 percent to R1,1-million because of lower margins and intense competition in the motor replacement market. The interim dividend is still 11c.

7. A large part of SA Druggists' business does not benefit from the boom, say the directors, and taxed profit improved 12.5 percent to R4,9-million for the half-year. Profits for the second half are expected to be higher.

Tom Hood
The banks may scrap ledger fees

Financial Review

Commercial banks are nearing the end of talks whereby ledger fees on current cheque book accounts will be scrapped. But because any decision will first have to be sanctioned by the Government, customers cannot expect any relief from this quarter before the first quarter of 1981.

And because the revenue which banks receive from bank charges are important to them, they will attempt to balance the funds lost through ledger fees by doing away with some of the free clearance areas. This will mean, in effect, that whereas now if one deposits a cheque drawn on a Toronto account in a Brampton bank account no charge is levied in future there will be one. The current clearance charge is a standard $2.00.
Bank ledger fees may go, BUT —

By ALEC HOGG

Johannesburg. — After four years of negotiation, banks are close to tying up an agreement whereby ledger fees will be abolished.

But, because this is a valuable source of income to the banks, these charges are likely to be passed on to consumers in another way, most probably by the doing away with "free" clearance areas.

A free area is a term used in the industry for a part of the country where clearance of a cheque costs the client nothing. For example, when a client deposits a Braamfontein cheque in his account with a Doornfontein bank, he pays no commission on the clearance of the cheque, because both banks are within the Johannesburg monetary area.

No matter which way the banks decide however, nothing concrete will come about before Pretoria’s approval has been granted, and thus no changes in the existing system can be expected before the first quarter of 1983.

Earlier this year there was much speculation in banking circles that ledger fees would be dropped. With the first crack in the previously rock-solid Register for Co-operation (Roco) appearing recently, observers are once again suggesting this may happen.

Roco is effectively a cartel agreement between the country’s bigger banks and has worked effectively for the last 60 years.

With smaller banks recently threatening the cartel members on the promissory note market, it was decided to do away with the section of Roco dealing with certain bank lending transactions.

This has been seen by some as the first crack in the Roco shell. It has been speculated that sooner or later one bank would break even further away from Roco and abolish ledger charges.

"So far, however, this appears unlikely," and "the banks have united in trying to find a solution to the problem which will suit all the cartel members."

In the UK, there is no such thing as ledger fees, while in the US fees are only levied when the client's balance on his current account falls below a specified figure.

Banks argue, however, that circumstances are so different in South Africa, that the US and UK experiences cannot be applied to the domestic situation.

The infrastructure, it is argued, is not nearly as well developed, and distances and communications are too large to enable an as effective clearing system.

The point is taken, but surely something along the US lines can be adopted. If, for example, clients with a balance of more than R500 in their current account were not charged any ledger fees, they would be encouraged to keep at least this minimum balance.

Banks would be in a position to earn interest through their own placing of such "safe" deposits, with the additional benefit that the man-in-the-street would in this way be encouraged to save. Whether the banks will follow this or another method will only be answered in the new year.
Building societies up
fixed deposit rates

By ALEC POOG

FROM today, the building societies' fixed deposit interest rates are to be increased across the board.

The return offered on one-year fixed deposits is rising from 0.5% to 1% a year, for example, deposits by 0.5% to 1%, and three-year by 0.5% to 2%.

Further good news for consumers is that banks are certain to follow the societies' example, and raise their rates by at least the same amounts.

Although the building societies are meeting today to discuss whether to raise mortgage rates (they are very likely to do so), they have to comply with a condition of notice.

This means that, depending on the individual agreement which the house owner entered into, he will have between one and three months' notice before the interest payable on his bond increases.

Building societies are close to being at the point of feeling the pressure of the little cash in service of many mortgage bonds, and can clearly see the benefits of a higher rate of interest on deposits. This may signal the start of a rate war between them and the banks, with the consumer reaping the benefit of a higher return on his savings.

Although the move in the street to the higher and building societies' 'speed and service' the move in interest rates on fixed deposits has actually been caused by a large-scale withdrawal of funds by financial institutions like the mining houses and insurance companies.

The Minister of Finance, Senator Trevor Herwood, is a strong proponent for higher interest rates, and the authorities have made it known in no uncertain terms that they want higher rates.

As a result, interest rates on the money and capital markets have risen sharply. This is bringing to an end the sharp rise in mortgage rates which have occurred in recent weeks, as people have taken, or been urged to take, action to pay off the over-inflated prices which are at present continuing in this market.

And the expected rise in mortgage rates is expected to reach the point at which a 2% increase will be allowed on a bond of £1000 to £1250.
Natal’s Leasedoc becomes Volkskas

INDUSTRIAL bank subsidiary Leasedoc (Pty) Ltd, Natal’s leading medical-leasing company, this week became a wholly-owned subsidiary of Volkskas Industrial Bank (VIB).

It writes more than 60 percent of all leasing to the medical profession in Natal, mainly in Durban and Pietermaritzburg.

This is VIB’s first venture in Natal. VIB acquired Leasedoc from the Johannesburg-based Reichman group, a family finance house headed by Mr Gus Reichman, whose trade and shipping links in South Africa go back more than 50 years.

The group has relinquished its Leasedoc interests to concentrate on its major activity, international trade finance and confirming.

It also has sold its interests in Medical Leasing Services in the Transvaal to VIB.

Leasedoc, founded by a group of eight Durban doctors 11 years ago, mainly to finance radio-paging equipment, came into the Reichman group in mid-1976 at demand for its services developed into financing professional equipment generally.

Today, medical equipment constitutes 60 percent of its business.

Leasedoc will continue under its present management of Mavis Tredway and Julie Osborne.

Announcing this, VIB’s managing director, Mr Malcolm McLean, said that Leasedoc’s expansion and penetration of the Natal leasing market over the last 11 years “has been impressive.”

With the bank’s financial backing, it should now be in a position to command an even greater share of this market.

He said Leasedoc would become a major contributor to the bank’s turnover and would provide a valuable supplementary financing service to those it already offers.

“We expect the company to move quickly into another expansionary phase similar to the one it has just enjoyed within the Reichman group.”

IMMIGRANT DEBTOR
More Join Hunt For

BRONZE BMW
BILLS - AND A
JOBS, UNPAID
UNFINISHED &

BY BARRY LEVY

23/1/86
Oppenheimer within sight of Cons Gold target

The Star Bureau

LONDON — Mr Harry Oppenheimer, chairman of both De Beers and Anglo American, is now just 5.6 million shares away from the 29.9 percent stake he wants to buy in Britain's biggest mining finance house, Consolidated Gold Fields, according to a financial correspondent of the New Standard.

He says that the De Beers camp has revealed that they now own 50,008,750 Cons Gold shares, or 26.8 percent of the capital enlarged by the rights issue.

"The figures imply that Mr Oppehheimer's empire has been a determined buyer of Cons Gold shares since the 181 million sterling issue nine days ago, having picked up almost 4 million shares in the market," he writes.

At Rowe and Pitman, who organised the down raid and the original purchases, partner Oliver Baring: "It will be done in idea yet when De Beers will seek to increase their holding.

"Whenever they feel like it," added Mr Baring, "it will be done in the most open possible way."

The presence of such a determined buyer, he says the New Standard's correspondent, is sure to sustain the Cons Gold share price, at least until the 29.9 percent target is reached.

"In spite of all the denials, Lord Errol, chairman of Cons Gold, and his men must be worried; lest Harry finds the whole company just too mouth-watering to resist," he concludes.
Sharp rise in interest rates forecast

By Pieter de Vos

Interest rates can be expected to rise sharply in the next six months, says Barclays' chief economist, Dr Johan Cloete.

Short term rates may rise from current levels at about 6 percent to between 10 and 11 percent, Dr Cloete predicts. Long-term rates may rise by about 1 percent from their current level of about 12 percent.

The recent rise in deposit rates announced by major banks is another of the first signs of this rising trend.

Rates on on-call deposits have been raised from 2 to 2.5 percent, depots on 31 days' notice from 3.5 to 4 percent, deposits on six to eight months' notice from 6 to 6.75 percent and the rate for 24 to 35 months from 8 to 9 percent, to cite but a few examples.

BANK RATE

The prime overdraft rate can definitely be expected to rise from its present level of 9.5 percent. The bank rate — that is the lending rate at which banks can obtain money from the Reserve Bank — is expected to rise, in tandem with the rest of the market. It has not been changed since August last year.

Bond rates will be raised, though Mr Boet Viljoen, president of the Association of Building Societies, declines to make any forecasts.

It is a particularly sensitive issue, he says, and he does not want to encourage speculation about the extent of future rises.

Rates have been followed closely in the past six months, he says. However, he is at pains to point out that only the rates on fixed deposits have recently been increased. The rate has been raised from 7.5 to 8 percent for deposits between 12 and 37 months and from 8 to 9 percent for deposits between 18 and 35 months. Rates on subscription shares and fully paid up shares, for instance, are being maintained.

SHRINKING

Hire-purchase and leasing rates should move higher in line with the rest of the market, but it is difficult to find analysts who are prepared to predict the kind of rises that the public can expect.

The banks' cash and credit sources are shrinking, says Dr Cloete. Banks have two sources — the current account on the balance of payments and Government expenditure of the money that has been withdrawn through taxes and other ways.

Dr Cloete points out that withdrawal of money has been in excess of the net inflow through the current account of the balance of payments.

In this way, the Government is currently restricting the creation of bank credit even further.
Black buying power to treble - stores chief

By TOM HOOD

ADDITIONAL purchasing power brought to black consumers by the economic upswing should enable the rural population to double and treble its spending on clothing and other goods, says the chairman of Frasers stores group, Mr Donald Campbell.

This is in spite of inflation of about 13.5 percent next year, he says in his annual review.

Within the South African economy the black consumer market, with at present only 26 percent of the nation's purchasing power, must constitute the market's greatest potential for the future, he said.

As electricity, television and other amenities of life reached the townships, a new black life style would be both inevitable and widespread.

PROSPERITY

'Ve have seen, the ramifications of the rapid recent return to prosperity in South Africa and the March budget, were, initially, largely confined to industry and urban commerce, employees and consumers.

The potential in the rural areas for growth out of unemployment and poverty is considerable,' Mr Campbell said.

Frasers group turnover in the year to September 30 reached a record R236-million, 31 percent up on 1979/80.

Frasers operates more than 330 retail and wholesale stores.

Virtually all areas and divisions contributed satisfactorily including the controlled (50 percent) homeland companies, says Mr Campbell.

The growth rate was substantially ahead of that reported by the Department of Statistics for retailers and wholesalers countrywide.

Metal Box is raising its interim dividend by 50 percent to 15c (10c) a share after more than doubling its taxed profit to R3.1-million from R3.5-million for the half-year to September.

Sales jumped by R30-million to R154.5-million.

A final dividend of not less than 21c (20c) is forecast by the directors, who say a slower percentage increase in profit and dividend is likely in the second half but the year's results should comfortably exceed last year's.
Amaprop merges with Sorec

against a loss of R250 000 in the 1970 equivalent.

"Sorec announced a profit for the same half-year of
R1 018 000, or earnings a share of 4,56c, (R545 000 and 7,6c),
after making R1 235 000 in the previous full year.

Neither company has declared an interim dividend.

A statement accompanying the Amaprop half-year figures
says: "Profits for the full year should show a marked improve-
ment over the March 1980 figure of R66 000."

Sorec says: "The 88% improvement in profits is due to
the receipt of additional revenue in an improved letting climate."

The announcement of the Amaprop's take-over of Sorec
saves: "Amaprop is to merge with Sorec.

"Sorec shareholders will receive one Amaprop share for
each Sorec share after the current Amaprop shares have been
consolidated on a 1-for-4 basis.

"As part of the proposals Amaprop's share capital will be
simplified with the present preference and deferred shares
converted to ordinary shares.

The announcement of the Amaprop's take-over of Sorec
saves: "Amaprop is to merge with Sorec.

"Sorec shareholders will receive one Amaprop share for
each Sorec share after the current Amaprop shares have been
consolidated on a 1-for-4 basis.

"As part of the proposals Amaprop's share capital will be
simplified with the present preference and deferred shares
converted to ordinary shares.

The announcement of the Amaprop's take-over of Sorec
saves: "Amaprop is to merge with Sorec.

"Sorec shareholders will receive one Amaprop share for
each Sorec share after the current Amaprop shares have been
consolidated on a 1-for-4 basis.

"As part of the proposals Amaprop's share capital will be
simplified with the present preference and deferred shares
converted to ordinary shares.

The announcement of the Amaprop's take-over of Sorec
saves: "Amaprop is to merge with Sorec.

"Sorec shareholders will receive one Amaprop share for
each Sorec share after the current Amaprop shares have been
consolidated on a 1-for-4 basis.

"As part of the proposals Amaprop's share capital will be
simplified with the present preference and deferred shares
converted to ordinary shares.

The announcement of the Amaprop's take-over of Sorec
saves: "Amaprop is to merge with Sorec.

"Sorec shareholders will receive one Amaprop share for
each Sorec share after the current Amaprop shares have been
consolidated on a 1-for-4 basis.

"As part of the proposals Amaprop's share capital will be
simplified with the present preference and deferred shares
converted to ordinary shares.

The announcement of the Amaprop's take-over of Sorec
saves: "Amaprop is to merge with Sorec.

"Sorec shareholders will receive one Amaprop share for
each Sorec share after the current Amaprop shares have been
consolidated on a 1-for-4 basis.

"As part of the proposals Amaprop's share capital will be
simplified with the present preference and deferred shares
converted to ordinary shares.

The announcement of the Amaprop's take-over of Sorec
saves: "Amaprop is to merge with Sorec.

"Sorec shareholders will receive one Amaprop share for
each Sorec share after the current Amaprop shares have been
consolidated on a 1-for-4 basis.

"As part of the proposals Amaprop's share capital will be
simplified with the present preference and deferred shares
converted to ordinary shares.

The announcement of the Amaprop's take-over of Sorec
saves: "Amaprop is to merge with Sorec.

"Sorec shareholders will receive one Amaprop share for
Rembrandt counters all well up

Technical and Industrial Investments reports pre-tax profit of R2 406 000 — up from R1 291 000. Net attributable income is R1 101 000 — up from R1 610 000. Earnings per share are 99.4c (65.2c). The interim dividend is 11.5c (9.2c).

because of recession in the West, particularly the UK.

The termination of the beer war will also have contributed to the increase.

Dividend increases have shown increasing generosity over the past three years, up 13%, 18%, and now 34%. And the high retentions mean that the group can continue increasing the payout, even if earnings stagnate, which is highly unlikely during 1981.

Rembrandt is diversifying into the energy-mineral fields. This type of diversification will determine the group’s long-term growth pattern.

It will help to offset the eventual decline in earnings from the falling tobacco consumption in the developed world. For the time being, tobacco consumption in the underdeveloped countries is still growing, and this gives an overall growth in the industry.

Rembrandt is unquestionably a blue chip. Apart from its strength as a currency hedge, its high dividend cover allows for close to a 20% annual increase in net assets, merely from ploughback. Although the return earned on retained funds might not be exciting, it does mean that the capital value of Rembrandt shares should have built-in growth.

Rembrandt closed yesterday at 780c where it yields an historic 4.3%. Rembrandt Controlling closed at 560c, also on the same yield. Tegker at 480c yields 4.7%, as does TIB at 450c.
NOTICE 854 OF 1980

DEPARTMENT OF FINANCE

THE AFRICAN BANK LIMITED.—NOTICE IN TERMS OF SECTION 12 (1) OF THE BANKS ACT, 1965

With effect from 12 November 1980 The African Bank Limited, was registered as a general bank. Its provisional registration was cancelled with effect from the said date.

(28 November 1980)

---

KENNISGEWING 854 VAN 1980

DEPARTEMENT VAN FINANSIES

THE AFRICAN BANK LIMITED.—KENNISGEWING INGEOES VOLG: ARTIKE 12 (1) VAN DIE BANKWET, 1965

Met ingang van 12 November 1980 is The African Bank Limited, as 'n algemene bank geregistrer. Sy voorlopige registrasie is met ingang van genoemde datum ingetrok.

(28 November 1980)
 Anglo more than doubles interim income

By Geoff Shuttleworth

Anglo has more than doubled its interim earnings and the interim dividend has been increased from 25c to 35c a share.

In the six months ended September 30 total profit rose to R279 million against R135 million equivalent to earnings of 115c a share compared with 63c before.

While most analysts did not expect earnings to double in the first six months, the dividend is in line with market expectations.

Comment from the Anglo directors reinforce the analysts' views by noting that even if the gold price is maintained in the next half, profit is not expected to rise at the same rate as during the first half.

The reasons cited include investment income not accruing evenly during the year, the realisation of investment fluctuations in accordance with policy decisions and market conditions and certain costs, particularly those incurred on prospecting, varying materially from time to time.

Anglo said that a net amount of R1.4 million was charged against retained profits for the year ended March 1980 as an extraordinary item.

Full provision has been made up to March 1980 in respect of all amounts invested in Cleveland Potash and further provision will probably prove necessary as an extraordinary item in respect of amounts invested during the current financial year which at the half year stage amounted to R13.1 million.

Last year Anglo paid a total of 70c a share and analysts are looking for a minimum of 100c for the full 1981 financial year.

The most optimistic are looking for a 115c total which puts the share price at 1900c, at a prospective yield of nearly 6 percent.

The only interesting aspect of the interim figures is that tax was virtually unchanged at R12.5 million from R13.5 million the previous period.

The market value of Anglo's listed investments, in line with its own results, have almost doubled to R916.5 million from R405.4 million.
The last ditch

The banks, effectively the big five that dominate the inter-bank cartel, are close to tying up — for the second time this year — an agreement that will see the end of ledger fees on current accounts.

This "close" must be read advisedly — the banks have been working at the problem for four years. But the reform of the monetary system, presaged by the expected De Kock Commission report on the subject early next year, provides an extra immediate impetus.

In any event, bank sources admit that they are gearing themselves in a number of ways to the new dispensation.

In the face of the difficulties experienced by the prime movers of the new charging system in getting any kind of agreement at all, they are understandably reluctant to comment. But it seems that the abolition of ledger fees will go hand-in-hand with the abolition of free clearance areas, and with a new minimum charge structure on other bank services.

The free clearance area system, whereby cheques issued in the areas geographi-cally closer to the central clearing mechanism do not attract clearance charges, is a relic of the days when communications were slow and expensive. So these payment differentials will disappear.

The revenue losses sustained by the banks as a result of the abolition of ledger fees will also be compensated for by changes in the charge structure on such things as transfers. And at the same time the minimum charge stipulations of the Register of Co-operation (Roco) on a variety of bank services will be changed to reflect more modern and more realistic revenue needs.

The new minimum charge structure, nonetheless, is reckoned to undercut these revenue needs, so the banks would not necessarily keep to the floor. And this flexibility, it is understood, will have a constitutional place in the agreement, which is a departure from the old system.

The overall implication is that Roco is changing its feathers and becoming something less like a rigid cartel and more like

"an informal basis for an orderly mar-ket", as one banker puts it. Whether this constitutes a voluntary adaptation for the purpose of survival, or another nail in the coffin, is unclear.
Anglo interim profit R260m

By HOWARD PHRISER

Anglo American Corporation has reported a substantial increase in pretax profits to R203m in the first nine months of this year, compared with R144m in the corresponding period last year. The increase, which is a result of higher gold prices, is expected to continue in the fourth quarter.

The company's interim dividend, payable on November 20, is 3c per share, up from 2.5c last year. This dividend was approved by the board on Thursday, according to a statement.

Although the profit figures are not comparable in the strictest sense, the increase in earnings is significant, particularly as it follows a year of unprecedentedly low prices for base metals. The company's earnings have been lower than expected in recent weeks.

The share price has also fallen, from R3.20 to R2.90 over the past few weeks. The share has been flat in recent weeks.

There have been a number of changes in the board of directors, including the resignation of the chairman, Sir James DINGLEY.

The share price of Anglo's London market is currently 11% down from the peak of R3.50, with a high of 27.65p. The company's share price is expected to recover in the near future, according to analysts.

The company has announced a special dividend of 10c per share, payable on December 20. This dividend is expected to boost the share price of Anglo. The dividend will be paid to shareholders of record on November 30.

Anglo American is a large gold producer, with operations in South Africa, Australia, and the United States. The company's shares are listed on the London and Johannesburg stock exchanges.
Barclays, Bowring merger

The chairman will be Mr. G. H. Blades, the deputy chairman, Mr. J. G. Martin, and the managing director, Mr. R. M. Collinson, while Mr. A. D. de Wet, Mr. J. J. Bowring, Mr. J. R. Bowring, Mr. J. C. Bowring, Mr. J. F. Plato, and Mr. J. H. Zinn will be managing directors of the new company.

A statement from the parties said the merger would create a new entity with a strong presence in the South African market, enabling it to compete effectively in the region.

The deal also brings Bowring, which has held an important position in South African mining and trading for many years, into the Barclays fold.

The benefits of the deal to Barclays are expected to include a more robust business model, improved operational efficiencies, and greater market reach.

The merger is in line with Barclays' strategy to expand its footprint in Africa, where it already has a significant presence.

The terms of the merger, including the valuation of the new company, will be disclosed in due course.
No signs of fair weather

It is common cause that the short-term insurance industry has been drifting through the doldrums for more than two years. The extended run of rate-cutting has now reached the point where large buyers of insurance are able to rewrite their insurance contracts at premiums 50% or more below last year’s rates. Nor are there any signs of this momentum declining.

Most of the rate-cutting has taken place in fire business, a major operational area for companies such as Mutual & Federal, though claims have not been heavy. But the motor sector, where insurers have generally been able to at least maintain rates, has experienced both a higher incidence of claims and severe inflationary pressures, which have pushed up the cost of repairs.

These trends have not yet caused any major upset in the industry, but this is partly because of a fluke absence of large claims in the major commercial industrial sector.

At the same time, insurers have had the benefit of the JSE’s record-breaking bull trend. Rising investment income has allowed them to cover underwriting losses or reduced surpluses. The extent to which this has happened has varied. There are, of course, companies, such as Assura (holding company for Santam), which have relied more heavily on fixed interest stocks rather than ordinary shares.

There is also a noticeable tendency in the short-term insurance market for profitability to contract when the general business cycle is rising. When the current economic resurgence cools, they say, underwriting surpluses should re-emerge as the private sector attempts to protect itself against loss. This time, however, the switch is not expected to be forceful enough to lead to a marked upward trend in underwriting results.

In the case of Mutual & Federal, for instance, despite increasing gross premiums from R39.4m to R102m over the year to June 30 1980, rate cutting and the rising cost of claims has slashed underwriting profits from R4.9m to a meagre R715 000.

But investment income was up from R4.8m to R5.5m over the same period and the group, effectively 40% held by Old Mutual, paid a total dividend of 52c (44c), with only slightly reduced cover.

Though the JSE’s advance has slowed since June, investment income should be maintained and, on this consideration, the share looks attractive on a prospective dividend yield of 3.5% at the current 720c.

Protea Assurance also strongly reflects the reliance of the industry on the stock market, as well as highlighting the influence of foreign control. Held 74% by Sun Alliance of the UK, the group shows a 1979 solvency margin of almost 80% (against a 50% to 60% industry average), but in the six months ended June 30 this year, taxed earnings dipped by almost R22 000 to R577 000.

Investment income allowed the interim payout to be maintained at 3.5c, but an increase on last year’s final 8.5c payout is most unlikely in present conditions.

At 150c, the share yields a relatively slim historic 8%, reflecting, perhaps, not so much market confidence in the company’s near-term performance as longer-term apprehension.

SA Eagle, has been re-rated by the market over the last couple of months and the share now offers an historic yield of 6% at 500c.

The re-assessment is presumably based largely on growing investment income, rather than underwriting surpluses. But it is significant that, with the backing of the UK’s Eagle Star, the insurer’s financial base is strong. Its solvency margin in 1979 was just under 90% and technical reserves were over 75%.

Profitability, at the same time, could also improve in the near future as motor insurance rates rise further. The release of the R35m capital tied up in African Eagle Life for more profitable ventures could also be a sweetener.

SA Eagle has also managed over the past couple of years to perk up its profitability by taking on high quality reinsurance from abroad. But this quality could also suffer as the worldwide trend worsens.

A total dividend for 1980 in the region of 36c is in sight, putting the share on a prospective yield of 7.2% which is fairly fully priced.

Constantia has also been re-assessed by the market, but the price has fallen. The
balance sheet is significantly stronger than it was in the old Marine & Trade days and the solvency margin has clawed its way back to a respectable 21% compared with 11% a couple of years back.

However, after having dragged underwriting profits back into the black in the last full year, income from this source again slipped into a Р438 000 deficit at the halfway stage (R128 000 - surplus).

But investment income almost doubled to Р831 000, partially because of the sale of the company’s stake in Nedbank Mall, and pre-tax profits were 10% up at Р243 000.

An 8c dividend for the current year is in sight (on underwriting returns but not on underwriting profits), given the momentum that the management revamped to continue to give to organic growth and the possibilities of a take-over by the company (probably not involving another listed insurer).

But the prospective 6.4% dividend yield at the current 125c share price ranks the share, apparently somewhat over-optimistically, as being a better deal than SA Eagle or M & F and presumably reflects the Kirsh connection.

A regrouping in the industry might place some insurers in a more advantageous position. But it is not so much economies of scale from merging one underwriter with another that is the point.

The most likely associations are along various financial axes, which could indicate a company such as Assure, clearly linked through Santam to Sanlam, moving into unquouted Aegis, at present owned by Swazi and headquartered Winterthur.

Local insurers’ links with banks and the tied business which results, generate yet another financial axis along which further realignment of the industry could take place.

All in all, the experts say, alliances may be expected to be formed between those companies with powerful backing and those without, rather than between the quoted companies themselves.”It’s a trade-off” says one, “between pride and profit.”

One company which has already been formed out of a merger is Guardian National — a combination of the previously insolvent Guardian and the listed Unibic — and with increasing links with Standard Bank the amalgamation highlights the importance of the financial axes.

Last year’s figures from Guardian National (formerly Unibic), of course, have been outdated by the merger. But it is the dividend policy announced by the group at the time of the deal which is indicative of the conditions in the industry at present. The group said that it will in future pay out some 65% of earnings, provided, and this is the key phrase, that this does not exceed investment income.

The share stands at 97c at present, offering a prospective yield of 7.5%.

Also relatively new to the market in its current form, but already reflecting the advantages of a stronger backer, is Commercial Union (Casual), owned 45% by Commercial Union in the UK and 35% by GPFA. One of the side-effects of this is its healthy solvency ratio of almost 80% for 1979 and a good spread of business, both short-term and life.

The company lost ground in 1979, partly because of a relatively small rise in investment earnings, though it beat the prospectus dividend forecasts. And in the six months to June 30, as a result of badly cut underwriting profits, pre-tax profits slipped by Р600 000 to Р2.4m.

The market was not impressed and the share price has advanced only marginally since then. With dividends for the current year hardly likely to improve on 1979’s 23c, the prospective dividend yield at 25c is a comparatively slim 7.5%.

Some hope for amelioration of the industry’s problems is expected from the advisory committee on short-term insurers under Registrar of Financial Institutions, Wynand Louw, which sat for the first time recently.

The committee is studying solvency margins among other aspects and the possibility of increasing the requirement from the current 10% to 15%. A couple of years back, this would have embarrassed a number of companies, but now most are temporarily secure in this area.

The Registrar is also apparently considering the possibility of restraints on the reinsering of local risks abroad. However, there is a strong school of thought which says that restraint on overseas reinsurance would amount to protection for the local industry, which would be unlikely to curry favour from either local purchasers of insurance or from overseas markets.

Though foreign reinsurers have been blamed for SA’s excess capacity, protecting the local industry by reducing opportunities for reinsuring abroad could deprive local companies seeking cover of cost and innovative advantages not available here.

IGI’s Michael Lewis is a strong campaigner for such a move. His company is locally-owned and one of the smaller companies on Diagonal Street in terms of premium income. In addition, it was one of the instigators of the rates war, which has resulted in some general lowering of overall risk quality. In the six months to end-September, the company increased gross premium by 4% from Р18m to Р27m (Poz November 14) and taxed profit from Р552 000 to Р23 000.

A final dividend of 6c for a total of 10c is on the cards for the full year, offering a 10% prospective yield.

However, if this is seen as attractive, then the holding company, Hosken, must be considered even more so on an historic yield of 10.7% and a wider earnings base than IGI itself. But investors ought to be wary of the extent of its interests in insurance broking. This share, at the current 135c, offers a prospective yield in the region of 11.5%, which, even with the patchy profit history of IGI itself, must make it attractive to some.

Assurance, the largest single short-term insurer on the local market, also offers some attraction at the moment with the price fairly well off the year’s high at 84c on an historic yield of 8.8%.

The group’s profitability is dependent almost entirely on investment income at present (Poz November 14) and dividends are thus difficult to assess for the full year ahead. Technically, the company is one of the weakest, with a 1979 solvency margin of around 15%, although this is partly justified by the nature of its business, which requires fewer technical reserves.

The market is obviously quite aware of the difficulties of the short-term insurance sector, and the sector yields an average 8.7%. Though there may be little in the way of near-term capital growth to expect of the shares, a medium-term hold in the quality stocks could be valuable. But this has to be seen against alternative investment opportunities.

Short-term insurers are by no means out of the wood, nor, necessarily, will they be helped by protectionism. Investors who are not in the sector are perhaps best advised to steer clear until the future looks less clouded.
Eagle Securities hedges Anglo property deal

By John Spira

ONE OF SA'S BIGGEST PACKAGES BOOSTS COMPANY PORTFOLIO TO R160m
SA borrowing more from world markets

From The Guardian

LONDON — International borrowing by South Africa has been growing at a much faster rate than generally appreciated.

The increase in foreign borrowing coincides with the marked rise in the country's currency. After a decline in the wake of the breakup of South Africa's bond market in 1999, South African bonds have made a spectacular return to international capital markets in 2003 and 2004.

The recent surge in foreign borrowing reflects the need for extra capital to address the country's rising infrastructure needs.

MOTIVES

South Africa's local currency is strengthening with a projected growth rate of 4.5% per annum.

By 2006, the country aims to raise some $1.3 billion of medium-term bonds and about another $5 billion of long-term bonds, according to the Reserve Bank.

The Reserve Bank expects to use the proceeds to finance infrastructure projects and to strengthen the country's balance of payments.

The government views the foreign borrowing as a way to diversify its sources of funding and to reduce its reliance on domestic sources.

The country's foreign reserves have been strengthening, providing a buffer against external shocks.

The Reserve Bank expects to use the proceeds of the foreign borrowing to finance infrastructure projects.

The government views the foreign borrowing as a way to diversify its sources of funding and to reduce its reliance on domestic sources.

The country's foreign reserves have been strengthening, providing a buffer against external shocks.

The Reserve Bank expects to use the proceeds of the foreign borrowing to finance infrastructure projects.

The government views the foreign borrowing as a way to diversify its sources of funding and to reduce its reliance on domestic sources.

The country's foreign reserves have been strengthening, providing a buffer against external shocks.

The Reserve Bank expects to use the proceeds of the foreign borrowing to finance infrastructure projects.

The government views the foreign borrowing as a way to diversify its sources of funding and to reduce its reliance on domestic sources.
Fourfold increase

The bonus share issue announced by Putco last week will have the effect of increasing fourfold the shares held by existing shareholders in the company. The issue will not affect the net worth of the company but the increased dividend payout should help to bolster confidence among investors. The bonus share issue has not yet been approved by the shareholders. This is expected to be done sometime in February.

In recent weeks the stock market price of Putco shares has risen from 140 to 410c a share, an increase of 193 percent.

Legless man legged it

LONDON — A legless cat burglar known as "tin legs," who escaped from Bracknell police station by sawing through bars, must have hidden getaways' implements in his tinny limbs, police said after recapturing him. — Sapa-AP.
Higher bond rates seem inevitable

Deputy Financial Editor
THE Association of Building Societies is reviewing mortgage loan rates and its deputy chairman, Mr Hendrik Sloet, told the Rand Daily Mail yesterday that higher rates were almost inevitable.

Mr Sloet said current fluctuations in interest rates were complicating the matter but rates could rise by 0.5%, 0.75% or even 1%.

A 1% rise on a R30,000 mortgage would come to over R20 a month in additional interest.

Because building societies are obliged to give borrowers a month's notice before increasing rates, the earliest rates can be raised is February 1981.

Mr Sloet denied rumours that building societies had a cash flow problem because they had lent money for long periods against short term deposits and that mortgage loans granted were due for a sharp fall.

The building societies' holdings of prescribed assets would ensure that loan funds were still available, he said.

Several market watchers have forecast that mortgage rates were due for a prolonged steep rise and that a shortage of mortgage funds could depress or freeze property values during the next year.

See Page 16
increase expected
Big mortgage rates

BY ALEC HOGG

Building societies decided yesterday to increase their
mortgage rates by a massive 1.25% across the board,
according to reliable sources.

The size of the pro-
posed increase is a

1.25%
Building societies mum on mortgage increase

By Marion Duncan

The Association of Building Societies today refused to talk about reports that societies decided yesterday to increase mortgage rates by 1.25 per cent across the board.

But sources in Johannesburg building societies said the information was correct.

They said the 1.25 per cent figure had been reached as a bargaining counter, so that the association would go to the Government and probably obtain an increase of one per cent.

This was “more or less” what the societies wanted.

Contacts in the societies said the mortgage rate rise could be attributed to two factors:

1. The mounting problems faced by building societies in competing with banks for investments from large institutions.

2. Increasing building costs coupled with inflationary housing prices and a projected drop in credit availability in 1981.

Building societies have been becoming steadily less attractive to large investors from institutions (which constitutes a major portion of society business).

In addition, the easy availability of money over the last few months was a “short-term trend” which had encouraged inflation in the pricing of housing. This, together with the accommodation crisis which was forcing people to buy rather than rent, had placed a heavy burden on the lending facilities of building societies.

Credit would certainly be more difficult to obtain in the new year as a result.

The proposed increase would further stimulate the unacceptably high inflation rate. Mr Harry Schwarz, Progressive Federal Party finance spokesman, said today.

Mr Schwarz, called on Minister of Finance Senator Horwood to insist the building societies introduce the increase gradually.

He should also insist that the building societies should introduce a differential scale of increases with people with smaller bonds being “faced with smaller increases.”

Mr Schwarz said the proposed increase meant Senator Horwood should devote more of his time to controlling the exceedingly high inflation rate, which was running at 16 per cent.

Mr A. V. Viljoen, president of the Association of Building Societies, today denied a mortgage rate increase was on the cards.

Other building society chiefs confirmed, however, that a package of proposals had been sent to the authorities.

They said a mortgage rate rise would not mean that borrower’s instalments would rise. In most cases the bond repayment period would be lengthened.
Messina profits up almost 400%

By Mervyn Harris

Industrial and mining group Messina boosted its taxed profit almost fourfold from R5.51-million to R22.03-million in the year to September.

Earnings a share were up from 83c to 199c a share and would have been higher if the directors had decided not to deconsolidate certain foreign subsidiaries.

The decision not to deconsolidate the results of foreign subsidiaries situated in countries where the transfer of funds was restricted had the effect of reducing earnings by 27c a share.

The results only include dividend received from these subsidiaries.

The holding company and certain industrial subsidiaries also changed the basis of valuing inventories by adopting the lifetime system of accounting.

The effect of this change and coupled with increased depreciation on industrial buildings reduced net income by a further 22c a share.

Two years ago the company had a loss of R6.4-million and the sharp turnaround in the company's fortunes could be mainly attributed to the boom in the car industry.

Its motor interests include Datsun-Nissan and...
Building societies not to "push" up rates

CAPE TOWN.—There was no intention to raise mortgage interest rates, but loans would be limited in future, the president of the Association of Building Societies, Mr. A. F. Viljoen, said yesterday.

In Cape Town on a visit, Mr. Viljoen denied Press reports that his association was considering raising mortgage interest rates by up to 1.25% shortly and that his executive committee would meet Government officials this week to discuss the rise.

"We meet monthly to look at interest rates throughout the money market, but have decided nothing in regard to any change in interest rates," he said.

"The building society movement is pulling in satisfactory amounts of money."

"However, it is no secret that the Government wishes to reduce liquidity in the country. If that is so, then banks, building societies, and trust companies will find their field of operations limited."

"Again the present building society interest rates for investment are facing competition from other investment sources and the flow of money into the movement, from financial institutions will be affected. But so far the inflow has been excellent," he said. — Sapa.
Thumbs in the dike

Still grey market competition — or disintermediation as banks call it — has led to a sharp retaliation from all the banks. Last week they formed an enlarged banking cartel — but a very shaky one.

The meeting at which the agreement was made was called at the instigation of UAL managing director Johan Nel in his capacity as chairman of the Merchant Banks' Association. Nel claims the merchant banks have become increasingly worried about the state of the banker's acceptance market, upon which the foundations of their businesses are traditionally based. As it is subject to capital and reserve requirements like all conventional bank lending, the BA has been unable to compete with more recent arrivals in the paper market, such as trade bills and promissory notes.

The smaller banks have been particularly aggressive in promoting the newer kinds of paper, which have enabled them to encroach onto the market shares of the bigger banks, thus challenging their capital bases and client relationships of which they cannot match in more conventional forms of lending. They have, it is said, run up huge contingent liabilities through bill endorsement, an amount which has led bankers to question their ability to meet their commitments when the market tightens, which is already happening.

The large commercial banks, which were bound under their own cartel, the Register for Co-operation (ROCO), to minimum discount rates on all market paper, retaliated at the end of October by tearing up the discount stipulations of ROCO. They then entered the market with all their resources to do battle with the smaller banks and regain their long-established market dominance.

The other threatened instrument is the overdraft. The minimum overdraft lending rate is tied to Bank rate and now stands at 9.5%. The low money market rates which have prevailed for the last two years have made it far cheaper to borrow by creating and selling paper, the forum for which is informally known as the "grey market." So overdraft business has suffered, and been further wounded by the recent practice of making very short-term loans at rates far below 12%.

The picture is of a market that has lost its head, and bankers, significantly, do not deny it. But the recent sharp rise in short-term rates has narrowed the rate differentials within which all this has flourished. So the prospect of a return to normality, say bankers, precipitated the need for self-imposed order.

Nel rejects the term "cartel," and is reluctant to even speak of an agreement. "Essentially what has happened," he says, "is that I have been authorised to recommend that all the banks operate under the same constraints as a means of protecting our two premier lending instruments."

But to the extent that this authorisation involves a minimum pricing structure, and an attempt to preserve the shape of a market rapidly being changed by market forces, there appears to be at least an agreement and at most something that looks suspiciously like a cartel in evolution. It differs from ROCO, however, in one important respect, and that is that all the banks are involved in ROCO. By contrast, is restricted to the large clearing commercial banks.

The most important aspects of the agreement cover three areas:

- Money market paper, specifically bankers' acceptances and promissory notes, will not be discounted at a commission rate of less than 1.5%. The original commission on acceptances laid down by ROCO was 1.8%. This was eschewed in October when commissions offered by the smaller banks on competing promissory notes were said to have fallen as low as 0.5%.
- The trend spilled over into the acceptance market, where below-ROCO rates preceded by some time the latest inter-bank agreement. This latest agreement means that promissory notes as well as acceptances have been brought into the ambit of inter-bank control. In effect, as Nel points out, commission rates on off-balance sheet financing have been standardised to make all the banks equally competitive.
- No cash advances for periods of less than 90 days will be made at a rate lower than the minimum lending rate of 9.5%. This does not refer to off-balance sheet lending through the grey market, but to advances that go through the banks' books. This, according to bankers, is specifically aimed at the corporate market, where by November short-term advances backed by call-deposits were being made to blue-chip clients for as low as 5.5%.
- The minimum commitment fee will be 1%. This is the fee paid by a prospective borrower for the establishment of a credit facility utilised or not, quoted as a percentage of that facility. Back-up credit facilities are a natural accompaniment to borrowing through the grey market, which means the 1% fee will have to be added to the end of this borrowing. This, says, Nel, will hopefully bring the cost of grey-market borrowing more into line with conventional (1) borrowing, and reduce its comparative attraction accordingly.

Johan Nel... retaliating to cut-throat competition
The much denied and long expected merger between Barclays Insurance Brokers (Bibasal) and Bowring's eventually came to fruition last week. The new company will be called Bowring & Barclays Associates. But happily for shareholders might be the event does underline a trend about which upholders of free competition might have misgivings.

Bland press releases provide no real explanation for the merger. They refer to the "international client" of SA's first "megabroker" (although most brokers think Price Forbes Federale Volkskas is larger in terms of size and premium income, estimated at R180m to the megabroker's R150m) and the "marketing opportunities of the country's biggest bank with acknowledged insurance broking skills".

The last of these reasons offers some inkling of the probable rationale behind the merger.

Bibasal is one of the most rapidly expanding insurance brokers in the country; a growth which, if most of those interviewed by the FM are to be believed, owes its impetus to Barclays Bank "encouraging" customers and underwriters to give Bibasal their business. At any rate, Bibasal's net profits rose by 432% from R244 000 in 1977 to R1,3m in 1979.

However, with only some 50% of its premium income derived from short-term business, Bibasal wants to develop its corporate insurance operations — doubts over the wisdom of mixing long- and short-term business notwithstanding. As a low profile performer, but with a well developed min-

And, as Alexander Hooden's Dennis Gaynor believes, the merger is a sign of the times: The market is pleased by mergers, and hence any "premium rates, high overheads, and selling profitability" managements will obtain; George H. Bowing points out the book of "collecting premiums at the point of sale" and "processing claims only".

From v. Loos, however, that bigger might produce brokers may find in competition the "probably unprofitable" end of the market, which smaller brokers could fill. Premises here.

9 I'm not sure if the merger is a sign of the times, but certainly the market is pleased by mergers, and hence any "premium rates, high overheads, and selling profitability" managements will obtain; George H. Bowing points out the book of "collecting premiums at the point of sale" and "processing claims only".

Bibasal, too, has always been keen on merging with a "big brother" to gain its "market potential". And with the merger of Barclays and Bowring's, Bibasal has achieved its aim.

9 I'm not sure if the merger is a sign of the times, but certainly the market is pleased by mergers, and hence any "premium rates, high overheads, and selling profitability" managements will obtain; George H. Bowing points out the book of "collecting premiums at the point of sale" and "processing claims only".

Bibasal, too, has always been keen on merging with a "big brother" to gain its "market potential".
the opening savers have been tired in what is generally called, not without a degree of hyperbole, the interest rate war.

The lending societies raised their rates in five deposits two weeks ago, followed in close order by the banks. One-year rates went to 8%; two-year to 7.5%; three-year in 1957. But on the leading side in a week's time it is said that there has been a reduction in the mortgage rate.

Banks say that the societies, whose mortgage business commits them to having to service a relatively fixed long-term book, generally lead the bestiality when the market is rising. The banks, being more flexible in their deposit lending relationship, are thought to be able to follow. And the general consensus is that the banks lending to lead are unimportant.

This margin principle is by now well tabled red, and goes under the guise of protecting a share. A more realistic term of the margin principle is that the banks may be in a position to reduce their loans because of the higher capital costs involved in lending.

The Bank of England's Marginal lending rate has remained at 5%, while the deposit rate is 4.5%. It is said that banks are waiting for a loan of 5% before they will lend.

Another factor that is likely to affect the margin principle is the degree of disaffection. The survey of the Bank's survey of deposit banks reveals that the banks are tight, but not tight enough to stop all lending.

The degree of disaffection is not only an indication of the banks' willingness to lend, but also of the banks' willingness to lend at a higher rate.

This margin principle is by now well tabled red, and goes under the guise of protecting a share. A more realistic term of the margin principle is that the banks may be in a position to reduce their loans because of the higher capital costs involved in lending.

The Bank of England's Marginal lending rate has remained at 5%, while the deposit rate is 4.5%. It is said that banks are waiting for a loan of 5% before they will lend.

Another factor that is likely to affect the margin principle is the degree of disaffection. The survey of the Bank's survey of deposit banks reveals that the banks are tight, but not tight enough to stop all lending.
UK Govt will not prosecute De Beers

By NEIL BEHRMANN

LONDON. — The UK government will not prosecute De Beers for its secret acquisition of shares in Consolidated Gold Fields from October 1972 to February this year.

In August, the Department of Trade inspectors said they were considering whether De Beers and Anglo were committing an offence when they surreptitiously bought the shares.

De Beers and Anglo bought a stake of 25%.

In terms of UK company law, a company must come out in the open if it buys more than 5% of another company's shares.

In a series of complicated deals, De Beers and associates bought up to 5% and then shifted the orders into the hands of another buyer.

However, at one stage, De Beers made a mistake and bought more than 5%. The company admitted the error, but technically, in terms of UK company law there was a chance that the predator would be prosecuted.

In a parliamentary answer, Mr. Reginald Eyre, Under-Secretary of State in the Department of Trade, decided against any action against dealers. The Director of Public Prosecutions agreed.

Replying to a Labour MP's question, Mr. Eyre wrote: "In the light of advice from leading counsel, prosecution proceedings will not be instituted by my department."

But the Government would examine company legislation to close loopholes. In the next Companies Bill, it is expected that buyers will be more stringent requirements on disclosure of shareholdings.

The City recently decided to ban so-called dawn raids, where companies such as De Beers swing down on the market and buy up shares from some parties, leaving other shareholders in the cold.
Last year was an eventful one. Not only did profit rise to record levels, but management finally gave the go-ahead to the sands treatment programme at Crown Mines and is investigating expanding this operation and re-starting underground mining.

Last year’s earnings rose to 50.5c (34.3c) from property sales and timber subsidiary Theens. While both property and timber operations are set to maintain these record earnings this year, the market has rated the share on a 2.8% dividend yield on gold recovery prospects.

Total property revenue in the year to end-September rose to R14m (R6.1m), while pre-tax profit was R5.6m (R3.3m). The bulk of this increase came from the sale of township land, which attracted high demand because of its proximity to Johannesburg’s city centre, says chairman Tommy Watt. This year, he expects a similar level of township sales if economic conditions remain unchanged. At year’s end RMP was left with 97.3 ha (138.6 ha) of saleable erven.

In addition, industrial land sales totalled 40.1 ha (8.8 ha) in 1980. RMP has added to its stock by buying Woodville Investments, which owns 81 ha zoned for industrial purposes.

Timber and plantation subsidiary Theens also expanded during the year with the acquisition of a sawmill and plantation operation in Kransna. Theens benefitted from the upturn in the building industry and increased profit before tax by 15.1% to R2.4m (R2.2m). Since the year-end, Theens has acquired the outstanding 75% in certain plantations in the Kransna area.

Since RMP announced it was going ahead with the treatment of 50 Mt of Crown Mines sands for gold recovery, a further 10 Mt of gold-bearing material has been identified as viable. The project,

RMP country ... as good as gold
Rates will not rise, says building society chief

By Marion Duncan

Building societies do not intend raising mortgage rates in the New Year, according to the president of the Association of Building Societies, Mr A F "Boet" Viljoen.

But he said housing loans would be more difficult to obtain in 1981.

Speaking from Cape Town, where he is on leave, Mr Viljoen denied that the association had met earlier this week and decided to submit a case for a 1.25 percent increase in mortgage rates to the Government.

He also denied the executive committee had met Government officials yesterday.

Mr Viljoen said: "We meet monthly to look at interest rates throughout the money market, but have decided nothing in regard to any change in interest rates.

"The building society movement is pulling in satisfactory amounts of money. November was a good month for investments, and we are able so far, to grant loans effectively.

"But it is no secret that the Government wishes to reduce liquidity in the country. If that is so, then banks, building societies and trust companies will find their field of operations limited with less money available for mortgage loans.

"Again the present building society interest rates for investment are facing competition from other investment sources, and the flow of money into the movement from financial institutions will be affected. But so far the inflow has been excellent," he said.

Economists in several Johannesburg building societies remain convinced that mortgage rates will rise early in the new year, but predict an increase of one percent maximum.
Tollgate gets R11m for Shield arms

BY GAIL PEMBERY

TOLLGATE has sold its insurance arm for R11,23 million. German-based Allianz Versicherungs-AG has bought both Shield Insurance and Shield Life Insurance, with effect from July 1, 1989.

In October, Tollgate — the R270-million Cape-based transport group — sold its credit arm, Golden Arrow for R92 million. This was the second biggest profit contributor.

For the year to June, the Shields made taxed profits of R760,000. So the sale will have no material effect on earnings. The cash will initially be invested in short-term deposits, so may have a marginal effect. Tollgate's net asset value will be increased by the to 37%-a-share.

The net asset value of both insurance companies was R520,000, and they generated premium income of about R20 million.

The insurance companies have not been consolidated into the group accounts, nor were any dividends received since they became wholly owned subsidiaries in 1979. This was due to the different nature of their business, say the directors.

Allianz will, according to market sources, use financial results for the purchase of Reserve Bank permission is granted.

The purchase establishes Allianz as the first German direct insurer in SA. A spokesman for Allianz said the company saw "excellent long-term opportunities for development in the growth-oriented and dynamic South African markets".

Tollgate is not prepared to divulge how it intends to use the proceeds of this sale, those of Golden Arrow, and of some commercial properties. A small insurance interest in the UK, Tollgold Insurance, and certain insurance agencies, have also been sold.

This latest deal again fuels market rumour that Tollgate is in to be split up and sold off separately, or will be subject to more bids.

Mr Jon Pickard, chairman of Pickard Investments, confirms that he is "still interested. They have now done what we wanted them to do — sell the Shield Insurance arm and Golden Arrow. By selling these arms there is now cash available to offset against the risk of the bus operation. But now that they have done that they may well decide not to sell out."

Mr Pickard is reported to have built up a stake in Tollgate.

COMMENT: It would be difficult to sell Tollgate by pieces, because of the political sensitivity of the main profit generator, the transport side. But the group now must have a substantial cash holding.

The two sales alone have raised over R28-million, and there is reportedly a loan account worth about R18-million to Golden Arrow, which must also be considered as short-term cash, so it is possible that the group now holds nearly R29-million in cash. This makes it a much more interesting takeover proposition.

However, the directors may well decide not to sell but to diversify. Either way Tollgate at R25, with net worth only of the R29,23-million received for Shield and Golden Arrow, has conservatively R25 in cash in the balance sheet.
Third party premiums may rise

By David Breier

South Africa may pay a new penalty for its climbing road toll through increased third party insurance premiums, the Minister of Transport Affairs, Mr Hendrik Schoeman, said in Johannesburg last night.

Mr Schoeman was addressing a banquet to mark the 50th anniversary of the Automobile Association in South Africa.

He said third party insurance was last increased sixteen years ago before the crash of two third party companies in the mid-sixties.

He said that although premiums were increased in 1975, later reductions effectively pegged premiums at their 1964 levels.

But this year the number of people killed or injured on the road increased by almost 23 percent.

"I can foresee that it will be my task to have to increase premiums in contrast to my fortunate predecessors," he said.

"But as the motor vehicle insurance fund has a reserve of about R96 million, an increase in premiums in the near future will not be necessary although the position must be carefully watched," he said.

Mr Schoeman also warned of possible new measures to protect the third party interests of motorists, which could further increase premiums in future.

A commission of inquiry, announced earlier this year, will now investigate this issue.

The desirability of making the "balance of third party insurance" compulsory, at present voluntary, means it would be obligatory for third party insurance to cover damage to property including motor vehicles as well as injuries and death.

"No fault"?

The possibility of introducing the "no fault" rule and making this obligatory

This rule means that a motorist at fault in an accident also receives insurance pay-outs as well as the blameless party.

Whether the present consortium of 16 third party insurers formed after the debacle in the 1960s should be expanded to admit other companies.

Mr Schoeman also said it might be worth investigating the possibility of compelling pedestrians to contribute towards the financing of the National Road Safety Council which at present receives its income from third party insurance premiums paid by motorists.

Mr Schoeman said a large number of people in road accidents were pedestrians.
Top 100 Companies Rattings, 1980

BUSINESS TIMES

December 7, 1980

TOP HUNDRED COMPANIES

relected in growth

CJint of gold is

PHILIP GIVN

Top 100 Companies Ratings, 1980

BUSINESS TIMES

December 7, 1980

TOP HUNDRED COMPANIES

relected in growth

CJint of gold is

PHILIP GIVN
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Shares</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pick 'n Pay Stores Ltd</td>
<td>34.1</td>
<td>7 (37.1)</td>
</tr>
<tr>
<td>Seareis Holdings Ltd</td>
<td>33.8</td>
<td>9 (34.6)</td>
</tr>
<tr>
<td>Press Supplies Holdings Ltd</td>
<td>32.6</td>
<td>—</td>
</tr>
<tr>
<td>General Erection Holdings Ltd</td>
<td>31.3</td>
<td>2 (41.6)</td>
</tr>
<tr>
<td>Mathieson &amp; Ashley Ltd</td>
<td>29.7</td>
<td>—</td>
</tr>
<tr>
<td>Kanhyim Investments Ltd</td>
<td>29.3</td>
<td>71 (8.8)</td>
</tr>
<tr>
<td>Amalgamated Retail Ltd</td>
<td>28.5</td>
<td>23 (22.6)</td>
</tr>
<tr>
<td>Micor Holdings Ltd</td>
<td>28.4</td>
<td>—</td>
</tr>
<tr>
<td>Kohler Brothers Ltd</td>
<td>28.2</td>
<td>30 (20.8)</td>
</tr>
<tr>
<td>Sentrust Ltd</td>
<td>27.8</td>
<td>81 (6.9)</td>
</tr>
<tr>
<td>The Natal Chemical Syndicate Ltd</td>
<td>27.1</td>
<td>11 (33.4)</td>
</tr>
<tr>
<td>General Mining Union Corporation Ltd</td>
<td>26.9</td>
<td>54 (11.9)</td>
</tr>
<tr>
<td>Silverton Tannery Ltd</td>
<td>25.4</td>
<td>72 (7.1)</td>
</tr>
<tr>
<td>Union &amp; London Investment Trust Ltd</td>
<td>25.4</td>
<td>46 (14.5)</td>
</tr>
<tr>
<td>Associated Furniture Companies Ltd</td>
<td>25.2</td>
<td>69 (9.5)</td>
</tr>
<tr>
<td>Metals &amp; Minerals Investment Corp. Ltd</td>
<td>24.8</td>
<td>32 (20.6)</td>
</tr>
<tr>
<td>Asea Electric South Africa Ltd</td>
<td>24.2</td>
<td>3 (41.5)</td>
</tr>
<tr>
<td>Cullinan Holdings Ltd</td>
<td>24.1</td>
<td>28 (21.6)</td>
</tr>
<tr>
<td>Diorat Investments Ltd</td>
<td>24.0</td>
<td>51 (18.8)</td>
</tr>
<tr>
<td>Trek Belleggings Beperk</td>
<td>23.8</td>
<td>44 (15.8)</td>
</tr>
<tr>
<td>Chemical Holdings Ltd</td>
<td>23.7</td>
<td>97 (4.3)</td>
</tr>
<tr>
<td>The Argus Printing and Publishing Co. Ltd</td>
<td>23.5</td>
<td>77 (7.4)</td>
</tr>
<tr>
<td>A B C Shoe Corporation Ltd</td>
<td>23.3</td>
<td>26 (22.1)</td>
</tr>
<tr>
<td>Otis Elevator Company Ltd</td>
<td>23.2</td>
<td>5 (39.1)</td>
</tr>
<tr>
<td>C N A Investment Ltd</td>
<td>23.0</td>
<td>29 (15.9)</td>
</tr>
<tr>
<td>Shulton Africa Ltd</td>
<td>22.6</td>
<td>—</td>
</tr>
<tr>
<td>Highveld Steel &amp; Vanadium Corp. Ltd</td>
<td>22.0</td>
<td>40 (16.5)</td>
</tr>
<tr>
<td>Consolidated Gold Fields</td>
<td>21.6</td>
<td>—</td>
</tr>
<tr>
<td>The Standard Brass Iron &amp; Steel Foundries Ltd</td>
<td>20.8</td>
<td>20 (25.1)</td>
</tr>
<tr>
<td>The Cementation Company (Africa) Ltd</td>
<td>20.4</td>
<td>34 (19.8)</td>
</tr>
<tr>
<td>S.A. Bias Binding Manufacturers Ltd</td>
<td>20.4</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Shares</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo American Corporation of South Africa Ltd</td>
<td>20.3</td>
<td>61 (10.7)</td>
</tr>
<tr>
<td>World Furnishers Group Ltd</td>
<td>20.3</td>
<td>72 (8.5)</td>
</tr>
<tr>
<td>T.B. Beckett and Company Ltd</td>
<td>20.0</td>
<td>15 (27.4)</td>
</tr>
<tr>
<td>African Oxygen Ltd</td>
<td>19.9</td>
<td>22 (22.2)</td>
</tr>
<tr>
<td>Protea Holdings Ltd</td>
<td>19.7</td>
<td>—</td>
</tr>
<tr>
<td>M &amp; S Spitz Footwear Holdings</td>
<td>19.6</td>
<td>38 (16.9)</td>
</tr>
<tr>
<td>South African Associated Newspapers Ltd</td>
<td>19.4</td>
<td>—</td>
</tr>
<tr>
<td>Industrial &amp; Commercial Holdings Group Ltd</td>
<td>19.1</td>
<td>31 (20.7)</td>
</tr>
<tr>
<td>Coronation Brick Free State Ltd</td>
<td>18.5</td>
<td>37 (17.3)</td>
</tr>
<tr>
<td>Edgars Stores Ltd</td>
<td>18.5</td>
<td>67 (10.0)</td>
</tr>
<tr>
<td>Vereeniging Refractories Ltd</td>
<td>17.9</td>
<td>89 (5.5)</td>
</tr>
<tr>
<td>National Selections Ltd</td>
<td>17.7</td>
<td>99 (4.0)</td>
</tr>
<tr>
<td>Anglo American Industrial Corporation Ltd</td>
<td>17.5</td>
<td>63 (10.5)</td>
</tr>
<tr>
<td>Sentrachem Ltd</td>
<td>17.5</td>
<td>95 (4.4)</td>
</tr>
<tr>
<td>Blakie Johnstone Ltd</td>
<td>17.1</td>
<td>—</td>
</tr>
<tr>
<td>Foschini Ltd</td>
<td>16.6</td>
<td>36 (17.7)</td>
</tr>
<tr>
<td>Rembrandt Controlling Investments Ltd</td>
<td>16.5</td>
<td>—</td>
</tr>
<tr>
<td>Nampak Ltd</td>
<td>16.3</td>
<td>—</td>
</tr>
<tr>
<td>Anglo American Gold Investment Co. Ltd</td>
<td>16.1</td>
<td>—</td>
</tr>
<tr>
<td>Blue Circle Ltd</td>
<td>16.1</td>
<td>50 (13.2)</td>
</tr>
<tr>
<td>Bradlows Stores Ltd</td>
<td>16.1</td>
<td>—</td>
</tr>
<tr>
<td>Tiger Oats and National Milling Co. Ltd</td>
<td>15.9</td>
<td>32 (20.6)</td>
</tr>
<tr>
<td>The Tongaat Group Ltd</td>
<td>15.7</td>
<td>39 (16.7)</td>
</tr>
<tr>
<td>Industrial Selections Ltd</td>
<td>15.6</td>
<td>92 (4.8)</td>
</tr>
<tr>
<td>Bournat Ltd</td>
<td>15.3</td>
<td>—</td>
</tr>
<tr>
<td>Alex Lipworth Ltd</td>
<td>15.2</td>
<td>—</td>
</tr>
<tr>
<td>Grinaker Holdings Ltd</td>
<td>15.0</td>
<td>85 (6.0)</td>
</tr>
<tr>
<td>Beares Ltd</td>
<td>14.9</td>
<td>42 (16.5)</td>
</tr>
<tr>
<td>Dermacut Ltd</td>
<td>14.8</td>
<td>86 (5.9)</td>
</tr>
<tr>
<td>Barlow Rand Ltd</td>
<td>14.0</td>
<td>57 (11.2)</td>
</tr>
<tr>
<td>Sappi Ltd</td>
<td>13.7</td>
<td>—</td>
</tr>
<tr>
<td>Evelyn Haddon &amp; Co. Ltd</td>
<td>13.5</td>
<td>—</td>
</tr>
<tr>
<td>Suncrush Ltd</td>
<td>13.4</td>
<td>—</td>
</tr>
<tr>
<td>Elerine Holdings Ltd</td>
<td>13.2</td>
<td>60 (10.9)</td>
</tr>
<tr>
<td>Everite Ltd</td>
<td>13.1</td>
<td>—</td>
</tr>
<tr>
<td>General Optical Co Ltd</td>
<td>12.7</td>
<td>75 (8.2)</td>
</tr>
<tr>
<td>Micor Holdings Ltd</td>
<td>12.6</td>
<td>—</td>
</tr>
<tr>
<td>Union Wire Ltd</td>
<td>12.6</td>
<td>—</td>
</tr>
<tr>
<td>LTA Ltd</td>
<td>12.2</td>
<td>—</td>
</tr>
<tr>
<td>Duiker Exploration Ltd</td>
<td>12.1</td>
<td>4 (41.4)</td>
</tr>
<tr>
<td>Woolworths Holdings Ltd</td>
<td>11.8</td>
<td>59 (11.0)</td>
</tr>
<tr>
<td>First Union General Investment Trust Ltd</td>
<td>11.7</td>
<td>88 (5.8)</td>
</tr>
<tr>
<td>The Imperial Cold Storage and Supply Co Ltd</td>
<td>11.5</td>
<td>48 (13.5)</td>
</tr>
<tr>
<td>National Bolts Ltd</td>
<td>11.5</td>
<td>—</td>
</tr>
<tr>
<td>Edward L. Basteman</td>
<td>11.3</td>
<td>18 (26.6)</td>
</tr>
<tr>
<td>The South African Breweries Ltd</td>
<td>11.3</td>
<td>74 (8.3)</td>
</tr>
<tr>
<td>Golden Brown Brick &amp; Tile Co. Ltd</td>
<td>11.1</td>
<td>63 (10.5)</td>
</tr>
<tr>
<td>African Gate Holdings Ltd</td>
<td>10.8</td>
<td>79 (7.0)</td>
</tr>
<tr>
<td>The Common Fund Investment Society Ltd</td>
<td>10.5</td>
<td>—</td>
</tr>
<tr>
<td>Pretoria Portland Cement Co. Ltd</td>
<td>10.5</td>
<td>—</td>
</tr>
</tbody>
</table>
Deur GERT MARAIS

FEDERALE VOLLESBELEGGENS het sy toekrybare wins in die ses maande tot einde September met 107 persent verhoog van R4,63 miljoen tot R10,86 miljoen. Dit is 'n duidelijke teken dat die restruktureringsproses dit jaar besig was suksesvolafgehandel is.

Tertydens voorstel die direksie 'n winststiging vir die volle boekjaar van naasentebie die selde as verledie jaar, naamlik 70,5 persent.

Hierdie voorspelling mag dalk konserwafewees, maar nogtans sal dit die groei se toekrybare verdienste vir die volle boekjaar tot sowat R20 miljoen opstoot. Hierdie sal FVD hom nie net as een van die groot en sterker neerwagingsgroepies in die land veral nie, maar ook as winstgevend in eie reëls na die inkomst van 1977.

Die tussentydse dividend is met 50 persent van 8c tot 12c verhoog, terwil die verdienste per aandeel met 109 persent van 10,4c tot 30,5c gestyg het. Die verdienste per aandeel het stadios as die toekrybare wins gestyg omdat meer aandele nou uitgerikel is. Byna al die bedryfsmatigkappe in die groep het heelwat beter gevaar, veral die ontnemende filiale, waar Fedford en Federmenee Schoone Beleggings verleen jaar vir 71 persent van die gebaat solideerde wins verwoorde, met die spoedigste 3 Jean. Die ander drie beleggingsgevalle, naamlik nywerheids-, elektroniëse en dienstebedrywe, het teenwoordig verhoog in alle gevalle.

Die herstructurering van die laatste tyd het FVD se inkomensbasis dus aansienlik uitgebrei. In die toekomslike beoordeling van die groep sal goed na die beheer van die ontnemende filiale gekeek moet word, want hulle gow die verdienste nog 'n diepte wat nie voorheen bestaan het nie.

Veral drie van die ontnemende filiale kan uitgeken word:
- Federmenee Schoone Beleggings in TV en kleinskapsverkoop, wat almal goeie resultate gelever. Hierdie bedryf groei teenwoordig.
- Fedford: Hierdie maatskap is nou die leier in die trekkersmark en het ook baie goeie reaksies behaal.
- Federmenee: Die postnie het omgekeerd van byna geen winstbydra in die verleen jaar na 'n beteknende winst gekry.

Afsonderlyn van restrukturering het die opkomst in die ekonomiese aansienlike voordeel vir die groep gebring. Continental China, die enigste uitsondering, is swaar verder onder 'n reeks streke.

Die grootste prestatie van die vergelyksee hoër wins sal waarskynlik opgesteld in die hoër verdienste en gene omkomstig die reëls van die vergelyk toe die syfers hierbo naasentebie. Deel 1 word, sal die opbrengs op die gemiddelde gene omkomstig die aandelverkopers tot rofweg 8c persentynnig.

Dit sal nie net ver beter wees as 1978 en 1979, maar ook as 1977 se 8,2 persent nie, maar die groei onder aanvaarbare syfers bring.

Barlowe se jongste opbrengs van 180 persent is selfs beter en FVD se vergelyk 20 persent. Dit is miskien 'n onverwacht resultaat, maar met sy jongste vergelyk syfers benew FVE nie dat hy saam met die toepassing van die land gereeld kan word.

### Tabel

<table>
<thead>
<tr>
<th>Verband</th>
<th>Termyn</th>
<th>Huldie koere</th>
<th>Styging van 1%</th>
<th>Styging van 1,5%</th>
<th>Huldie Fasemant per maand</th>
<th>Paasement op 1% styging (A)</th>
<th>Salaris styging benodig op A</th>
<th>Paasement op 1,5% styging (E)</th>
<th>Salaris styging benodig op E</th>
</tr>
</thead>
<tbody>
<tr>
<td>R20 000</td>
<td>30 jf.</td>
<td>9,5%</td>
<td>10,5%</td>
<td>11,5%</td>
<td>R1203</td>
<td>R283</td>
<td>R50 p.m.</td>
<td>R50 p.m.</td>
<td>R283</td>
</tr>
<tr>
<td>R30 000</td>
<td>25 jf.</td>
<td>10,0%</td>
<td>11,0%</td>
<td>11,5%</td>
<td>R273</td>
<td>R284</td>
<td>R54 p.m.</td>
<td>R54 p.m.</td>
<td>R284</td>
</tr>
<tr>
<td>R40 000</td>
<td>20 jf.</td>
<td>10,5%</td>
<td>11,5%</td>
<td>12,0%</td>
<td>R899</td>
<td>R427</td>
<td>R112 p.m.</td>
<td>R112 p.m.</td>
<td>R427</td>
</tr>
<tr>
<td>R50 000</td>
<td>15 jf.</td>
<td>11,0%</td>
<td>12,0%</td>
<td>12,5%</td>
<td>R510</td>
<td>R140 p.m.</td>
<td>R140 p.m.</td>
<td>R140 p.m.</td>
<td>R510</td>
</tr>
<tr>
<td>R60 000</td>
<td>20 jf.</td>
<td>11,0%</td>
<td>12,0%</td>
<td>12,5%</td>
<td>R510</td>
<td>R140 p.m.</td>
<td>R140 p.m.</td>
<td>R140 p.m.</td>
<td>R510</td>
</tr>
</tbody>
</table>
Company 'chose the correct industries to concentrate on'.

Federale's all-round success.

By John Spire

Outstanding interim results from the Federale group contain the news that attractable profits for the six months to September 30 rose by a steep 137% to R190.9 million.

Earnings per share rose 100% to 40.5c, while the interim dividend has been increased from 8c to 12c.

The interim report says that the excellent figures are indicative of the extent to which the companies in the group availed themselves of the opportunities presented by the current economic climate.

It adds: "It is expected that the profits of the group will not grow at the same rate in the second half of the financial year as they did in the first half. Indications are, however, that the group will also perform exceptionally well in the current six-month period."

The distribution for the 12 months to March 1989 is expected to rise by the same percentage as last year.

Vice-chairman and managing director Dr C.F. Hahn tells Business Day that virtually every company in the group performed well, and he draws attention to the fact that the percentage increase in earnings per share is considerably more than those of Federale's listed subsidiaries already announced.

He observes, however, that the most recent results show that the industries on which Federale chose to concentrate have proved to be the correct choices.

Not only is the profitability of the chosen sectors satisfactory, but the possibilities for growth in the motor, plant, chemical, engineering, electronics, services and consumer-oriented industries are very promising.

Federale Electronics has not only increased its share in the market for telecommunications equipment, but also reduced particularly well. The company operates in a strongly growing industry and has the necessary technology and a wide range of products at its disposal.

Federmed is achieving particularly good results, while Matsells is now making profits after having contributed virtually nothing in the past.

The sharp increase in earnings for the past six months (when compared with the comparable 1988 period) must be viewed in the light that the results for the earlier period constituted a relatively low base.

Dr. Hahn comments that the high rate of growth of the past six months will not be maintained in the current six months.

However, the expectation that 1989 will bring a rate of growth equivalent to that achieved in 1988 suggests that earnings for the current financial year will top the R200m mark.

Source: Sowetan, 1989

Figure 1 is a histogram representing transfer incomes and earnings of Africans. It records the transfer earnings (pensions, unemployment insurance, maintenance and disability

4000
I am a marketplace politician...

It is right and proper that industry should be on the side of the South African Government, but to what extent? That is the question that must be answered.

But that is not enough. We must also be part of the solution. We must be part of the movement that is bringing about a better future for all.

Join me in a shared future.

By MANGOSUTHU C. BUTHELEZI

Chief Minister of KwaZulu and President of Inkatha

This article has been excerpted from Chief Buthelezi's speech at the Sunday Times Top 100 Companies dinner in Johannesburg this week.

To opt in to this movement, you must first join. We must be part of the solution.

We must be part of the movement that is bringing about a better future for all. We must join in a shared future.

Ideal

Inkatha struggles to keep its identity intact. It cannot be converted into a political party, but it remains a political movement. It is a voice for the people, a voice for the future. It is a voice for a better future for all.

We must join in a shared future. We must be part of the solution. We must opt in to this movement.

Inkatha struggles to keep its identity intact. It cannot be converted into a political party, but it remains a political movement. It is a voice for the people, a voice for the future. It is a voice for a better future for all.

We must join in a shared future. We must be part of the solution. We must opt in to this movement.
City firm's party only for whites

THE first time 45 employees of a national insurance company SA Eagle Insurance Company, heard about their company's end-of-year staff party was yesterday - two days after the event had taken place.

Last Saturday while the 60 white members of the company were enjoying wine and dining at the exclusive Kelvin Grove Club in Newlands, their 45 black colleagues were engaged in other activities, unaware that the event was taking place.

They had not been invited or informed about the staff party. They heard about it for the first time yesterday when the other staff members without batting an eyelid told about the 'swell time' they had had.

The managing director of SA Eagle, Mr. P. Haslett, said in Johannesburg that he was surprised that such a party could have taken place.

"It is definitely not in accordance with our company policy. We are a multiracial company," Mr. Haslett said.

"The only way to overcome this obstacle was to have a cocktail party. I will look into the matter," The Western Province Sports Club, better known as Kelvin Grove, has international status.

It may serve drinks, refreshments and meals to blacks with one restriction - that there should be no dancing in the part of the premises where blacks are present.

The regional manager of the SA Eagle Insurance Company, Mr. G. P. Murphy, said in Cape Town today that the company held the 'swell time' party because there were no other options open to it.

He said it was unfortunate that facilities where women could go to dance were not open to Africans.

We cannot condone this kind of achievement of a group of whites who have no right to be so great as some others. But even if there is a slight shortage in the 1970 team, it is needed to be defended and must go to more strenuous efforts to be found from 21.00 to 28.00. We must grow only by 33 per cent and not two or female.
demand, but he thinks it will level off next
year. "Talk is deposit amounts will in-
crease, as will interest rates." The pre-
sent arrears situation, he says, is very
satisfactory. However, he agrees that peo-
ple tend not to budget for inflation, which
could "cause problems downstream. But
our credit evaluation is very tight. We
watch it all the time."

Credit card usage increased dra-
matically this year, but Standard Bank card
division GM, Randie Carter, says: "Today
cards are used as a payment mechanism.
There's a low increase in credit usage."

Standard Bank's card usage, says
Carter, is up 40% this year, and its card
base grew 78%. The average balance on
statements is up 15%, this year. He claims
all credit cards still represent a low 8%-9%
of total retail turnover. "And at the
outside, the industry has R350m outstand-
ing on its books."

Barclaycard's GM Collin Gregor says
94% of card payments are settled in full
within 25 days of receiving state-
ments. "That's not granting of credit."
There have been no fireworks in card
usage this year, he says.

The bad debt situation improved further
and is "well below the international aver-
age of just over 1%," Gregor turns down
57% of card applicants. "We've become a
little bit selective," he says.

Gregor says growth this year has not
been spectacular, despite the fact that
"we've never seen a boom like the one
we're experiencing now. There's been a
nice movement in cards, but nothing to go
into orbit about."

In the US, says Gregor, card usage
represents 19%-20% of overall retail
spending. In SA, he estimates, it's no
more than 8%.

Edgars reports 70% of sales are credit
sales. But, says MD Adrian Bellamy,
there is no rise in bad debt levels to
indicate that people are in trouble. "The

The HP book of one bank increased by
over 54% in the first 15 months of this
year, 65% on an annualized basis. One
banker estimates HP books from all banks
now total R1 billion, compared to
September 1979's R14 billion.

Wage increases and tax cuts introduced
earlier this year, he says, allowed con-
sumers to buy cars and furniture with the
extra disposable income. However, he ex-
pects demand growth for HP finance to
level off from this year's high 85% to
about 55% in 1981.

Another banker admits the last year has
seen a very substantial increase in HP
Further pointer to dearer money

By ALEC HOGG

FURTHER support for a sharp rise in money market rates comes in Senbank's capital market report. The bank says the money market will be affected not only by the Government's restrictive monetary policy, but by the withdrawal of long-term funds from the short end of the market.

Substantial switching between the long-term and short-term markets and a fluctuating gold price will contribute to the volatility of interest rates in the next 12 to 18 months, it concludes.

In mid-October, the Governor-elect of the Reserve Bank, Dr Gerhard de Kock, told the Economic Society in Johannesburg that all measures or practices which directly or indirectly affected interest rates would have to be substantially modified if not abolished.

The market expects that soon after Dr De Kock takes over at Church Square, he will enforce some of these measures.

Institutions are looking for a significant reduction in prescribed asset requirements, and long-term rates have over the past few months discounted this.

The long-dated RSA rate has risen from 9.54% in June to 11.50%.

While it is believed most of the rise in long-term rates has occurred, economists and money market investors are looking for substantial increases in short-term interest rates.

Money market rates were kept low because of pressure put on them by excess liquidity which flowed in through the high gold price.

The institutions' decision to keep funds as short as possible, with the object of pushing up long-term rates by staying out of the capital market, has also helped to keep money market rates artificially low.

But with long-dated rates now looking attractive once more, and with many controls expected to be removed shortly, short-term rates should rise sharply.

Senbank's senior economist, Mr Louis Geldenhuys, has predicted a three-month Treasury bill rate of 9% by the end of 1983 — compared with the present 5.68%. But other economists believe he is a little conservative.
Santam to pull out of Zimbabwe

Own Correspondent

SALISBURY — Santam insurance company which is phasing out its Zimbabwe operations from January next year, will take about a year to wind up its business. The Cape Town head office has given no reason to the staff here for the move.

The manager for Zimbabwe, Mr R. C. Sierwright, said the company would not underwrite any more business as from January.

"However we will continue to deal with all claims and amendments to existing policies before their 1981 renewal date."

The largest quoted insurance company in South Africa, Santam deals only in non-life business.
Exchange control will be around a while yet

The sharp tumble in the gold price should serve as a strong caution against extravagant expectations of exchange control removals next year. Logically, of course, the two need not be closely connected.

The case for eating or sweeping away controls must depend on broad principles, not on the vagaries of one year's balance of payments aturn.

In practice, however, the Government is unlikely to be persuaded in favour of a hol-fire of controls if the gold and foreign exchange reserves are already under pressure from a deficit on the current account of the balance of payments.

Whether such a deficit will develop next year depends essentially on gold.

We know from past experience that gold could easily bound up $300 or so at the drop of some new international crisis from oil or whatever.

Equally, it could remain depressed for some while by tight money-high interest rate policies in the United States and other key Western countries.

But a current deficit clearly could occur, even a sizeable one, and that is bound to weigh heavily with a Cabinet which is still largely mercantilist in spirit.

It is highly arguable, in any case, about how far exchange controls can sensibly be dismantled.

There is a tendency to argue that South Africa has big problems because of exchange controls.

It is more pertinent, I think, to say that South Africa has exchange controls because it has big political problems.

The controls are more of a symptom than a cause.

Trying to draw exchange control policy lessons for South Africa from Western industrial countries or special situations, such as Hong Kong or Singapore, can be extremely misleading.

Money leaves South Africa out of fear of revolution, not to escape ruinous financial policies.

Whatever the merits of the issue, however, I suspect that too much is being assumed about the second report of the De Kock Commission, now expected towards the middle of next year.

Clearly, the commission will recommend a variety of exchange control relaxations.

It may well also make some extremely bold proposals about the eventual aim of scrapping most controls, ending the financial rand and having a unitary market-related rand.

If so, this will attract headlines here and overseas. Do not be deceived.

Theoretical goals are one thing. Actions are another. I will be very, very surprised if what flows from the De Kock report is anything like as radical as now seems widely supposed.

Certainly, I will be astonished if there is any major relaxation in the short or even medium term in what has to be the crucial issue — the right of South African residents to move money permanently out of the country.

Remember, what is now being particularly talked about is whether or not the private sector should have greater opportunities to invest funds overseas on a temporary basis, always recallable.

There is a case to be made for giving all people the right to move money in and out of South Africa without hindrance and with a free, floating exchange rate as the supposed regulator.

But it is not a case that is going to get to first base with the Government.

We also need to keep another matter in perspective.

For some time now Dr Gerhard de Kock, the Governor designate of the Reserve Bank, has been drawing attention to the fueling of inflationary pressures through present exchange controls.

He has argued that these controls have greatly exacerbated an excessive build-up of domestic liquidity by damming up funds within the country while there is a huge surplus on the current account of the balance of payments. Most private sector economists agree with him although Dr T W de Jongh, the retiring Governor of the bank, offers a different diagnosis.

I agree with Dr de Kock. But I think we should be careful of pushing the argument too far. Of seeing exchange controls as the overwhelming cause of our inflation.

The accompanying table shows the absurd over-simplification of the argument.

The accompanying table shows the absurd over-simplification of the argument. The accompanying table shows the absurd over-simplification of the argument. The accompanying table shows the absurd over-simplification of the argument.

How much money supply causes inflation and how much it reflects it.

What is common cause is that money supply and inflation are linked.

Inflationary pressures can, therefore, be seen by money supply figures.

The table shows huge rises in money supply, and in the consumer-price index, in 1973, 1974 and 1975.

Yet in both those years there was actually an outflow of funds as measured by changes in the net gold and foreign exchange reserves.

Also, it was the huge outflow of reserves in 1976 that necessitated rather than caused a stringent clamp on domestic monetary policy.

The aggravating effect of the reserves rise on money supply this year can certainly be seen, however.

It must surely make sense to modify the exchange control policies that have produced this situation.

But anyone who thinks exchange control abolition is a miraculously cure that should consider one other vital point.

If one argued that the appreciation of the foreign exchange value of the rand has helped to restrain inflation this year.

A drastic sweeping away of exchange controls would surely cause at least a sharp initial drop in the value of the commercial rand. Look at the 30% discount of the financial rand.

This would reinforce inflation.

On the other hand, if gold does go into decline and thus the current account balance of payments into deficit this will automatically reverse (subject to capital account policy) the inflation-push position of this year.

The De Kock report will recommend relaxations in exchange controls.

But a major distinction will be made between long-term goals and immediate changes.

Much good can and almost surely will flow from this report. But let us not squander too much good even with the best of intentions.
We launched reports were watered down

Michael J. Grimm

When and what should the rocket fire? This was the crucial question. We needed a way to synchronize the rocket's launch with the center of the impact area. We had to determine the exact moment when the rocket would hit the ground, and we had to make sure that the rocket was on-target. This was a critical issue, and we had to solve it quickly.

The BFR-1 had been designed with two primary objectives in mind: to deliver a payload to low Earth orbit and to provide a reusable launch vehicle. We knew that the BFR-1 was capable of achieving these objectives, but we also knew that we had to make some adjustments to the design in order to make it work.

The BFR-1 was a complex machine, and it required a lot of preparation before it could be launched. We had to ensure that every component was in working order, and we had to make sure that the rocket was properly fueled and loaded.

We also had to consider the environmental impact of the rocket's launch. We knew that we had to be careful not to cause any damage to the surrounding area, and we had to make sure that the rocket was launched in a way that would minimize any potential risks.

In the end, we were able to successfully launch the BFR-1 and achieve our objectives. The rocket was able to deliver a payload to low Earth orbit, and it proved to be a reliable and reusable launch vehicle. We were able to complete our mission, and we were proud of the work that we had done.
Braving a new world

It is not unusual for the discount houses — the heart of the money market — to witness a rapid erosion of capital asset values when internal rates rise steeply, as they are doing now. But it is always a challenge for them. Next year when the final report of the De Kock commission into monetary matters is released, this challenge may be even greater.

At present the discount houses, along with the National Finance Corporation (NFC), are the main vehicles whereby temporarily idle funds in the banking system are channelled into short-term productive assets. Discount house men are reluctant to speculate about the new look the market may have a year from now, but they do allow themselves to make several leading assumptions. One of these is that the NFC may disappear entirely.

A public/private sector hybrid, the NFC was created by the monetary authorities in 1974 to develop a local money market, and to assist the Reserve Bank's function as regulator of the banking system. Over the years its prime function has evolved to that of a borrower-of-last-resort. The extent to which the discount houses are able to absorb surplus funds is limited by their capital and reserve bases at a 5:1 ratio. When they are fully borrowed, which is often, the NFC takes those surplus funds from the banks and large companies on call deposit. But sometimes government cannot resist the temptation to use these funds to finance cheaply its own expenditure.

Greater scope

Should the NFC go, the scope for the discount houses would be much greater. But they would either have to capitalise further, or their reserve/loan ratio would have to change. Both options would mean larger day-to-day operations for them and consequently greater risks.

Some idea of the volume change can be gleaned from the fact that the houses, in the extremely liquid market of the last few months, have been able to borrow up to about R1 000m. But about twice that amount is expected to flow to the Exchequer in tax payments at the end of February next year, funds which will be kept before that date in a liquid form in the houses, the banks, the NFC and in the Reserve Bank's February-dated tax bills.

The discount houses, even assuming changes in capitalisation and ratios, could hardly expand sufficiently in the short-term to deal with a doubling of the market. Discount house dealers agree that without the extra escape valve of the NFC, something would have to be done about the huge seasonal flows of money from the private sector to the government.

This has long been a bone of contention, one oft-mooted solution to which is that the government banks more with the private sector banking system and less with the Reserve Bank. This would mean that tax funds remain in the banking system, and withdrawals of cash from it could be made more selectively, as an added plank in monetary policy, similar to the system practised in Canada. A rising rand would also reduce the cash build-up in the system.

More active role

Even assuming this, there is still scope for the Reserve Bank to play a more active role in the smoothing out of daily and monthly fluctuations. This would entail striking a delicate balance between being a lender of last resort at penal rates, and being a buffer against structural distortions in banking liquidity, the penalising of which would not be wholly justifiable.

But a more central role for the Reserve Bank in the mechanism used to reduce fluctuations in the system would, if applied in an enlightened way, provide an important means of communicating monetary policy through interest rates. A necessary adjunct of this, and one to which De Kock is expected to stress, would be more sophisticated open market operations, which in turn implies a larger, more varied government stock portfolio.

Another expected change post-De Kock is the disappearance of the liquid asset reserve system, which, as it stands, creates a special role for the houses, since deposits with them are counted as liquid assets. And this role is extended by the fact that the banks frequently adjust their liquid asset portfolios relative to fluctuations in liabilities, which is where much of the houses' day-to-day business comes from.

A move towards a cash reserve system would mean a reduced liquid asset market, and reduced dependence of the banks on the discount houses. A larger percentage of bank funds, now placed on call with the houses, would be locked in interest-free deposits with the Reserve Bank. As the houses stand at the heart of the money market, a smaller flow of funds to them could introduce a less consistent demand pattern in the market, and rates might be more volatile.

Bond market

De Kock also holds a key to the development of the bond market, in which the houses, dealing as principals and therefore without brokerage fees, expect to play an increasing role. A move to a market-orientated system of monetary control, with its emphasis on the active trading of stocks in open-market operations, would be an important stimulus for the bond market.

So although the immediate future of the discount houses is one expected by a string of "if" and "then", there is room for caution. Fortunately, as December points out, the discount houses remain "vital".
De Villiers fumbles

New Commerce Minister Dawie de Villiers has made his first move. He has promulgated regulations which could curb consumer credit. That is not, and never has been, his department's function.

The regulations under the Credit Agreements Act, which is supposed to protect legal obligations of consumers under hire-purchase agreements, are so sweeping that they could be used as an instrument of monetary policy.

They represent, moreover, the third attempt by his department to circumscribe credit card transactions. The earlier misconceived attempts had to be withdrawn.

The regulations under this Act appeared in the December 13 Government Gazette. Although woolly in intention and of little immediate practical effect on credit card business, other than to subject retailers and credit card companies to onerous official inspections and report preparation, they are a potential threat.

The credit card industry has "as a matter of principle" briefed a counsel to attempt to have the department revoke the regulations.

From March next year, credit card holders who purchase certain items on deferred payment terms will technically have to pay a deposit of 10%. This applies to goods ranging from furniture to costume jewellery. As there is no minimum price below which scheduled goods will be exempt, even cheap articles are affected.

In practice this might make little immediate change to credit card transactions as the card holder will have paid the equivalent of the required deposit within a three month period after the date of purchase as part of his normal obligations to the card company. According to the regulations a transaction settled within three months is regarded as cash.

The regulations also require that retailers who give six months credit to approved customers demand deposits on the scheduled items or else reduce their credit period to three months.

Says a department spokesman: "The regulations were promulgated because credit card holders have an easier time than those without credit cards.

If government is to curb credit we must not let the emphasis fall only upon the lower income groups who must buy on hire purchase as they do not qualify for credit cards."

Department spokesmen have hinted that another reason for the regulations is to reduce consumer spending by making credit more difficult to obtain, and to cut down on the number of credit card holders who remain perpetually in debt.

If this is indeed the motivation behind the regulations, then de Villiers had better learn that it is not his job to take on the functions of the Department of Finance and the Reserve Bank.
Wesbank tops a billion

By ALEC HOGG

The Barclays Western Bank (Wesbank) recovery looks to be complete and it is expected to make a substantial contribution to group profits in the year to December 31.

On a management accounting basis, which excludes outstanding finance charges, Wesbank's assets will have risen by more than R450-million (60%) to R1,023-million in the year to December 31.

Mr Chris Ball, who guided the bank through its difficult days, said in Johannesburg yesterday that profits would be "significantly" higher this year than the R20,300,000 (pre-tax) earned in the 19 months to December 31, 1979.

Mr Ball said Wesbank had cornered nearly 20% of the total instalment debtor market — well ahead of the eight other general banks which competed in this field.

When Barclays Bank took over the then Western Bank in June 1974, its share of the market was 5%.

In 1977, which was the first year Wesbank contributed to group profits, total assets stood at R302,768,638.

This growth was made even more remarkable by the fact that Wesbank's business was confined to the vehicle financing market, of which it had a 30% share, he said.

Mr Ball, who handed over the chief executive's reins to Mr Denis O'Brien at the beginning of December, attributes Wesbank's success to staff motivation, specialisation, and high credit passing standards.

The bank's spectacular growth over the last year, he said, was helped along by booming vehicle sales.

In the first 11 months of this year, the motor industry sold 36% more cars and 26% more commercial vehicles than in the corresponding period in 1979.

Wesbank outperformed its competitors, paying out 43% more on vehicle credit in real terms than it did in the first 11 months of 1979, indicating increased penetration this year.

It is estimated that one out of every eight vehicles on South Africa's roads is financed by Wesbank.

One could argue that Wesbank has placed itself in a position where it is vulnerable to bad debts. Mr Ball contends, however, that business has been undertaken within the bank's tight standards.

Wesbank had set high motor vehicle and credit stipulations, said Mr Ball and the group's bad debt ratio was well within the market norm.

Notwithstanding the growth of the group, staff had been streamlined from 2,200 employees in 1975 to 1,000, and the average number of transactions each staff member handled now was 11 times more than it was in 1976.

Mr Ball, who leaves South Africa to take up a senior position in Barclays Bank Limited, London, in the new year, said 1980's growth was unlikely to be repeated next year.

The major reason was the rising interest rate cycle which was now in full swing.

He said the average life of Wesbank's leasing agreements was 27 months, and it was consequently forced to invest in shorter-dated paper on the money market.

Capital losses were accepted as normal when interest rates rose, and this led to a slowing in the growth of profits.

Mr Chris Ball...off to London

Mr Denis O'Brien...new man at the top
BUILDING SOCIETIES TO PAY MORE --

By Alan Cooper — Property Editor

THE New Year will bring a little happiness to the small investor and a little gloom for the man with a mortgage. Investment and mortgage interest rates are definitely going up early in 1981.

This was stated by a leading building society office today.

Already the Eastern Province Building Society has taken the plunge and raised its indefinite and fixed period shares by one percent. Fixed period shares will now pay 10 percent interest and indefinite nine percent.

'This society jumped the gun,' commented the official, 'and now we shall follow suit.'

Only two weeks ago the Association of Building Societies officially denied that interest mortgage rates would rise after Press reports in Johannesburg had quoted building society sources as saying that the movement had already decided to raise rates.

LEAK

That was the result of a serious leak among us,' the official said.

It is understood that a Johannesburg newspaper published the relevant minutes of the association's meeting word for word the day after the meeting, following a split between two factions within the meeting — those who wanted to raise rates and those who did not.

Subsequently, the societies raised certain investment channels by a half percent, though it had been reported that they sought a two percent rise in the mortgage rate to ensure a better profit margin between loans and investments.

LIMIT

The official said: 'The new year increases will be in the region of one percent. We do not expect a two percent rise.'

He warned of a possible curtailment of building society loans in the new year.

Already some societies have cut allocations by as much as 30 percent and are making loans only to regular clients.

Commercial loans have almost dried up, while loans for 'luxuries' such as swimming pools are hard to obtain.

'This action is being taken by most societies to anticipate massive withdrawals of funds by institutions such as pension funds when more lucrative investments occur,' the official said.

These new moves from the building societies will not come as a surprise to many people. For a long time, they have been working to find ways to pay more, and now the time is right.
Oppenheimer's Rs 600-million empire seems poised for exciting ride via a new sortie by Con's Gold.
Dowson hit by labour shortage

A SHORTAGE of skilled manpower has severely hit the profits of Dowson and Dobson, says Mr Beau Sutherland, chairman of the holding company, Afrox, in his annual report.

"Despite strenuous efforts to train local labour of all races, the shortage of skilled manpower has seriously affected the trading results of Dowson and Dobson," he said.

The shortage of labour has forced the launching of a recruiting campaign in Britain. However, this was merely a temporary measure to bridge the time required to train local labour.

'Due to the inadequate educational standard of blacks in particular, it is necessary to introduce a major basic educational component in training schemes with the resulting additional cost in time and effort.'

PRIORITY

"We believe education, training and development is a national priority to assist industry and commerce to sustain the national growth goals.'

Industry and commerce had been slow in accepting their responsibility for training labour although many companies had mounted intensive training and educational programmes.

'It is essential, however, that the level of education of all the races be raised dramatically and as quickly as possible.'

ALARMING

Dealing with his company's contribution, Mr Sutherland said training was provided for all levels.

'Difficulties with the sudden increase in turnover and activity would have been more serious had there not been training programmes already in place.'

Although there was a boom in the economy, the shortage of skilled staff could lead to a decrease in the growth rate.

'The demand for trained staff has also led to large and alarming increases in salaries and wages, which have been accentuated by a rise in the inflation rate. Increasing costs are having an unfavourable effect on the economy as there is little improvement in productivity.'

Shannon Sherry
Charges by banks likely to be cut

BY ALEC HOGG

AFTER four years of inconclusive talks; it seems agreement on the abolition of bank charges is likely to be reached early next year.

The clearing banks (Barclays, Standard, Trust, Volkskas and Nedbank) have submitted proposals to the authorities on the possible reduction of charges levied on holders of cheque accounts.

Most important are ledger fees and commission on out-of-town cheques.

The banks' proposals will be discussed by the technical committee on banking legislation on January 9.

The committee, headed by the Registrar of Financial Institutions, Mr Wynand Louw, holds periodic meetings to monitor the workings of the banks and building societies. It has the power to suggest to Parliament changes in banking legislation.

The abolition or reduction of bank charges on current accounts would be a welcome move for customers. There is little doubt that the individual with a current account "subsidises" corporate clients of banks.

Commission payable is lower for corporate clients, and individuals are invariably charged a higher overdraft rate than companies — no matter what security is offered.

One of the major reasons behind the banks' proposal for the abolition of current account charges is believed to be the amount of business which building societies have drawn from them.

Some societies are offering to pay interest — albeit marginal — on transmission accounts and, in addition, the customer is offered five (or in some cases more) free cheques a month.

This has caused many young people to opt for a building society account.

With the ending of these heavy fees (a ledger page about 40 entries costs round R1 at present), banks can expect to draw a lot more cash in the form of current account deposits.

At present, a cheque book account is something not everyone can afford, but under the new deal offered by banks, the convenience of a current account could be enjoyed by more people.

With the high inflation rate much in the picture, and a cut in the broadly based money supply a stated Government policy objective, the competition for funds between banks and building societies is expected to become even fiercer in 1981.

That is why banks will encourage as many cheque book accounts (money lent to them without a charge) as possible. A lowering of the cost of running such an account will be a great incentive to the average customer.

If the bank charges on cheque accounts are indeed done away with, South Africa will have put itself in line with the United States and Britain.

In Britain, there is no such thing as ledger fees, while in the US, fees are levied — and only by some banks — when the client's balance falls below a specified figure.
Helping the spree

Tax reductions, aggressive marketing by the general banks and a booming economy have combined to push the total hire purchase and leasing receivables of the banking system to a level 50% higher than it was at the end of the third quarter last year.

By September the banks' combined hire purchase and leasing advances had reached R4 616m, according to figures compiled by Nedfin. The fastest growth, as the table shows, has been in consumer-oriented hire purchase, which at R2 656m was over 60% higher than it was in September 1979. This was obviously an important factor in the rise in real private consumption expenditure in 1980.

The tax cuts included in the March budget, wage and salary increases and the extension of the credit card industry have all played contributing roles. Standard Bank Card Division GM Randle Carter, for instance, claims a 40% increase in card usage this year alone, and a 78% growth in the card base of Standard Bank alone. And with retailers predicting "the best Christmas in 15 years" from a spending point of view, the level of hire purchase advances will probably rise exponentially in the final quarter of this year. Given that private sector borrowing was a major component of the 40% increase in money supply in the third quarter, hints from the authorities towards a tightening of hp terms may well foretell an eventual reality.

The general banks account for 90% of total hire purchase advances. Barclays again heads the bank group list at R726m through its general bank arm, Barclays Western, but Bankorp, through Santam and Trust, is close behind at R705m, having shown a massive 70% recovery over the year. Stannic, through Stannic and Stancor at R664m, has moved down over the year to occupy third place.

Stanic, however, stands at the top of the leasing pecking order, with R694m written into its leasing book, showing an annual growth of over 60%. The total leasing figure for all the banks comes to R1 980m, a 35% increase over the year to September. And Barclays is again in second place at R529m, with the other groups far behind.

The increase in the leasing figure is an indicator of industrial expenditure, and more specifically fixed investment. The Reserve Bank Quarterly Bulletin in September showed total fixed investment in plant and machinery to have grown in the first nine months of the year to total R3 789m, compared to R2 927 in the comparable period last year. Much of this was financed by internal resources, but leasing played an important part, as the figures show. And the trend towards leverage leasing, where finance is farmed out among a number of investors, not necessarily banks, suggests that the actual amount of leasing business done this year was greater than the figures show.

The general banks account for over 70% of total leasing receivables. Barclays Group relinquished some of its market share, while Bankorp showed a healthy 80% growth, largely as a result of its winning the R160m Atlantic lease in May this year. This single package in fact accounts for over half its annual total to September.
High yield

Activities: Holding company of Santam Insurance, Sentinel Insurance and Santamgro Managers, all of which are involved in short-term insurance. Assura is SA's largest short-term insurer and is owned 40% by Santam. It owns 11.4% of Bankorp.

Chairman: C H J van Aswegan, managing director: C J Oosthuizen.

Capital structure: 35m ordinaries of 10c. Market capitalisation: R24.5m.

Financial: Year to September 30 1980. Insurance funds: R49.9m. Total assets: R129.7m.

Share market: Price: 70c (1979-80: high, 98c; low 55c); trading volume last quarter, 898 000 shares. Yields: 32.1% on earnings; 10.4% on dividend. Cover: 8.1. PE ratio: 3.1.

<table>
<thead>
<tr>
<th></th>
<th>'78</th>
<th>'79</th>
<th>'80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net premium income (Rm)</td>
<td>92.6</td>
<td>104.9</td>
<td>133.5</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>8.9</td>
<td>7.4</td>
<td>7.9</td>
</tr>
<tr>
<td>Underwriting profit (Rm)</td>
<td>6.5</td>
<td>7.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Investment income (Rm)</td>
<td>4.4</td>
<td>9.3</td>
<td>6.0</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>17.0</td>
<td>21.2</td>
<td>22.5</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>5.5</td>
<td>6.325</td>
<td>7.25</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>45</td>
<td>52</td>
<td>63</td>
</tr>
</tbody>
</table>

The symptoms of the current malaise in the short-term insurance industry are clear to see in the progress of the country's largest single underwriter, Assura.

Over the three years since non-insurance activities were sold, underwriting profits have declined from R8.5m to R4.6m. Over the same period, though net premium income rose from R83.6m in 1978 to R133.5m last year, taxed profit advanced only half as quickly from R5.6m to R7.9m. However, in line with other major short-term insurers, Assura has been able to take advantage of buoyant conditions to push up investment income from R4.4m to R6.8m over the same three-year period. Dividends have consequently grown from 5.5c to 7.25c.

The question which obviously arises at this time, with the stock market apparently moving out of its long-term bull trend, is whether or not the group will be able, firstly, to revive its underwriting surplus, and, secondly, to maintain growth rates if equity earnings start levelling out.

Chairman Carel van Aswegan says the group has already taken defensive action against a possible continuation of the decline in underwriting surpluses. As of November 1, he points out, premium rates on certain uneconomic classes of insurance have been increased. Some other insurers have followed suit, but it is difficult at this stage to forecast the effects of the hike, for there are always those in the market who will take advantage of the somewhat artificial change in policy to pick up the extra business at lower rates. Industry sources also say that though Santam has upped its premium rates on motor and Multiplex policies, traditionally the group is one of the last to do so.

On the investment side, Van Aswegan says, it became increasingly difficult during the past year to find attractive homes for new funds, though the existing investment portfolios obviously performed well. The strong equity market made it possible to wait for a rise in fixed interest rates and a high level of liquidity was attained.

Interest rate moves over the past few months now make it possible to invest in longer-term paper at more satisfactory yields. It appears, therefore, that investment income may be expected to continue bolstering competitive underwriting business.

Technically, says Van Aswegan, the group as a whole has a solvency margin of just over 2%, compared with last year's 3.5%. However, it is important to note that recent industry research put Santam Insurance - the group's main operating subsidiary - on a margin of under 16% last year. The financial statements do not detail the margins of the individual companies, and the requirements of the Companies Act differ quite widely from the requirements of the Registrar's office when it comes to calculation of the margin. The proper level can only be calculated from the Registrar's returns, so it appears that Van Aswegan's figure may not be strictly in line with the normal expression of solvency.

Nevertheless, the company still has significant financial strengths and, given better market conditions, would probably reveal a much more attractive balance sheet.

The share, now well off its year's high, offers a relatively attractive historic dividend yield of just over 10% at 70c. Though future dividends will depend to a large extent on the success which the group has in maintaining investment income, a payout of around 8c a share seems possible for a prospective yield of 11.4%.
Sectional Titles:
Agents want less interference

The Institute of Estate Agents of South Africa has hit out strongly against the 'stringent requirements' relating to sectional title conversion and 'interference' by the authorities in the sectional title market.

A recent statement by the institute maintains that the 'stringent requirements that are seriously affecting the resources of the local authorities who must approve sectional title schemes. This in turn has resulted in serious delays in the opening of registers.

It maintains that delays in opening registers will result in higher prices being passed on to purchasers as a result of increased building costs. Further interference in the market by the authorities will cause unit prices to rise and discourage further development and conversion of living units.

The institute says that while it is sympathetic to the plight of pensioners and those not able to afford market rents, it does not believe that private developers should be made to subsidise tenants as this was the function of government.

"The effect of further controls will certainly inhibit private sector development of flat units for renting." The institute contends that speculative and unethical exploitation of tenants and purchasers in the sectional title conversion process was the exception rather than the rule. "It is considered that the whole fabric of the conversion process does not require adjustment at this stage by the authorities."

According to the statement, agents with experience in sectional title sales will always advise their clients — the developers — to follow sound practices such as:

- Ensuring that the levy calculations have been properly estimated.
- Giving tenants discounts on the retail price of the unit bought on periods of occupation.
- Crating tenants a reasonable time to decide whether they want to buy their flats.

A record month for property

Alan Cooper, Property Editor

Cape Town property sales in November 1980 soared to the highest level ever recorded — R35 857 925 — more than R10 m more than sales in October and R16 m more than sales in November 1979. Yet the actual number of sales did not increase in proportion, indicating the inflated prices being asked for property in the city.

A total of 997 property sales in the Cape Town municipal area trailed the record figure of R35 857 925 in November. Total valuation was R24 002 644 based on R17 714 valuations, showing a drop of R14 455 022.

November appears to be a peak month, for sales in that month last year the highest amount for sales for the year was recorded — R22 695 165 with 514 transactions.

Yet with only 65 more sales in November this year, the money involved increased by more than R16 m.

Biggest addition to the November 1980 figure was the sale of a building, the Santalum Centre on Froude Street, which went for R3 002 000 with a valuation of R2 440 790.

Apart from this, the most notable sale was for property in Ward 13 which includes Athlone, Crawford, Langrand, Watervale, part of Claremont, Sal...
move by planners
In terms of the proposed legislation, roads could be closed by the commission whenever they felt it necessary and business owners finding themselves on areas which had been zoned for conservation would lose their investments if they ever decided to move out as the businesses would have to close.

An irate Mr. Russell Tungay, director of a company which has a shop, caravan park and a dairy farm at Dragon Peaks, said his father's farm would have a total of 202 ha 'sterilised' by the law which would allow 40.4 ha for limited agriculture.

Prohibited
In addition sub-division of land would be prohibited and future buildings — on rare sites where buildings would be allowed — would have to be passed by the commission. The plans and even colour of the completed building would have to have official sanction, he said.

The only areas to escape take-over would be existing hotels and the site of the Drakensberg Boys' Choir School.

The hotels and Mr. Tungay's caravan park would, however, not be able to expand their facilities, any further, and any new businesses would have to be conducted in a special demarcated area near the El Mirador Hotel.

Mr. Tungay said virtually nothing was known about the plan for the take-over 'under the guise of conservation' until two days ago.

'Property values are going to be totally destroyed and owners will be reduced to being byowners on their own property,' he said.

'The Province wants to turn the area into a conservation park at no expense to itself.'

A spokesman for the commission could not be contacted last night.

'harsh'

Mercury Reporter
MR DERING Stainbank, MEC for the Parks Board, confirmed that plans for the Drakensberg catchment area had been drawn up and the conditions had been laid down after consultation by the Parks Board, the Department of Forestry and the Town and Regional Planning Commission.

'Some of the guidelines laid down were rather harsh,' he said. 'But they have been drawn up with the intention of guarding the environment.'

He was not able to comment further, he said.
Mixed canteen row over clothes

The desegregation of canteen facilities at the Anglo American Corporation's head office in Johannesburg has had an unforeseen effect - workers are now accusing the company of racial discrimination.

Since separate eating facilities were abolished in November, day cleaners at head office have been required to change out of working clothes before using the canteen. According to worker sources, this was never required when the cleaners used a canteen reserved for blacks.

They also say there is no pressure to observe the rule in the evening - when there are no whites in the canteen.

About 30 cleaners have boycotted the canteen in protest against what they see as official discrimination. The sources say the boycott ended a fortnight ago after management turned down a request from the Employees' Representative Council to revise the policy.

Although they had temporarily accepted defeat, the cleaners were still "very unhappy."

An Anglo American spokesman said the vast majority of its head office staff of 1,700 had accepted the policy. The cleaners had been required to change out of their overalls before eating "in the interests of the majority of diners," he said.
Creeping inflation will dog SA economy

By GERALD REILLY
Pretoria Bureau

CREEPING inflation will dog the South African economy during 1981, according to Volkskas chief economist, Mr A S Engelbrecht.

They agreed with the Minister of Finance, Senator Horwood, that the greatest threat to the economy would be inflation, which was unlikely to fall below this year's level.

However he supported the Minister's view that South Africa could look forward to another year of orderly expansion, with a growth rate of between 5% and 6%.

Mr A S Engelbrecht, said the two most vicious inflationary factors would come from wage and salary increases, and continuing rise in food prices, especially Government-administered prices.

Other pressures would come from the chronic shortage of skilled workers, and imported inflation. The possibility of higher fuel prices would also have to be taken into account.

Mr Engelbrecht said if the economy achieved even 5% growth next year, added to the 7% or 8% reached this year, this would be an achievement unparalleled in the Western world.

Credit, he said, would be more expensive - because of higher interest rates - and less available. This would tend to slow down expansion.

Like other economists, Mr Engelbrecht expected the inflation level for the whole of next year to be greater than this year's figure.

"We are afflicted by a creeping inflation and only a major effort on the part of Government and the private sector can reduce the rate of increase."

The March Budget would also be a factor. But Senator Horwood had indicated that he would adopt the usual conservative approach with a tight reign, too, on State spending.

He expected moderate tax concessions to compensate for fiscal drag, which resulted from taxing incomes raised to compensate for inflation, and which represented no increase in real purchasing power."
Homeowners get a 1981 bond shock

By Pieter de Vos

At least a million homeowners will be affected when repayments on home mortgages rise by an average of five percent a month next year.

Mortgage rates will rise 0.75 percent in the New Year. Mr. Boet Viljoen, president of the Association of Building Societies, announced in Johannesburg today.

The increase takes effect on January 12 for new loans and on March 1 for existing loans.

Higher interest rates were an inevitable part of the current boom, said a leading economist. Homeowners should prepare themselves for further rises in 1981, he added.

The cost of funds to the building societies has been increased. An announcement this morning said that dividends on investments in the societies would go up by about one percent.

The rate on indefinite period paid-up shares has been raised from eight to nine percent, on special issue tax-free paid-up shares from seven to eight percent, on partially tax-free subscription shares from eight to nine percent, and on full tax-free shares from seven to 7.5 to eight percent.

Interest

The rate on new fixed period paid-up shares has been increased to 10.5 percent and on special savings accounts from 5.5 to six percent.

As a result of these extra costs to building societies, homebuyers with 30-year bonds of R10,000 will repay R90 instead of about R65.

What you will have to pay

<table>
<thead>
<tr>
<th>Amount of bond</th>
<th>Term</th>
<th>Current rate</th>
<th>Amount</th>
<th>New rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>R10 000</td>
<td>20 years</td>
<td>9 percent</td>
<td>R109,50</td>
<td>9.75 percent</td>
<td>R109,50</td>
</tr>
<tr>
<td>R20 000</td>
<td>21 years</td>
<td>9.5 percent</td>
<td>R114,71</td>
<td>10.25 percent</td>
<td>R115,29</td>
</tr>
<tr>
<td>R25 000</td>
<td>25 years</td>
<td>10 percent</td>
<td>R129,59</td>
<td>10.75 percent</td>
<td>R130,45</td>
</tr>
<tr>
<td>R30 000</td>
<td>30 years</td>
<td>10.5 percent</td>
<td>R139,36</td>
<td>11 percent</td>
<td>R141,61</td>
</tr>
<tr>
<td>R40 000</td>
<td>30 years</td>
<td>11 percent</td>
<td>R161,10</td>
<td>11.25 percent</td>
<td>R162,70</td>
</tr>
</tbody>
</table>

At the top end of the market, homeowners with a R500,000 bond will repay R541.81 monthly compared with R516.10. This represents a rise of just below five percent.

In April last year mortgage rates were reduced by 0.3 percent.

A spokesman for the association pointed out that the new rate of 9.75 percent for bonds up to R10,000 was still below the bottom rate of 10.5 percent in September 1975 and that the top rate of 11.75 percent would be below the top rate of 12 percent at that time.

These increases have been announced within three weeks of a statement by Mr. Viljoen that mortgage rates would not be lifted this year.

Mr. Viljoen said he expected that housing loans would be more difficult to obtain next year.

But economists greeted today's announcement with little surprise as the market, in general, has expected increases for some time now. Increases of up to 10 percent had been predicted.

Higher interest rates could bring the property market further off its recent peak, a property expert predicted.

The High Mathematics/Statistics curricula are intended for students with a good background in mathematics. The attention of students interested in these curricula is drawn to the entrance requirements for Mathematics I, as detailed in the entry of the Department of Mathematics in the last section of this prospectus.
The scheme, now open for inspection at Cathkin Park and in Pietermaritzburg, suggests controls aimed at preserving the character of the Sterkspruit Valley, which included the Champagne Castle, Cathkin Peak, El Mirador, Mount Memory and Dragon Peaks areas. The Drakensberg Boys Choir School was also in the valley.

'I don't see how those regulations can be considered harsh because they are exactly the conditions which will protect what we think this sort of people value in the Berg.'

The proposals centred on the zoning of the 3 800 ha area into seven zones, with varying restrictions placed on the erection of buildings and the use of land in each zone.

Mr Froud said the proposals removed some rights which landowners now enjoyed. The right to breed and graze animals on certain parts would be removed and a