# FINANCE – GENERAL

30 JULY 78 – ~~26 Nov~~ 22 Dec. 78

Sun. Times Business. 30/7/78 (58)

EVEN IN Pretoria it is generally accepted that the few expansionist moves government has ventured so far this fiscal year have really been no more than gestures.

Finance Minister Owen Horwood himself promised on his return from Europe two weeks ago further measures to keep the pace of business activity rising.

And this week there were a spate of weighty warnings that the country cannot rely indefinitely on export earnings from the mining sector to provide the main expansionary force in the economy.

Top Pretoria University economist Professor Jan Lombard, writing in UDC Bank's annual report, said: "Economic growth cannot become general unless it rests also upon the expansion of manufacturing and construction."

Anglo American Corporation directors in their annual review said: "In the absence of further (stimulatory) steps ... only a marginal improvement in industrial and commercial activity can be expected."

The Standard Bank in its July economic review said: "... the economy is clearly very much in need of affirmative action through imaginative economic and financial management."

Television economist Raymond Parsons (who is also chief executive of Assocom), speaking to Cape business men said: "The next six months will be the critical phase in deciding whether the recovery is here to stay.

"Further reflationary steps may be required from the authorities; and the government should be ready to implement these at short notice."

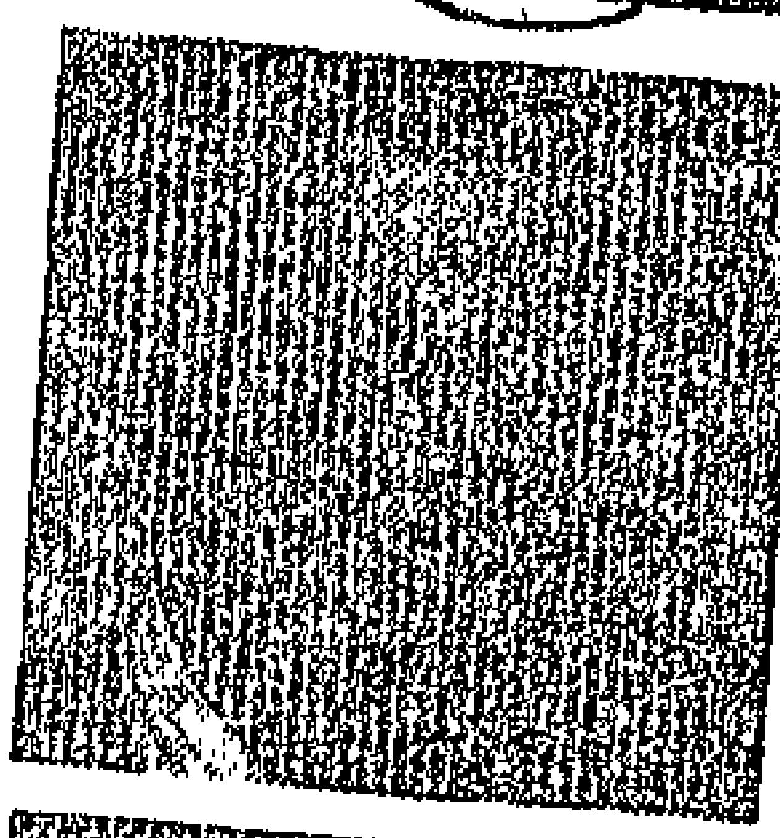
He identified interest rate policy and a more market-related exchange rate as "crucial factors" in government's deciding what to do next.

So far as the exchange rate is concerned, government has (with admirable prudence) pushed the question on to the De Kock Commission which will come up with answers only in October — three months into Mr Parson's critical six month period.

Interest rate, or monetary, policy as it stands is a gross contradiction. By lowering its own borrowing rates government is bringing the long-term interest rate pattern down yet it is simultaneously artificially holding up the short-term pattern.

Bank liquidity ratios are ridiculously high in relation to loan demand and, in consequence, the money supply in real terms is not growing.

The reason for this is that government fears that lower short-term interest rates will encourage importers to switch from foreign to domestic financing sources and that, were this to occur, the reserves would have to take an increased strain as more capital (including our buoyant gold earnings) flowed out of the country.



NIGEL BRUCE

The real solution to that problem is bound up in an appropriate exchange rate policy, which is at least three months off, as exchange control has proved to be no better than a sieve.

Have we no choice, then, but to wait and hope that the De Kock Commission will leap to the rescue just before time runs out? Apparently so.

On the other hand, Minister Horwood did say that abundant foreign loans, of even up to seven years maturity, are now available to government.

Perhaps then, as a temporary expedient, now is the time modestly to begin reducing banks' liquidity ratios, thus allowing the short-term interest rate structure to move into greater equilibrium, and replace any lost foreign exchange reserves that import finance switch might cause by borrowing abroad.

I'm not suggesting an Anthony Barber binge. Just moderate growth of monetary aggregates.

Of course, the foreign

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SUNDAY TIMES, Business Times, July 30, 1978.

# Louw told: Sort out transmission accounts

By NIGEL BRUCE

HOPEFULLY, for the sake of the authorities concerned, somebody out there — other than the Trust Bank and its associates — is looking forward to the introduction in about two months of the new transmission savings-accounts. But I doubt it.

In essence, these new accounts will mean that, for the facility of being able to draw frequently on some of their own savings balances, consumers will receive less in interest than they are getting now.

For their part, the banks and building societies will have to pay more for the privilege of administering savings balances.

Among those who stand o gain is the Treasury, because both banks and building societies will have to nvest in short-term official securities in proportion to he size of the transmission balances they attract.

Others are the computer companies that will provide he banks and building societies with the additional hard and soft ware needed or their electronic funds-ransfer (EFT) systems, which the administration of the new accounts is likely to entail.

The new accounts will also most likely mean that building societies have fewer advantages over banks in attracting consumer savings, which will mean fewer resources going into a non-productive sector.

The financial system will, in theory, be more stable as these short-term deposits should, as a result of the amounts that will have to be invested in liquid official-securities, be more easily turned into cash if there be heavy withdrawals.

But these advantages, whether they be real in practice or not, to my mind mask the real intention of the authorities in their advocacy of EFT.

If experience abroad is anything to go by, they see this as a means of fostering greater competition between financial institutions that might ultimately reduce, particularly for the consumer, the cost of banking, while improving his returns on savings.

That is most certainly what happened recently in the United States, which is from where our current consumer-banking trends are being imported, after the authorities there encouraged the intoduction of EFT.

A similar trend occurred in Britain a few years ago when the Bank of England brought out new rules to encourage competition, although they did not involve EFT. Ledger fees were cut and geared more directly to the use of cheques and interest was paid on current-account balances.

Subsequently, in both these countries there was a sharp reaction as banks found that the enormous costs of maintaining the cut-rate services were cutting into profits and in some extreme cases threatening insolvency.

By and large, however, even after the consumer found the cost of his banking services had risen once more, the competitive shake-out had left him on balance slightly better off than before.

Whether the same will hold true for South African consumers once EFT has been intoduced and paid for (and the costs are very high) remains to be seen.

Unfortunately, however, it is possible that as the matter now stands, the consumer could be at an immediate disadvantage and could find that ultimately bank charges will rise in consequence rather than fall.

There are two basic reasons. First, Financial Institutions Registrar Wynand Louw has said that he will not allow transmission accounts to become nil-balance accounts into which funds are transferred from higher-yielding special-savings accounts as and when they are needed to pay bills.

This has come to banks and societies as something of a blow. Trust Bank, for one, was quite open about its plans to make these transfers automatically for its Trustline customers.

It means that salaries must first be paid into transmission accounts, and only after withdrawals are made to pay accounts, may the balance be transferred to special-savings accounts.

On average returns will be lower than if the salaries had first been paid into the special-savings account.

Second, to stimulate banking competition, Registrar Louw is clearly playing off the building societies' aspirations towards participation in the payments mechanism against the banks' reluctance to scrap their cartel arrangements.

Regulatory authorities in other lands have done precisely the same thing. But neither the building societies in Britain, nor the thrift organisations in the United States, are as large and powerful within their respective financial systems as are the building societies in ours.

Because they are much smaller, the fact that they do not need to worry about making profits (being mutually owned) places them at less of an advantage when competing with the banks than our societies are here.

Once the powerful South African societies have become part of the payments mechanism — along with the Post Office which has similar aspirations — so many institutions that lack the disciplines imposed by the need to make profits will be engaged in its running, that it is bound to become progressively less efficient and more costly.

Apart from that, potential instability is unavoidable in the financial system when long-term lenders, like the societies, and a provider of communication services, like the Post Office, are allowed increasingly to fund their operations out of short-term consumer savings.

Be that as it may, Registrar Louw does, nevertheless, deserve some sympathy. Competition among the banks, while it is improving, still leaves much to be desired. The mere existence of the Register of Co-operation, which is an interbank agreement on minimum fees, is indicative of that.

The consumer has had a raw deal on his savings for too long. Partly the banks, and the monetary authorities, are to blame.

But to redress this shouldn't mean that banks have to forego profits. After all, a non-profitable bank is no good to anyone — depositors, borrowers or shareholders.

Moreover, there was undoubtedly a high volatility potential in the way some savings-account facilities were being offered.

But Mr Louw's department appears to have rushed in with rapid reforms where even the De Kock Commission has not yet dared to tread. The result is that the registrar has caught a tiger by the tail — and maybe he might need help before he can safely let go.

The Trust Bank is something of a maverick in this matter. It has decided that its future lies not with instalment credit, but in commercial banking, and it has sufficient spare computer-capacity (a result of an earlier unsuccessful bid for a meaningful share of the payments mechanism) to enable an immediate and substantial move towards the introduction of EFT.

Its Trustline service is the result, and all the innovations it hopes to be able to attach to transmission accounts has whetted its marketing appetite for them.

Last Friday, rather unusually, representatives of the banks and building societies met to try and settle their differences, particularly over the interest that should be paid on transmission-account balances.

There was no concensus, except in the decision to present a united face to the registrar and ask him to sort out the whole matter.

Who better to do it!

SUNDAY TIMES, Business Times, July 30, 1978

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# Small investors — beggers at the feast

### BY DON WILKINSON

**PERHAPS the most noticeable factor in the current stock market boom, which has taken the RDM 100 index to a series of four-year highs in recent weeks — and seen gold shares also take off after some months in the doldrums — is the comparative uninvolvement of the private investor, particularly the small man. If the latter is interested it seems his interest is in whether his share, or shares, will reach the inflated levels he paid in the past.**

It s an unfortunate fact of stock exchange investment life that the average small investor arrives on the scene only when the boom is well under way, and that he leaves it only when the steam has gone out of it. By that time the institutions providing the original fuel for the upturn have left the market — in the sense that they are no longer buying, or have taken profits.

At the same time, however, it is worth remembering that the small investor's part in markets these days is a good deal less than it was some years ago, as studies by the JSE and exchanges in other parts of the world have shown.

When I first arrived in this country the 1968 boom was taking shape and the subsequent months to the 1969 collapse saw innumerable new issues to whet the naive investor's appetite, many of which have since vanished from the JSE lists. The sellers of the companies made large profits and so did the stags, though the shares offered were on dividend yield and price-earnings ratio basis which discounted even the then buoyant-looking economy for more years than were possible.

Of course the bubble burst, causing endless financial grief to many who refused to heed the warnings from those who had long since read the signs. And it left nasty memories of the share market.

But those memories have been passed on to the next generation of investors, and I feel that at least partly they account for the comparative disinterest of the small man in the current boom, though it is still not 100 per cent accepted that the boom is off the ground and firmly established. In any case, there are many private investors who are already cramped in their discretionary investment ability by the effect of inflation on their spending power.

This will be particularly the case with the younger family man. He is accumulating before speculating. He should also be prepared, when speculating, to kiss his money goodbye, for even though not all share investment is outright speculation, there can always be nasty surprises lurking among what look like rock-solid companies. And for South Africa, particularly, an element of political risk must be kept in mind.

The current boom has lasted only a comparatively short time, but it has run at a pace which has surprised some analysts; particularly the shortness and shallowness of the pause towards the end of June before the upward trend restarted. It's been a pace which has seen lengthening daily lists of new highs and the RDM 100 naturally following that trend, so that it is not surprising that some brokers have been questioning how much further the upsurge can go and how long it will last.

While it is true that the institutions still have large sums available for investment, it does not follow that because blue chips are now in short supply that their prices will inevitably rise. The fact that good second-line stocks are coming more and more into the picture suggests that some of the larger buyers are refusing to bid blue chips much higher until they can be convinced that the economy really is set on a growth path and that the country's net reserves are being soundly rebuilt.

There have been encouraging signs of some easing in the previous unwillingness of overseas lenders to invest in South Africa and exports, inclusive of gold exports, have been holding up well, with the additional boost currently coming from the high gold price.

Meanwhile, the short-term interest in the market has been deflected away from industrial equities to some extent by the gold price upsurge and the remarkably good quarterly figures from the mines. The strength of gold share prices has not been confined to any one section, so that developers long-life, marginal, and uranium-linked mines have all come in for attention. Overseas interest, too, has been revived and because stock is scarce in those markets, Johannesburg becomes the supplier.

Should the De Kock Commission recommend changes in the current securities rand system, not only the share market, but the potential for economic growth also, should be stimulated.

For all that, those reading the current economic entrails and suggesting the auspices for the economy and for company profits 12 months from now warn against any over-optimism. Growth this year, after all, is not expected to be much more than, or even, three per cent, and it will obviously not be spread evenly throughout the economy.

The warning against over-optimism is one the potential small investor should take to heart. It is most unlikely that — conditions will justify a repeat of the recent rapid rise on such a short-time scale. It takes time, after all, for all the official spending that has been authorised as well as the boost given to consumer incomes, to work their way through the economy to company profits.

But if he wants to look around, he can still find investments which have a good growth record and resisted the slump, and where the yield is a well-covered 8,5 per cent coupled to a price earnings ratio of not more than about 5,5. But these are growing scarcer every day.

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# DG's never far from money–making action

(58) Sun. Express. 30/7/78 (59)

DONALD Gordon. What is he like this man who now has the largest single private investment in the South African insurance industry?

He has been described as an average card player and a poor golfer. At school he was among the top boys in his class, but he never stood out as the brilliant brain of the class. Others have described him as "socially awkward", a man who can't really be bothered to make polite chit-chat.

Gordon turned 48 last month. He stands 1,5 m tall (or short) and tends to the corpulent. He is a self-confessed workaholic, working up to 16 hours each day, a fact which would limit anyone's conversation.

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He finds little time to do much else but work and play the odd weekend game of tennis. His wife, Peggy, has said, she regards the home as her job and attributes part of his success to the fact that he's never had to think of anything other than his business.

His gesture this week in committing R13,5-m to an investment must surely dismiss any ideas some of his enemies had of Gordon joining the "chicken run". There is no greater or more positive statement than putting your money where your mouth is.

An accountant by profession, Gordon, along with those friends who could afford it and were prepared to commit 1 000 pounds each, founded Liberty Life in 1958.

The initial share capital of Liberty Life amounted to 50 000 pounds and this was spread among some 50 people. Gordon himself had a 1 000 pounds investment with an option to increase this to 8 000 pounds over an 11-year period.

The initial founders of Liberty tended to be people like Gordon, recently qualified accountants, or articled clerks; men who had a battle to rustle up 1 000 pounds for what was then a high risk investment.

Gordon first became interested in insurance when he was an articled clerk at Kessel Feinstein. He handled the Standard General audit and, even as a clerk, understood the audit better than his superiors.

That was 20 years ago and the profit after that first year of business was a princely 629 pounds. The company, Liberty Life, grew and 10 years later Gordon was to remark to a friend that the company had made reasonable progress and that he hoped it would achieve the same rate of progress in coming years.

The capital and reserves of the company have grown from R100 000 to over R100-m in the past 20 years under his meticulous guidance. Asked if he was a genius with figures a friend stopped and said that he thought "DG's" success lay rather more in his orderly efficiency.

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DG, as he is affectionately known to his staff, is never far from the action. He admits that when he's around he's meddlesome. "I keep sticking my nose in everywhere," he says, but without his driving force and initiative Liberty Life would still be a nice, medium-sized company.

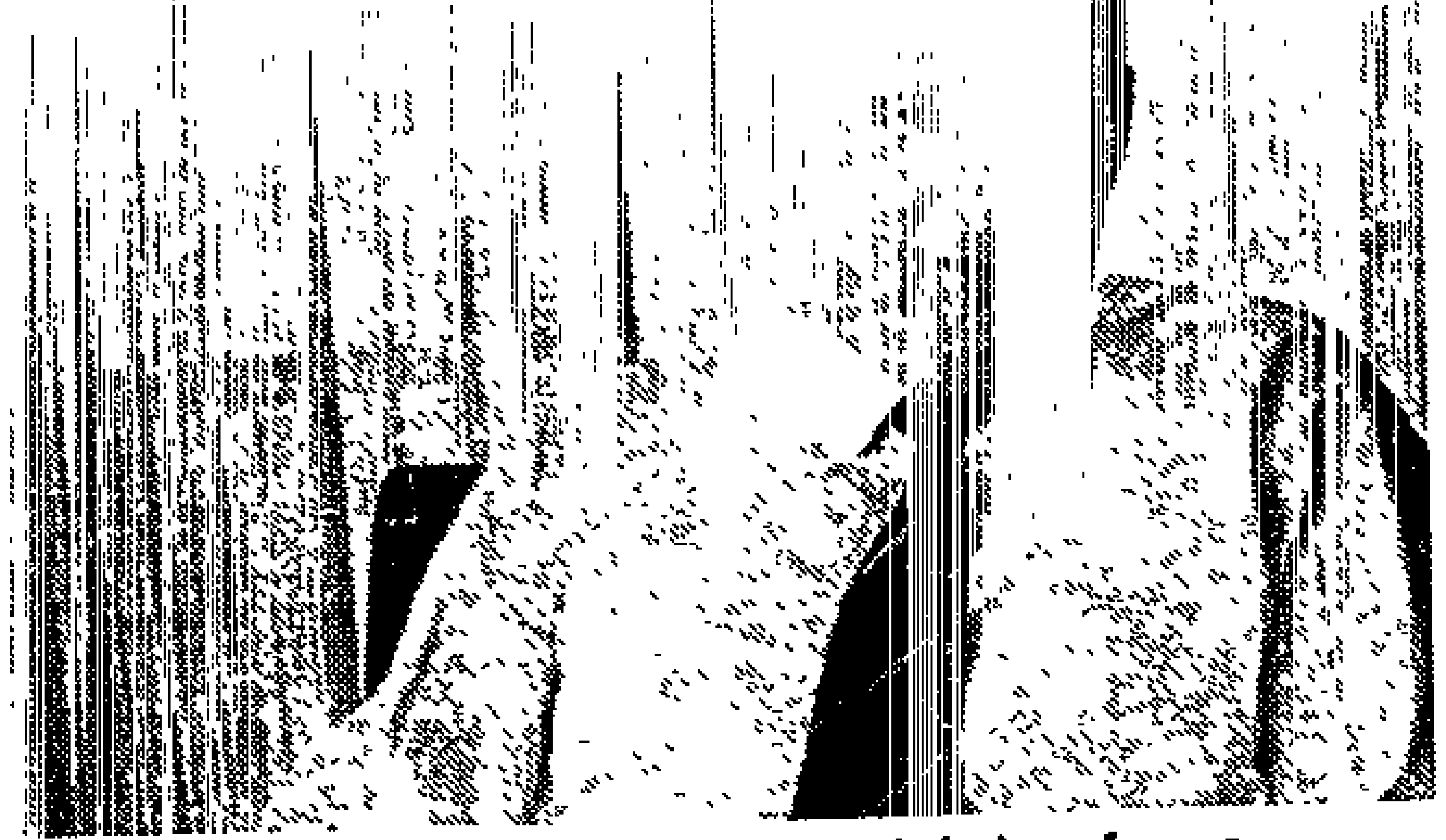
Gordon is not given to false modesty and sincerely pays tribute to his colleagues and managers. He sees them as the instruments of the success of the company.

Gordon decided some two years ago to take things a little easier and in the past year has spent 35-40% of his time out of the office. As he is the first to point out, the Guardian/Liberty group has probably done as many deals in that period as ever.

Gordon's confidence in his top men is demonstrated in a story he tells. "Recently our investment manager wanted guidance on a delicate bidding sitation. I told the man to let me know the outcome."

And when he did Gordon praised the man for, according to Gordon, he would have taken his profits far earlier, a decision that would have resulted in a lesser profit for both shareholders and policyholders.

His staff appreciates his dedication and commitment to the company. In fact Gordon's secretary, Maureen Hart, who often works until 8pm "loves" her job. She says she is "totally devoted to Mr Gordon and finds every minute of her working life a challenge and an experience".



● Donald Gordon . . . driving force

Gordon's top men also work hard trying to keep up with this restless man. Gordon and Liberty Life/Guardian — the two are inseparable — so what happens when Gordon retires, not that that is expected in the next decade?

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Gordon himself says that he is happy to leave his company in the hands of his managers. His statement — "I'm in a position to acquire the best people available" — is not an idle boast. He can and does, and this continuity of management will mean that the company continues to grow.

On October 1 it will be 20 years since the establishement of Liberty Life. It is just under 10 years ago that Guardian Assurance shares were listed on the JSE and speculators pushed the the 150c up to 400c in one day.

Today the group has total assets of R700-m and the man behind the group is still looking for opportunities. There are many who tell sadly of missed opportunities, friends or colleagues of Gordon's in the early days, men who couldn't or wouldn't scrape up enough to participate in the new company.

He made his first million before he was 38. Now, at 48, his worth is almost incalculable. His first year's salary was R500. Today he may not be the most highly paid man in the country but he certainly is one of our most powerful business figures.

As an old friend remarked this week: "This deal is a natural consequence of events over the years. If it's surprised some of us it's only that it took him so long to regain control of what can only be called his company."

[redacted]

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**Sunday EXPRESS** **Business**

EDITED BY PENELOPE GRACIE

# Insurers Gordon and Rapp write year's big finance story

**THIS week Donald Gordon and Michael Rapp became the largest single shareholders in the South African insurance industry.**

Between them they now control 75% of the third largest insurance company in the land — the Guardian/Liberty Life group. And in obtaining control, they have made the biggest financial story of the year.

In essence Gordon and Rapp, along with Standard Bank, will form a new company which will pay R27-m for the Guardian Royal Exchange's 21,5-m shares in Guardian Assurance Holdings.

The price is 125c a share, but the GRE will also receive the imminent 15c a share dividend due to Guardian shareholders, increasing the value of the deal to R30-m — or 140c a share.

This is considerably below the market price of 205c a share, achieved before the shares were suspended. But Gordon justifies the price differential by saying that the average share price of Guardian over the past four years has been 120c, 135c, 121c and 140c, and that this year the average to date has been 179c.

He points out that cognizance was taken of the fact that the block of shares involved was considerable and that it was important to the GRE that the current management of the group be perpetuated.

● A toast to the new company. Michael Rapp, left, and Donald Gordon

### By PENELOPE GRACIE

There will be those who believe that Gordon has collected an investment worth around R22-m for R13,5-m, but as Gordon says: " Why should I pay for my own goodwill?"

Gordon will hold 50% of the shares in the new company — as yet to be named — which makes his stake in the group worth R13,5-m. Rapp and Standard Bank will share the remaining 50% equally.

The new company will have a substantial capital base and additional medium-term finance will be provided by Standard Bank.

The deal will free Gordon to do what he wants with the insurance group. It is clear that until now the group has been inhibited because a foreign company, Guardian Royal Exchange, controlled 52% of Guardian, and consequently Liberty Life.

It has obviously been Gordon's long-term plan to own the company he founded 20 years ago. But this did not become feasible until the GRE expressed to Gordon recently the feeling that it had too large a single investment in South Africa.

The GRE's investment in South Africa was a rand exposure, but the group had no corresponding rand liabilities. Having too many of its assets outside the control of the London board unbalanced its portfolio, and the board decided to do something about it.

Not that the GRE's investment in South Africa has not been profitable. However GRE recognised a need to have a wider spread and determined to cut back its investment in Guardian Assurance by disposing of its shareholding to the South African group.

Gordon does not believe that the GRE would be wise to take out the R27-m immediately in securities rands, for that would necessitate taking a 40% discount.

"It's very likely that the GRE will look for other long-term investments in South Africa."

Obviously the R3-m dividend will be repatriated.

The GRE retains an interest in South Africa — a R12-m investment — through the short-term insurance company, Guardian Assurance Company South Africa, and continues to hold 10,7% of Guardian Assurance Holdings, an investment worth R10-m.

For Gordon and his top men at Guardian/Liberty, the deal opens up a number of doors. The group, which has a cash inflow from premiums of a quarter of a million rands each day, or R385 000 each working day, has always looked for investment opportunities.

And that is not gging to change.

Gordon and his men saw an opportunity with Fugit and seized it. And now they are making the best of it.

Gordon has again seized opportunity, and there's no doubt that we'll be hearing more from this man soon.

[redacted]

The Natal Mercury, Wednesday, August 2, 1978

# Runaway left debts

(58)

**PORT ELIZABETH — A local attorney, Mr. John Jackson, who claims to have fled South Africa for political reasons, reportedly left behind large debts, the president of the Attorneys' Association here, Mr. R. Coulter, said yesterday.**

It is believed the debts could total as much as R75 000, including R35 000 owed to the Receiver of Revenue and R10 000 for horseracing debts.

Mr. Jackson left for Britain on June 27, leaving behind his wife, Janet, and three children, who joined him about two weeks ago.

It is understood he bought clothing worth R1 300 the day before his departure, while his wife reportedly spent R200 on suitcases before she left to join him.

Included in his other debts are said to be R25 000 owed to the Cape Law Society and R3 000 on a bank overdraft.

Mr. Jackson sold his house here for R30 000 at the end of June.

He told a London newspaper he fled South Africa as he believed he was likely to be detained without trial "because of my work."

He publicly condemned South Africa's legal system as a "farce" and told the newspaper police used "severe and sophisticated methods of torture" to secure confessions.

After leaving the country, he persuaded an American civil rights group to pay the air fares for his wife and three children, Gregory (6), Michelle (4) and Dale, a baby of 18 months.

Reacting to his allegations about South Africa's legal system, Mr. Coulter said: "Reports have been furnished to us that he owed large sums of money when he fled.

"His allegations that there is no independent judiciary in South Africa are completely untrue.

"Unless he was engaged in subversive activities against the State, there was no question of him being detained merely for defending people in court."

Last year Mr. Jackson was struck off the roll of attorneys after the cape Law Society accused him of overcharging clients. — (Sapa.)

RDM 4/8/78

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# Massive false death swindle

**By HAMISH FRASER**
**Deputy Finance Editor**

THERE is grudging admiration among Johannesburg insurance executives for the ingenuity which has been applied to what looks like South Africa's first major black white-collar swindle.

A black insurance agent, Mr Trevor Huddleston Mbabula, who has disappeared is the central figure in an insurance swindle involving nearly R600 000 which has led to urgent proceedings in the Rand Supreme Court.

Mr Justice Blen Franklin has been told of a scheme which led to three claims following the death in a road accident of a fictitious person who was purported to be a wealthy Lesotho farmer.

Two insurance companies Legal & General and the Prudential paid out R138 557 and R39 942 respectively on the death of a cretain Mr Theophilus Maphisa, who it was claimed, had died in a motor accident in Lesotho last year. The claim was supported by death and post mortem certificates signed by Dr Leoatle Motsamai who works at the Queen Elizabeth II Hospital in Maseru.

Mr Mbalula was the agent who submitted the insurance proposals and he also collected the settlement cheques from the insurance companies.

The balloon went up on Mr Mbalula when he recently lodged a claim for R400 000 with Legal & General on a policy which had only one premium paid on it. The company's suspicious were aroused.

Legal and General's investigations, supported by affidavits handed to court, show that Mr Theophilus Maphisa is not known in Lesotho, that there is no record of his admission to the Queen Elizabeth II Hospital and no record of his death.

# SKAS LIG SL

Rapport 6/8/78

# Winsgroei kan stoot kry

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MNR. DANIE VAN HUYSSTEEN, besturende direkteur van Volkskas ... nou woel dit eers by sy bank.

Deur DAVID MEADES

**VOLKSKAS het die sluier gelig. Op 1 Oktober kry hierdie bankgroep wie se totale bates pas by R3 000 miljoen verby is, 'n heeltemal nuwe beslag. Die verwagting is dat die bank se stewige winsgroei die laaste paar jaar hierdeur 'n sterk stoot sal kry.**

*'n Nuwe bankbeheermaatskappy gaan gestig word, met vyf hooffiliale — drie bankbedryfmaatskappye, 'n nywerheidsbeleggingsmaatskappy en 'n eiendomsmaatskappy.*

Met hierdie nuwe struktuur rig die eens „konserwatiewe" Volkskas 'n waarskuwing aan die ander groot bankgroepe in die land wat nie te ligtelik opgeneem moet word nie.

Die huidige Volkskas se naam gaan verander word in Volkskas-Groep Beperk, wat as 'n bankbeheermaatskappy geregistreer sal word, notering op die Johannesburgse Effektebeurs sal behou en sy vyf hooffiliale sal beheer.

Die handelsbankbedrywighede sal na 'n nuwe maatskappy oorgeplaas word wat die naam Volkskas Beperk sal behou en as 'n handelsbank geregistreer sal wees. Volkskas Beperk sal dan ook daardie maatskappye beheer waarvan die bedrywighede verwant is aan dié van die handelsbank en sal al die

vervaardiger en verspreider van Mercedes-Benz-voertuie in Suid-Afrika, met 'n omset wat al by die R200 miljoen per jaar trek. Volkskas se belang in UCDD beloop meer as 39 persent en dan het hy 'n opsie om die 10 persent wat Rentmeester in UCDD het ook te enige tyd te kan opneem om dan 'n belang van net minder as 50 persent in UCDD te kan bekom.

Volkskas het 'n belang van 35 persent in August Laepple, wat 'n vervaardiger van motorbakwerk is en 'n filiaal van die groep met dieselfde naam in Duitsland en Frankryk. Karl Schmidt staan ook in die motorbedryf in die vervaardiging van enjinsuiers. Volkskas se belang hier beloop 49 persent, met Karl Schmidt van Duitsland die ander aandeelhouer.

Totaal het Volkskas 'n

hul aandele vir aandele in Volkskas-Nywerhede verruil, terwyl aandeelhouers in Volkskas-Groep dan byvoorbeeld ook die geleentheid kan kry om aandele in die nywerheidsmaatskappy te neem.

Volkskas-Beleggingskorporasie, Volkskas-Makelaarsbeleggings en Bickels-Munte en -Medaljes wees.

Volkskas-Beleggingskorporasie sal die maatskappy wees wat met skuldbriewe en verbande werk, terwyl Volkskas-Makelaarsbeleggings die groep se belange die versekeringsmakelaarsbedryf sal hou.

Die ander twee bankbedryfsmaatskappye is natuurlik Volkskas-Aksepbank (VAB) en Volkskas-Industriële Bank (VIB). Dit is albei jong lede van die groep wat sedert hul totstandkoming besondere vordering op die Suid-Afrikaanse banktoneel getoon het.

Die strategiese nywerheidsbelange van die groep sal in 'n nuwe maatskappy, Volkskas-Nywerhede Beperk, gehuisves word. Sy vernaamste beleggings sal wees in Bonuskor ('n belang van 62 persent), Die Transvaalse Suikerkorporasie (100 persent), TMF (Edms.) Bpk. (94,4 persent) en D & M-Padaanleg (Transvaal) (54 persent).

Volkskas-Nywerhede sal ook die groep se beleggings in onder meer UCDD, August Laepple, Karl Schmidt SA, Total SA, Impala Granite (SA) en Trevitan Holdings besit.

UCDD is natuurlik die

sent, wat opgeneem is in die dae toe Total nog planne gehad het om notering in Suid-Afrika te kry.

Die vyfde lid van die nuwe bankbeheergroep is Volkskas-Kommersiële Eiendomme, wat die groep ander eiendomsbelange sal hou. Dit behels hoofsaaklik geproklameerde dorpsgebiede, woonstel- en sakegebou en 'n paar plase. Die boekwaarde van hierdie eiendomme is sowat R5 miljoen, hoewel die markwaarde op sowat R17 miljoen geraam word.

## Kant bring

Mnr. Danie van Huyssteen, wat besturende ditekteur van die nuwe bankbeheergroep is, het aan Sake-Rapport gesê dat Volkskas meen dat die nuwe opset 'n meer logiese struktuur is en die geleentheid bied tot doeltreffender beplanning van en beheer oor die bedrywighede van die maatskappye in die groep. Dit sal gevolglik tot 'n doeltreffender aanwending van kapitaal en tot verhoogde winsgewendheid lei.

Die baie beter funksionele verdeling van die bank se bedrywighede sal meebring dat elke afdeling sy eie wins sal toon, wat onder sy eie kundige bestuur sy kant sal moet bring.

Op 'n vraag oor toekomstige kapitaalbehoeftes het mnr. Van Huyssteen gesê dat daar op die oomblik aan 'n uitgifte van aflosbare voorkeuraandele deur die beheergroep gedink word. Dit is egter nog te vroeg om uit te brei oor die omvang van die uitgifte of die koers en dit lyk of dit waarskynlik 'n private uitgifte sal wees.

Daar kan seker ook aangeneem word dat die opbrengs van so 'n uitgifte hoofsaaklik aangewend sal word om die kapitaalstrukture van die bankfiliale te verstewig.

Daar word ook gevoel dat die bankgroep ná die huidige plan vir eers sal rasionaliseer en daar is geen planne om notering vir van die filiale te soek nie.

Aan die nywerheidskant kan aangeneem word dat Bonuskor die prioriteit nommer een is. En wanneer hierdie filiaal oor 'n jaar of twee weer finansieël gesond is, kan daar dalk interessante moontlikhede wees.

So kan Volkskas-Nywerhede dalk 'n openbare maatskappy word en kan Bonuskor se aandeelhouers

SUN. TRIB. 6/8/78

(58)

# Caution all the way says Barclays

**Finance Reporter**

OPTIMISM is heavily tinged with caution in the latest quarterly survey of business attitudes by Barclays Bank.

The bank reports that although most of its business customers are more optimistic in view of the greater consumer demand for durables, they do not expect any sharp or substantial improvement in business in the months ahead.

About half the bank's trading customers who took part in the survey said sales during the second quarter of this year were on about the same levels as the first quarter, but only 34 percent claimed turnover was slightly higher.

In the manufacturing sector, 58 percent of the respondents reported production levels had remained unchanged, while 35 percent claimed output levels had been higher in the second quarter.

The majority, 46 percent, in the building and construction sectors reported unchanged levels of activity, while 17 percent claimed higher levels.

A significant minority, 37 percent, reported that activity in the second quarter was lower than during the first three months of the year.

The Barclays survey finds:

- That 52 percent of traders in the food and other non-durable goods sectors expect their third quarter results to be similar to those achieved during the second quarter; to increase over the next three months.

The bank reports most of its customers in the building and construction industries do not expect any changes in activity during the third quarter.

New investment by the private sector is, according to the quarterly survey, likely to remain depressed in view of the substantial degree of plant under-utilisation.

Nearly 80 percent of the bank's customers said they were not contemplating any new fixed investment over the next three to six months. Most of those planning investment said it would only be on a moderate scale.

Investment in stock is also likely to be kept at a low level since most of the respondents in all sectors said they were not planning to raise current stock levels over the next three months as the present stock positions are "adequate".

Most respondents claimed profit margins are still being reduced in the face of rising unit costs, although total profits are "not too unsatisfactory" as a result of cost saving and economy drives.

But the survey shows improving cash flows and that debtors are generally paying their accounts on time.

"The rate at which bank credit is used is normally a coincider of the general business cycle. This response, therefore, indicates that although the recession is probably now bottoming out, a full-scale upswing in the economy is still not as yet under way."

SUNDAY TIMES, Business Times, August 6, 1978.

# Bromain sells multi-million rand furniture chain

㊿

HOLLARD STREET

By DON WILKINSON

**THOUGH the groups involved are unwilling to discuss it, my friends in the retail furniture trade are talking freely about a multi-million sale by Bromain Holdings of the bulk of its white-orientated Rosdicks-/Brozin chain (15 stores),which operates mainly in the Transvaal country districts.**

They say that 11 of the outlets have been bought by the Durban-based Beares chain (109 furniture stores at last count), and two more by Lewis Brothers, the unlisted retailers controlled by Britain's mammoth Great Universal Stores ("Gussies").

Tip Top Furnishers, Bromain's 20-strong chain catering principally for the African market, remains with the group for the present at least, they add, to face the competition of the larger and more dominant chains like Ellerine.

Official confirmation of the deals, said to have been made only a few days ago, is, the trade suggests, unlikely to be given until the accounts of Bromain appear shortly.

While it seems to me that shareholders in Bromain and Beares ought to have been informed rather more promptly — after all, millions of their money is involved — the sale of most of Rosdicks/Brozin can only be good for Bromain, and presumably the remaining two outlets can be employed by Tip Top.

To begin with, such a deal takes the group out of a field where size and buying power are all-important, and where it did not, in any case, possess such size nor the finance to grow.

With this deal, management will have been relieved of a headache, having, as the last accounts indicated, put the furniture retailing side back on a profitable tack and made it more attractive to a buyer.

For Bromain, however, the new money which the deals will bring is really what counts, because illiquidity has been an overriding concern for some years.

A year ago, the group's liquidity ratio was an inordinately high 145 per cent. Since then, several of the Eastvaal Ford and other vehicle retail outlets have been disposed of or closed, and various properties sold off, actions which pumped some R8-million into the business and was used to reduce liabilities.

Early in June the group's preliminary figures for the year ended February showed a profit before interest and tax of R1,4-million, a third of the previous year's figure.

But a higher interest bill left Bromain with a pre-tax loss of R1,5- million (R1,7-million profit), and by the time it had (wisely) decided to clear its accounts of goodwill in one fell swoop instead of over five years, the loss had soared over the R2-million mark.

Not surprisingly, there was no dividend and shareholders' funds had fallen, according to the report, to R10,7-million. That was equivalent to about 165c an ordinary share and virtually four times the current share price.

Over the last 19 months or so, Bromain shares have never been higher than 60c and have disappointed, inevitably, those who bought at that level by falling as low as 25c compared with their present 38c-40c, where dealings have been quite active.

While a great deal depends on the group's next balance-sheet, once adjusted for the cash flowing in from what I am quite convinced is a deal —despite the reticence of Max Brozin at Bromain and Alec Rogoff at Beares — it looks to me very much as though Bromain will return to the dividend lists with its current financial year.

For a start, the organisation is much leaner and tighter than it has been for some time, when it had grandiose ideas for which it, and shareholders, subsequently suffered, having seen the dividend fall to nil from the 8c paid for the 1975 and 1976 financial years.

The main asset these days is the 70 per cent holding in Teltron which makes, imports and distributes exclusively a wide range of consumer durable equipment — portable radios, hi-fi sets, cassette recorders, calculators, business machines, hot trays, photocopiers and the like.

They're largely goods which, as the preliminary profit statement indicated, suffered from the slump in the economy and in consumer confidence last year.

The result was that although Teltron pushed turnover up, it was at the expense of slashed profit margins, and the company had to report a loss , as yet unquantified.

But marketing strategy has been revamped and I'm told that Teltron's June, in common with many others in the durables field who benefited from the pre-GST public buying spree, was an excellent month, and that July was, perhaps surprisingly, not much different.

If the public really has greater confidence in the prospects for the economy and is thus willing to commit its spending power on durables, Teltron could be set for greater things in the current year.

It's a potential confidence too, which has been seen in the figures for car sales, notably those of Ford, from which the group's slimmed down operation in this field can only benefit.

With the 25c low left firmly behind, the downside potential looks exceedingly limited, bearing in mind that management now appears to have cut away the dead wood.

Even if the current year produces a 5c dividend , like that paid for 1977, the return is a useful 12,5 per cent, which in these days of advancing industrial share prices and lowering yields, offers some attraction.For those prepared to wait it out, Bromain looks like a usefu [illegible]

Totals 309 37.53 Tot

Sun, Times Business 6/3/78

# Insurance war looms as rates plunge

(58)


Mike Lewis . . . "a new basis for evaluation."


Fred Haslett . . . "blame the economy."

NIGEL BRUCE

**SHORT-TERM insurance rates — especially for fire and profits policies — are being cut by as much as 40 per cent in a wave of intense competition among some insurers and brokers that has the makings of another serious insurance rate war.**

The result could be considerable instability in a market only recently steadied as a result of an informal agreement among some major insurance companies. For an increasing number of companies are being forced by economic circumstance to adjust their rates accordingly.

It could also mean that the profits of insurance companies, which have only just recovered from the last bout of rate cutting, are on the verge of being slashed once again.

This is especially so because inflation and a rising claims incidence in some areas — particularly in the motor sector — are pushing up insurance companies' costs and, in more normal circumstances, this would have resulted in rates rising rather than falling.

The same will apply to insurance brokers, who in any event are facing lower earnings this year as a result of the limitation by the authorities of the commissions they may be paid.

The reason for the rate cutting, according to SA Eagle's Fred Haslett, is the generally depressed economic climate which has resulted in fiercer competition. However, the larger companies that had agreed informally a few years ago to stablise the market were still trying to do so.

Another feature of the market, Mutual and Federal's Mike Levett says, is the intensification of competition among brokers, which was being aggravated by the recent ceiling placed by the authorities on their commission income.

While these are no doubt contributing factors, Price Forbes' Bob Cox believes the real reason is undue optimism on the part of some companies who are taking a particularly short-term view over some recent modest underwriting profits. Within two years the rates will be rising again, he says.

Another insurance broking heavyweight, Hill Samuel's Monty Schapiro, says that the present rate cutting is making nonsense of any scientific or economic measurements of the appropriate rate being charged for the risk involved

Some companies, he says, have "gone a little mad" and are pushing the market into another rate war similar to the one that led to the 20 per cent hike in insurance rates 18 months ago.

This was done across the board merely to stabilise the market and restore profitability. It had no relation to any increase in risk.

Even the more sensible companies that were trying to match risk and rates were being dragged into a war as they tried to match competitive rates. "This situation is as ridiculous as the rate war ot two years ago," he says.

This type of situation places brokers in a very difficult situation for, while they are usually all for a sensible reduction in rates as they want to get the best for their clients, their commissions are nevertheless tied to clients' premiums.

"When rates are cut illogically as is happening now," Mr Schapiro says, "the question of trust between brokers and clients is called unjustifiably into question."

In view of this, it is possible that by describing the short-term insurance industry as currently "being in a turmoil" some brokers might be indulging in exaggeration.

There is another side to the question. For instance, IGI's Michael Lewis denies knowledge of any rate cutting. He says that about 18 months ago his company introduced a new type of policy in terms of which clients themselves carried an additional amount of the risk for all classes of insurance.

In view of this his company was prepared to consider a reduction in premiums.

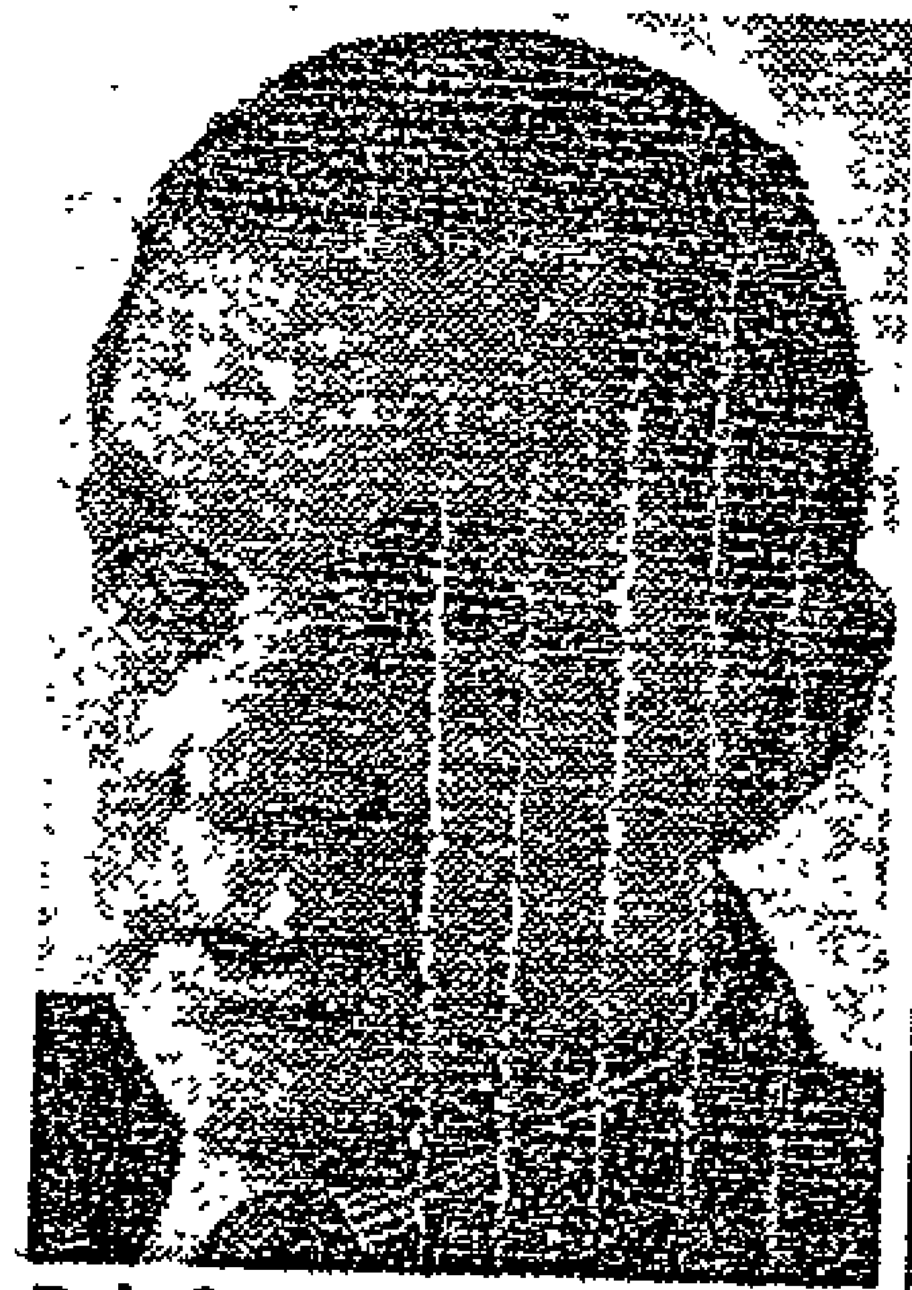
"I wouldn't describe that as being a reduction in premiums but as a new basis of evaluation," he says.

That might be so. But the weight of market opinion is againt Mr Lewis. Eight of the larger short-term insurers to whom I spoke on Friday were quite categoric that basic rates were being cut and that the market is facing another period of severe disruption.

Of course, there is a limit to which rate cutting can be pressed. For at some stage the solvency of the rate-cutters will come into question.

Nor do companies necessarily buy insurance on rate alone. What is unfortunate is that this disruption should have occurred just when the broking industry, because of needless official interference with commission income, is facing a tough year.


Monty Schapiro . . . "they've gone a little mad."


Bob Cox . . . "undue optimism."

SUNDAY TIMES, Business Times, August 6, 1978.

58

# Fed Volks may be on way to brave new world

BY JOHN GILMORE

**HOPES ARE rising in investment circles that the conservative R180-million-a-year Federale Volksbeleggings (FVB) group within the Federale — Sanlam stable is on the brink of a new and more vigorous career.**

FVB is the key company in Afrikaans industrial interests in South Africa.

Moves last year, which drastically reduced dependence on the distressed fishing industry and gave a massive stake in pharmaceuticals, have caught the attention of stockbrokers McKie Bros. Van Velden, who have taken a close look at the company and come to the optimistic conclusion that "FVB are absurdly cheap."

Having calculated that the shares are at an estimated 67 per cent discount on their asset value, the brokers consider a market re-rating is overdue.

They say: "If Unisec, a comparable company with a thinly-covered dividend can consistently command a market price equivalent to around 60 per cent of asset value — a discount on assets of 40 per cent — we can think of no reason why FVB, with a portfolio of at least equal quality and arguably better growth prospects, should not ultimately be valued on a similar basis.

"This would mean a price in excess of 300c."

Currently, the shares stand at 180c on a dividend yield of 8,6 per cent. In all modesty, the brokers admit that much depends on the future dividend policy which, if unduly conservative, will inhibit this re-rating. But McKie think a cursory glance at trhe group's portfolio indicates the scope for a steady rise in income.

The overwhelming bulk of the portfolio is represented by strategic holdings in major listed companies "of whose strength and prospects there can be no reasonable doubts."

The largest holding, Federale Voedsel, is still uncomfortably dependent on the devastated pilchard industry, but following a string of acquisitions culminating in the recent 51 per cent takeover of Ruto, non-fishing interests now account for around two thirds of Fed Voedsel's gross assets.

The brokers also draw attention to the 35 per cent increase in Fedmis's half-yearly profit figures and to the large holding, plus option, in SA Druggists, a current market favourite.

Unlisted holdings include the problem child, Telectra, which has been drastically pruned and restructured, after massive write-downs and losses on realisations and is now expected to return to profitability next year.

The next most important unlisted holdings are the 74 per cent interest in the profitable Continental China, the wholly-owned Cape Lime group, and the one-third interest in Volkskas and Federal Insurance Brokers, which last year merged with Price Forbes Sedgwick.

Other significant investments are Avis, Fedics Food and Siemens, while there is a strong mining element through the holding in Federale Mynbou. Due to the fall in the copper price, losses were incurred on the interest in the Klein Aub mine and the Otjihase Mine, but "adequate provision" has been made.

After a good record of steadily-rising dividends FVB cut its 1977 payment by 4c to 15c, despite disclosed earnings of 31,1c, the reason given being the need to provide R8,8-million against investments and guarantees and the uncertain outlook of 1978.

The group as a whole is highly geared, with total long-term liabilities of R51-million, and the brokers therefore think the dividend policy could remain conservative.

| | | | | | |
|---|---|---|---|---|---|
| 76-80 | 0 | - | 76-80 | 0 | - |
| 80+ | 0 | - | 80+ | 0 | - |
| Totals | 309 | 37.53 | Totals | 350 | 37.29 |

# Drop black bank restrictions urge Nat MPs

(58) 6/8/78 Sund Tr

NATIONALIST MP Mr Barend du Plessis has said South Africa has some "ideologically excessive" discriminatory measures and suggested the African Bank be allowed to operate freely from Johannesburg's Eloff Street.

His remarks, made in an interview, are evidence of a new wave of verligte thinking within the ranks of the National Party. They have found an immediate echo with his fellow back-bencher, the MP for Pinetown, Dr Jan Marais, and coincide with the publication of several controversial resolutions to be debated at the Cape congress of the National Party in East London later this month

"I believe that some of the measures restricting blacks probably did make good sense at one time," Mr du Plessis, the MP for Florida, said in an interview. "But in today's context they would seem to be ideologically excessive."

He pointed to the fact that certain overseas banking institutions, notably the French Bank and the Bank of Lisbon, were allowed to operate freely in South Africa, expanded where they wanted to and made profits — much of which were repatriated overseas.

"If we can allow them to open branches where they want to, why not also with the African Bank?" he asked. The African Bank was established several years ago on capital largely subscribed by black South African businessmen. For every branch it wanted to establish in Soweto it was first obliged to establish another in a homeland.

As far as he was concerned he could see "nothing wrong with the African Bank opening a branch in Eloff Street," Mr du Plessis said.

Asked for his views on Mr du Plessis' proposal, Dr Jan Marais, the founder and former chairman of the Trust Bank said that while it was difficult to generalise he would "prefer all to have the freedom to do business anywhere.

"There might be specific circumstances in a specific environment — and here there are endless permutations— which would make some kind of restriction desireable but I have never thought that banking should be categorised," he said.

Mr du Plessis' call for the easing of ideologically-hidebound restrictions on black businessmen comes at a time when the Government is particlarly sensitive to the issue. The recent decision of the South African Indian Council to adjourn indefinitely was made partly because Indian businessmen are being evicted from white zoned areas of Pietersburg in the Transvaal in terms of the Group Areas Act.

MARDI 18 JUILLET

Journée de travail présidée par le Pr. Marie-Louise Tricaud

9h.00 M. Jean Mesnard (Université de Paris-Sorbonne): "Voltaire et Pascal."

10h.30 Thé.

11h.00 M. Gilbert Pestureau (Université du Natal à Durban): "Voltaire et la poésie."

14h.00 M. Léopold Peeters (Université de Pretoria): "Biographie et poème lyrique."

15h.00 Thé.

15h.30 Mme Josée van de Ghinste (Université du Cap): "Le Jet de pierre ou la trajectoire de l'homme-poète."

17h.30 Cocktail offert par l'Université du Natal.

MERCREDI 19 JUILLET

Journée à Pietermaritzburg

8h.30 Départ via la Vallée des Milles Collines.

10h.30 Thé (Pietermaritzburg).

Séance de travail présidée par le Pr. B.H. Rasmussen

11h.00 M. Yves Giraud (Université de Fribourg, Suisse): "Samuel de Constant et Madame de Charrière, romanciers d'eux-mêmes."

13h.00 Déjeuner offert par l'Université du Natal.

Après-midi: visite de Pietermaritzburg - Hilton - Howick.

18h00 Réception municipale à l'Hôtel de Ville de Pietermaritzburg.

JEUDI 20 JUILLET

9h.00 Assemblée Générale de l'AFSSA: rapports du Président, de la

10h.30

11h.00

14h.00

VENDRE

9h.00

10h 00

10h.30

RAND DAILY MAIL, Wednesday, August 9, 1978. 3

# Corlett may sell bank R8m farm

(55)

**Chief Court Reporter**

THE Rand Supreme Court has granted the joint judicial managers of Corlett Drive Estates Limited authority to sell an undeveloped property outside Pretoria for R8 062 000 to Barclays National Bank, the company's major creditor. The bank will still be owed more than R40 000 000.

The judicial manager of the company, Mr Michael Cato and Mr Albert Ruskin, said after Corlett Drive Estates was placed in judicial management, in November 1974, the bank had been called upon to advance further sums of money on a monthly basis to enable the company to continue trading.

On July 8 this year Corlett Drive Estates and its subsidiaries owed Barclays National Bank R49 066 000 on overdraft. It was unwilling to advance further money to finance the holding of assets which were unproductive. It had been in the interests of the judicial managers to sell the property.

The property — part of the farm Doornpoort, near Wonderboom airport — is presently zoned for agricultural use, but the south-western corner has been approved for township development, the managers said.

In an affidavit the managers said the property was purchased in 1968 for R2 500 000, and the offer from the bank was considered fair and reasonable.

## EXPRESSCOPE ANATOMY OF A SWINDLE

**A DRUNKEN Doctor has been revealed as the key figure in a series of massive insurance swindles.**

**Investigators have discovered that he has "killed-off" at least three fictitious people by signing false post mortem reports on them.**

**The swindles detected so far involve four leading insurance companies and claims totalling over R500 000 for the faked deaths of three Black people.**

**But the insurance world — staggered by the newly-disclosed frauds and attempted frauds — is now mounting a vast exercise to find previously unnoticed faked death claims and to develop tightened precautions against future attempts.**

**A senior insurance executive told the Sunday Express this week: "It's a hair-raising but real possibility that millions upon millions may have been paid out on faked claims like this in recent years."**

**The frauds detected so far all involve insuring the lives of fictitious residents of rural Lesotho, where birth certificates are few and identity documentation notoriously loose.**

**They also disclose sloppy security and lack of supervision in certain Lesotho hospital records, medical documentation and post mortem procedures.**

**And — a record of its kind — the life insurance capers constitute the first big ventures of Black businessmen into white-collar commercial crime.**

**Criminal investigations into the frauds are now near completion and a series of trials is expected to begin soon.**

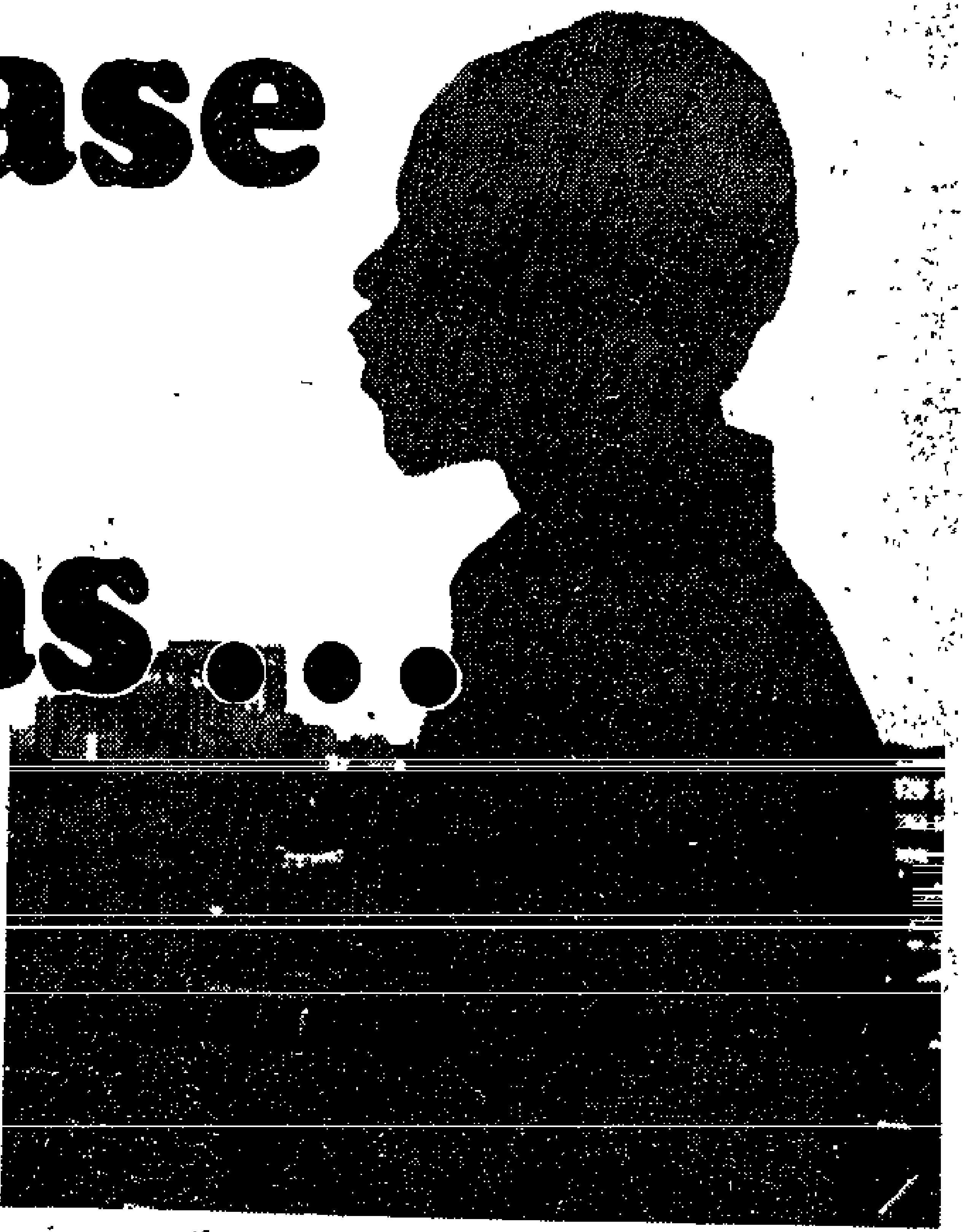
**A claim involving R400 000 is now being disputed in the Supreme Court.**

**One alleged fraud also reached the Supreme Court this month when Mr Justice Blen Franklin granted an urgent order allowing two insurance companies to seize bank accounts and other assets — including a R29 000 Mercedes sports car and an R8 000 Ford Mustang — to recoup R178 500 paid out on death claims for "Theophilus Maphisa" by Legal and General and the Prudential insurance companies.**

**Over R100 000 has been recovered in cash and assets, including the two cars.**

**The central respondent is an insurance agent, Mr Trevor Huddleston Mbalula, who has until August 24 to answer the order.**

# The strange case of the man who never was...



### By DEREK TAYLOR

**THE records said his name was Theophilus Maphisa.**

He was — so several important people believed — a man of substance, a wealthy poultry farmer in Lesotho. A man with assets of R121 000.

It seemed no more than natural that Mr Maphisa should want substantial life insurance — more than R178 000 to be specific.

But there was a problem about Mr Maphisa — he was only four months old.

Or rather, he had "existed" for only four months — because he was the product of another man's imagination.

This, in essence, was the extraordinary story that was unfolded in affidavits to Mr Justice Franklin by the Legal and General Assurance Company and the Prudential last week.

## Prudential

The affidavits revealed what could be called the anatomy of an insurance swindle — or the strange case of the man who never was.

The other side of the story has still to be heard by the court, but here is how Legal and General believes it was duped and defrauded.

Mr Mbalula, who once worked for Legal & General and now represents Octagon Africa Insurance Brokers, insured Mr Maphisa with the company for R62 370 in July last year.

A signed application for Theophilus Maphisa was produced. An unknown person was persuaded to turn up for the compulsory medical examination and certificates of medical checks, including chest X-rays, were provided.

Mr Maphisa, said Mr Mbalula, was in partnership with his uncle in poultry farming and was a busy wheeler-dealer with land and property interests as far away as Botswana.

With claims of a house worth R40 000, a R35 000 cattle ranch, a R30 000 interest in the poultry farm, and a 3-litre BMW car, Mr Maphisa seemed a good man to do business with.

The beneficiary was Mr Patrick Maphisa, a Soweto trader, described as an uncle of the insured man.

A month later, Mr Mbalula obtained another R76 422 insurance policy from L&G on Mr Maphisa's life.

● Judge Franklin

This time Miss Alice Mpungose, of Lamontville, Durban, said to be a niece of Mr Maphisa, was named as beneficiary.

On the same day, Mr Mbalula insured Mr Maphisa for R40 000 with the Prudential. Again, the beneficiary was Mr Patrick Maphisa.

Mr Mbalula paid R418 in premiums to the two companies over the following quarter.

The

- ● A post mortem certificate.
- ● A medical certificate on the cause of death.

The companies paid up and the short, prosperous life of Mr Maphisa was over and done with.

But later, this year, Mr Mbalula made another claim involving the alleged death of a "Mr Henry Twala" to L&G — this time for R400 000.

The company took a look at the magnitude of the claim, the period for which it had been insured, and the unfortunate record of Mr Mbalula's clients.

An investigation began which eventually resulted in the claim being disputed.

Then the company commissioned the Denys Reitz firm of attorneys to investigate the death of Mr Maphisa.

Mr Leon Schubart, an articled clerk with the firm, has described his efforts to track down Mr Maphisa.

- ● Lesotho police could find no record of Mr Maphisa or of his supposed death — nor any record of a fatal car accident in the Matsieng district in 1977.
- ● The only poultry feed factory in the district in which Mr Maphisa was sup-

— apparently authentic and signed by a medical practitioner, Dr Leoatle Motsamai, employed at the hospital.

The acting superintendent of the Queen Elizabeth Hospital checked his records and told Mr Schubart that nobody with the name Theophilus Maphisa had been admitted alive to the hospital on November 13 or 14, nor had a body of that name been taken in.

Therefore, no post mortem had taken place.

Later Dr Motsamai made a sworn statement to an attorney in which he said he had checked the hospital records after being shown the post mortem certificate he

## Legal & General

I was hopelessly addicted to alcohol and must have been inveigled to sign it on an occasion when I was under the influence of alcohol," said Dr Motsamai.

But Mr Schubart asked Dr Motsamai about two other post mortem certificates he had signed involving deaths on which claims to other insurance companies had been made.

Dr Motsamai admitted that in each instance the reports were false, Mr Schubart deposed.

The investigation also disclosed that Mr Patrick Maphisa denied all knowledge of the insurance payout of the R62 370 L&G policy and the R40 000 Prudential policy — although the address given on the claim form was his.

He recalled that another respondent, Mr Ivan Khoza, had borrowed his trader's licence and other identity

**Your money**

Sun. Tribune 20/8/78 (58)

# Far-reaching policy changes expected

**THE Special Finance Correspondent begins a series of articles today on the expected areas of consideration of the Commission of Inquiry into the Monetary System and Monetary Policy. Better known as the De Kock Commission, this investigative body is expected to issue its interim report during September.**

THE DE KOCK Commission is expected shortly to release its first interim report. The report will be concerned with the annual question of exchange-rate policy. The recommendations are expected to result in far-reaching policy changes.

The commission's terms of reference range from a consideration of the money market and interest rate policy to management of the public debt and control of the banking sector and interest rate policy. It also looks at the inter-company money market — known as the "grey market".

The commission is also to submit recommendations on the role of foreign capital in the economy and on the exchange rate, and the development of a foreign exchange market.

These are questions of great concern to our economic policy-makers. It is not surprising therefore, that the Government has brought together an impressive list of expert opinion to deliberate on these matters. As is traditional, the commission is known informally by the name of its chairman, the Deputy Governor of the Reserve Bank Dr Gerhard de Kock.

Backing Dr de Kock are Gerald Browne, the recently retired Secretary of Finance, Andre du Toit, managing director of KWV, Prof Jan Lombard, Professor of Economics at Pretoria University, Wynand Louw, the Registrar of Financial Institutions, Albert Marais, managing director of Saambou, Gordon Oxford, general manager of the Standard Bank, Robin Plumbridge, president of the Chamber of Mines and Dr Martin van den Berg, managing director of Interbank Discount House.

Although the complete report is unlikely to be released for some time, the commission is due to report by stages on the various subsections comprising the terms of reference. The Minister of Finance is on record as saying: "The Commission is making good progress and hopes to submit an interim report on the exchange rate question during the second half of this year.

The Minister added: "In the meantime, no change is contemplated in our present policy of pegging the rand to the US dollar."

The prominence afforded the exchange rate question is fully justified.

The foreign exchange rate can be considered the most important price in the economic system. It links the price level in South Africa with price levels in overseas countries and as such determines the relative price of exports and the price of imports compared with the cost of local products.

South Africa has an extremely open economy. Exports and imports account for more than 50 percent of the gross domestic product. The local price level relative to world prices is therefore a vital factor influencing the level of economic performance.

The international monetary system is no longer based on a system of fixed exchange rates. The major trading currencies float against one another. Volatile trading conditions persist in the world commodity markets. The advantage to South Africa of a more flexible exchange rate policy would be that the authorities could react more quickly and decisively to policy decisions and other events abroad.

On the other hand, businessmen and bankers like the system of fixed rates. It brings some measure of certainty to the already hazardous pursuit of international trade. Historically, the rand has almost always remained pegged at a fixed rate to a major trading currency such as the US dollar or pound sterling. Tradition and custom are hard to break and change in itself will be disruptive and costly.

But there are also non-economic reasons as to why a continued adherence to the fixed parity system can be called into question. The current international attitude towards South Africa, and the political uncertainties at home, have greatly reduced the inflow of foreign capital to this country. Yet South Africa is a developing country. Imported capital remains a necessity. A more flexible exchange rate system would allow response to the mood of the capital market. It is seen as a way of improving control over capital inflows and outflows.

The De Kock Commission has three basic alternatives. The present fixed parity system could be maintained. The commission could recommend a policy of freely floating the rand. Or the commission could recommend some form of managed float.

We propose to look at the implications of each system in turn. Next week this column will evaluate the advantages and disadvantages of the fixed parity system.

BUILDING SOCIETIES

(58) FH 1/9/78

# How efficient are they really?

**For that matter,** just how is the efficiency of a building society to be measured? The most widely used yardstick is the ratio of management expenses to total liabilities, but this is clearly imperfect. In Pretoria recently Hans Hefer, of the UBS, in his capacity as president of the Association of Building Societies, said the most important test was the level of societies' free surpluses, which are transferred to reserves.

While building societies are non-profit-making organisations, he said, it is essential for them to earn reasonable surpluses as this is the only way they can add to their reserves, accumulating "free" capital which can be invested to enhance revenue.

It can also be argued that building societies are financial intermediaries; unlike banks, they cannot create credit in excess of the funds actually at their disposal. Another possibility is therefore to see how efficiently they employ the funds they have by relating total revenue (mainly interest, rents and commissions received) to total assets/liabilities.

Another important aspect of their business is the way in which they finance their activities: a society with, for instance, a high ratio of relatively low-interest savings accounts may be held to be more efficient in this respect than one which relies on paid-up shares or fixed deposits which carry higher interest rates, so are a relatively expensive source of finance.

The accompanying table attempts to quantify these ratios. The figures are related to average liabilities (the average of opening and closing balance sheet entries) to reduce the timing distortions arising from the dynamic nature of building society operations, but these cannot be eliminated altogether (the apparent anomalies in the return for the fast-growing Trust Building Society probably stem from this factor).

Residual profit is declared profit after payment of dividends but before transfers to general reserve, while cost of funds is interest and dividends paid as a proportion of the average value of interest-bearing deposits and accounts and issued capital (for a building society the distinctions between loan capital and equity, and interest and dividends, are academic).

In fact, in terms of revenue and cost of funds, the societies show surprisingly similar returns. Excluding Trust, revenue varies from 10,4% to 11,1%: of the Big Five societies, only between 10,5% and 10,7%. Again excluding Trust, cost of funds varies from 8,3% to 9,1%; and for the Big Five, from 8,3% to 8,7%.

And if Eastern Province shows up unfavourably with the highest average cost of funds, this is offset by its efficient use of funds, as it is the leader in total revenue as a percentage of liabilities.

It is indeed in residual profit that the variations are widest, and cynics would say that it's not surprising to see a UBS man plugging this ratio. For, at the two ends of the scale, it and the smallest surviving society, Grahamstown, consistently put away most to reserves.

R10,7m may seem a substantial amount for a building society to tuck away; but when it's seen that this is only 0,5% of UBS' total liabilities, the claim that such transfers can have any great impact on overall assets and revenue does not appear very convincing. UBS' total accumulated reserves of R73,7m are only 6,8% of its share capital, or 3,3% of its total liabilities.

But considering the differences from society to society in the composition of both assets and liabilities, it is if anything surprising that most of the ratios cluster so closely around the industry norm. However much individuals may proclaim their own excellence, it would seem that building societies may well be an area in which the calibre of money management does not vary widely from one institution to another.

- As with the *FM*'s earlier table of expense ratios (*Finance* July 14) the unfavourable showing of Southern-Trident in the column of residual profits probably reflects largely the disruption of the merger and consequent extraordinary expenditure.

## BUILDING SOCIETIES ANALYSED

| | Average total liabilities (R'000) | Total revenue as % of total liabilities | Residual profit (R'000) | Residual profit (as % of liabilities) | Overall cost of funds % |
|---|---|---|---|---|---|
| **United** | 2 139 400 | 10,7 | 10 736 | 0,50 | 8,3 |
| | *1 938 456* | *10,6* | *9 568* | *0,49* | *8,2* |
| **SA Perm** | 1 624 062 | 10,7 | 5 209 | 0,32 | 8,5 |
| | *1 479 323* | *10,7* | *2 944* | *0,20* | *8,4* |
| **Allied** | 1 351 093 | 10,6 | 1 770 | 0,13 | 8,5 |
| | *1 233 857* | *10,6* | *1 722* | *0,14* | *8,4* |
| **Natal** | 741 932 | 10,6 | 1 924 | 0,26 | 8,3 |
| | *662 460* | *10,6* | *1 964* | *0,30* | *8,2* |
| **Saambou** | 600 897 | 10.5 | 952 | 0,11 | 8,7 |
| | *555 851* | *10,4* | *716* | *0,13* | *8,6* |
| **S-Trident** | 249 910 | 10,6 | —11 | — | 8,8 |
| | *240 121* | *10,6* | *307* | *0,13* | *8,7* |
| **Trust** | 131 716 | 9,8 | 442 | 0,34 | 7,8 |
| | *114 310* | *11,3* | *442* | *0,39* | *9,0* |
| **E Province** | 119 803 | 11,1 | 105 | 0,09 | 9,1 |
| | *99 942* | *11,1* | *220* | *0,22* | *8,8* |
| **Standard†** | 107 108 | 10,5 | 36 | 0,03 | 8,9 |
| | *98 740* | *10,5* | *65* | *0,07* | *8,8* |
| **Provincial** | 48 044 | 10,9 | 174 | 0,36 | 8,9 |
| | *46 876* | *10,9* | *240* | *0,51* | *8,6* |
| **Grahamstown** | 38 692 | 10,4 | 201 | 0,52 | 8,8 |
| | *36 597* | *10,4* | *187* | *0,51* | *8,9* |

**1977 figures are sum of Southern & Trident.*
*†Known as Prudential Equity until March 31 1978.*
*Italics refer to previous year's figures and percentages are rounded off.*

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58

# Banke kan nóg groter

## Konsolidasie egter vir eers nodig

RAPPORT 3/9/78

**DIE Suid-Afrikaanse bankwese het die laaste paar jaar 'n rasionalisasieproses ondergaan wat deur geen ander sektor van die ekonomie geëwenaar kan word nie. En hoewel dit lyk of daar nou vir eers 'n konsolidasieproses is wat afgehandel moet word, is verdere groepvorming in die toekoms baie waarskynlik.**

*Dit lyk trouens moontlik of die land oor 'n dekade of selfs minder met net drie groot bankgroepe gaan sit, wat die banktoneel feitlik sal monopoliseer en vir die klein banke wat oorbly sake baie moeilik sal maak.*

Die neiging tot die groot ank is 'n paar jaar gelede eur Nedbank begin, toe ie Nederlandse Bank, AL en Syfrets saamgenelt het om die Nedsualgroep te vorm. In hierdie geval het die rasionalisasie geweldige voordele gebring en spog Nedbank nou et die beste opbrengs op kapitaal.

Die meer onlangse rasionalisasie van bankbelange was dié in die Sanlamgroep. Vier banke in die groep, Sasbank, Federale Bank, Bank van Johannesburg en Santambank, doen nou almal as Santambank sake.

Trust-Bank is by die Bankorp-groep ingeskakel en natuurlik ook Trust-Aksepbank. In hierdie groep is daar dus nou net drie banke oor, nl. Senbank, Trust-Bank en Santambank, met natuurlik die klein Mercabank wat sal voortgaan om as 'n spesiale beleggingsbank sake te doen. Dit vergelyk met nie minder nie as agt banke voorheen.

Hier is dit ook interessant dat die beheer-groep, Bankorp, basies ontwikkel het uit 'n samesmelting so 'n stuk of tien jaar gelede tussen Sentrale Nywerheidsaksepbank en City Merchant Bank.

En in hierdie oorspronklike Senbank-groep was die huidige beherende aandeelhouer, Sanlam, maar net een van 'n paar ander. Die ander aandeelhouers was die NOK, Volkskas, Bonuskor en Standard-Bank.

Die bankgroep van die Schlesingers, Western Bank, is 'n paar jaar gelede by Barclays ingeskakel, terwyl Standard onlangs vir UDC-bank ingesluk het.

Concorde het stil-stil verdwyn, terwyl Randbank en Rondalia nog onder kuratorskap verkeer. Hier moet 'n mens egter byvoeg dat Rand-Askepbank nog soos gewoonlik sake doen.

Op die platteland het Bolandbank vir Bredabank ingesluk en is tesame met die Bank van die Oranje-Vrystaat nou feitlik die enigste twee werklike streekbankgroepe.

Aan die meer gespesialiseerde kant het daar feitlik nou net mnr. Piet Liebenberg se Finansbank en Hill Samuel oorgebly.

In Bankkringe is dit die algemene gevoel dat daar vir hierdie soort banke altyd 'n plek sal wees omdat dit die soort gespesialiseerde kundigheid kan verskaf waarvoor daar altyd 'n behoefte sal wees.

Volkskas is die enigste bankgroep wat sonder enige betekenisvolle oornames homself laat geld. Al wat hy op hierdie gebied gedoen het, was deur beheer van die Aksepbank van die Bank van die Oranje-Vrystaat te kry, die naam te verander en by die Volkskas-groep in te skakel.

Hier het 'n mens dus eerder met die totstandkoming van 'n nuwe aksepbank te doen, wat natuurlik spruit uit die verbreking van die bande tussen Volkskas en Bankorp.

Die baie sterk vordering van hierdie „nuwe" aksepbank word ook duidelik weerspieël deur die indrukwekkende resultate wat sedertdien bekend gemaak is.

Net so het Volkskas ook 'n bestaande banklisensie omskep tot 'n nywerheidsbank, wat eweneens besig is om as 'n „nuwe" bank op 'n groot skaal in te klim.

Die stadium is dus nou bereik waar die land vyf groot bankgroepe het, wat in hierdie stadium geheel en al onafhanklik van mekaar is.

Maar dit bly 'n ope vraag hoe lank die posisie so gaan bly. Die algemene gevoel is dat Volkskas en Bankorp tog eendag in die toekoms weer aan die gesels kan raak, wat dan 'n werklik groot bank met sy wortels suiwer in Suid-Afrika kan word.

So iets sal uit die aard van die saak nie voor oor 'n hele paar jaar kan gebeur nie. Vir eers is daar Trust-Bank wat eers weer op 'n werklik sterk winsgewende vlak gebring moet word. En hoewel die aanduidinge daar is dat Trust-Bank se sake ingrypend verbeter het, kan aangeneem word dat die opbou van baie sterk reserwes die hoogste prioriteit geniet en dat aandeelhouers nog lank vir enige dividend sal moet wag.

**Sake-Rapport kyk na die Bankwese**

Wat die Ou Mutual se bankbelange betref, is daar op die oomblik heel interessante ontwikkelinge aan die gang. Hierdie versekeraar is reeds een van die Nedbankgroep se grootste aandeelhouers, maar alles dui daarop dat hy ook 'n stewige hap in die Standard Bank kan kry.

Hy sit reeds met die belang wat UDC in Standard gehad het en onderskryf nou die regte-uitgifte van Standard. In bankkringe word gespekuleer dat Ou Mutual dalk eersdaags met 'n belang van tot 25 persent in Standard kan sit.

Oor 'n paar jaar sal die plaaslike aandeelhouding van Standard minstens 50 persent moet wees en dit lyk moontlik dat Ou Mutual hier nog verdere belange kan opneem.

Dit is dan wanneer 'n mens hardop begin wonder of dit nie eerste stap in die rigting van 'n samesmelting tussen Nedbank en Standard is nie, wat dan 'n groep tot stand kan bring wat verreweg die grootste bank in die land sal wees.

In die geval van Barclays is sy oorsese aandeelhouding op die oomblik 63 persent. Hy sal dit tot 50 persent moet afbring, wat baie moontlik is met 'n paar regte-uitgiftes oor die volgende paar jaar — veral as 'n mens so 'n sterk aandeelhouer soos Anglo American (18 persent) het wat kan help met die onderskrywing daarvan.

Die voorafgaande is egter alles net interessante afleidings en spekulasie en daar kan aangeneem word dat al die groot banke oor die volgende jaar of wat vir eers alles in die stryd sal werp om die ontwikkelinge van die laaste tyd te verbeter en te konsolideer.

Een ding is egter seker. Met die rasionalisasie van die laaste tyd is die bestuur van die bankwese in die land op 'n baie stewige vlak en kan hierdie sektor van die ekonomie nie anders nie as om in die toekoms nog gesonder te word en sy deel by te dra tot die uitbouing van die ekonomie in die volgende groeifase.

RAPPORT 3/9/78 (58)

# Handelsbanke klim in aksepte

AKSEPFINANSIERING deur aksepbanke het verlede jaar net minder as R415 miljoen beloop, teenoor totale aksepkrediete van net meer as R750 miljoen. Dit is interessant dat handelsbanke en ook ander banke hulle toenemend tot aksepfinansiering wend.

Só gesels mnr. Jan de Kock, senior bestuurder van Senbank se geldmarkafdeling, oor die aksepbankwese in Suid-Afrika. Hy sê dat waar aksepkrediete deur aksepbanke toegestaan aan die einde van 1975 sowat 68 persent van die totaal beloop het, hulle aandeel tot 48 persent in Maart vanjaar gedaal het.

Teenoor 'n groei van 53 persent in die totale aksepkrediete benut van einde 1975 tot Maart 1978, het aksepfinansiering deur aksepbanke oor dieselfde tydperk met net 8 persent toegeneem.

Monetêre beleid, waardeur die vloei van fondse beheer word en wat gemik is op die beperking van krediet aan die private sektor, het hiertoe bygedra, volgens mnr. De Kock.

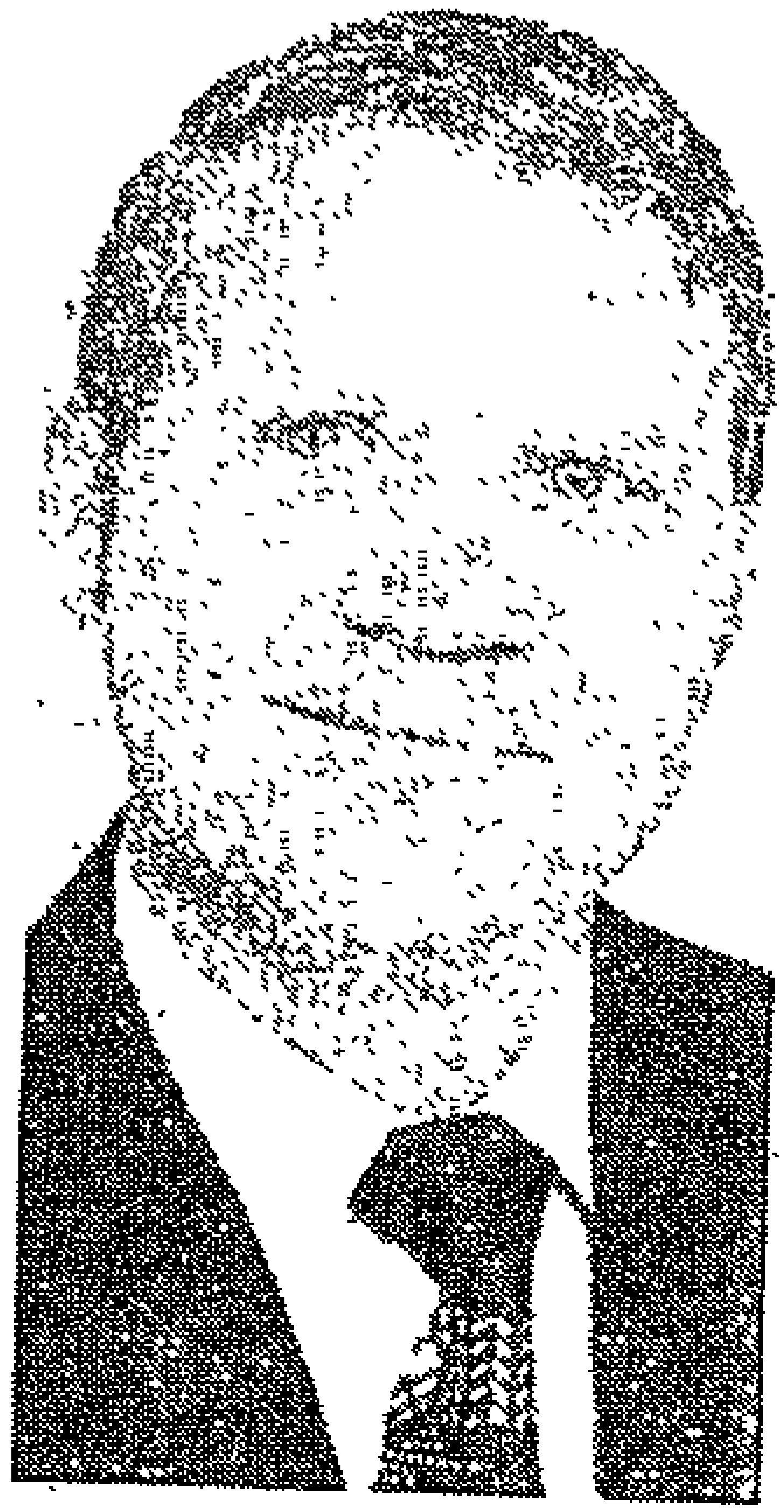
Hy voeg by dat aksepbanke as finansiële spesialiste funksioneer wat as tussengangers optree by die verkryging van finansiering, maar waar die funksie van geldvoorsiening uit eie fondse 'n relatief minder belangrike rol as in die geval van handelsbanke speel.

Aksepbanke is op die korporatiewe gemeenskap en nie die individu of die verbruiker ingestel nie. Hier is dus nie 'n geval waar krediet vir verbruiksbesteding beskikbaar gestel word nie, maar eerder een waar dit vir produktiewe doeleindes is.

Beperking op kredietverlening deur verhogings in likiede batevereistes, waardeur die beskikbaarheid van vrye fondse verminder word, impliseer 'n las op die winsgewendheid van banke aangesien 'n groter persentasie van hulle fondse in likiede bates met 'n relatief lae opbrengs gehou moet word. Koste van netto fondse bly dus hoog. Gevolglik beperk dit die afwaartse aanpassing van uitleenkoerse van banke soos bv. oortrokke koerse.

Om hierdie rede het handelsbanke toenemend begin om aksepfinansiering wat goedkoper is as aanvulling te gebruik, eerder as om die klant te verloor.

Die verlaging van 0,3 persent in die koers van skatkisbiljette weens die daling in die bankkoers het genoeg beweegruimte geskep vir die koste van bankaksepte om ook afwaarts aan te pas. Gedurende die afgelope twee jaar was die gemiddelde oortrokke koerse teenoor aksepkoste soos volg:



MNR. JAN DE KOCK

|  | Akesepkoste | Oortrokke Koerse |
|---|---|---|
| 1977 | 11,2 | 12,5 |
| 1978 | 10,8 | 12,5 |
| 1978 (huidig) | 10,0 | 12,0 |

Volgens mnr. De Kock is 'n verdere uitbreiding in die mark van aksepfinansiering die toetrede van die nie-banksektor. Voorheen het uitsluitend finansiële instellings aksepte gekoop en verkoop, maar vanweë die hoë likwiditeit in die nie-banksektor, het groot maatskappye met oorskot fondse toenemend aksepte begin koop waardeur hulle 'n beter opbrengs as op korttermyndeposito's verdien.

Volgens die onlangse verandering in die formule van likwiede batevereistes word onderskeid tussen groot en klein banke getref (afsnypunt is R800 miljoen) in teenstelling met voorheen toe onderskei is tussen handels- en aksepbanke en ander banke.

Aangesien alle SA aksepbanke minder as R800 miljoen aan bates het, hou hierdie verandering in werklikheid geen verskil in nie.

Slegs ten opsigte van medium-termynverpligtinge teenoor die publiek het 'n klein verandering ingetree. Voorheen moes aksepbanke 29 persent van hulle mediumtermyn-verpligtinge plus 'n verdere 10 persent op die verpligtinge groter as die September 1975-posisie in likwiede bates gehou word. Die 29 persent is verminder tot 27 persent wat vir aksepbanke 'n totale vermindering in likwiede bates van ongeveer R6 miljoen beteken.

Die R6 miljoen uitgeduk as persentasie van die aksepbanke se totale bates, is slegs 0,6 persent, wat beteken dat dit slegs 'n baie klein voordeel vir aksepbanke inhou.

Die 10 persent addisionele vereiste bo die vlak van September 1975 is afgeskaf, maar aangesien aksepbanke volgens mnr. De Kock in totaal tans minder mediumtermyn-deposito's hou as in September 1975, hou dit geen korttermyn-voordeel in nie.

# Boland, Bankovs hét wel genoeg plek

58

DAAR is meer as genoeg ruimte vir die kleiner bankinstelling in Suid-Afrika. Hierdie soort bank kan by uitstek gespesialiseerde dienste lewer en solank as wat die kleiner banke altyd terdeë bewus is van wat hierdie dienste hom kos, het hulle bestaansreg.

Dit is hoe die besturende direkteure van twee van die kleiner banke praat wat ná die oornames en samesmeltings die laaste tyd hul onafhanklike karakter behou het.

Hulle is mnr. Gert Liebenberg van Boland-Bank en mnr. Eugene van Rensburg van Bankovs.

Mnr. Liebenberg sê dat in ons huidige vrye kapitalisatiese stelsel die winsgewendheid en doeltreffendheid van 'n bank op die duur gaan bepaal of daar vir hom bestaansreg is.

As 'n bank aan albei hierdie vereistes kan voldoen, is daar by hom dan geen twyfel dat 'n klein bank wel 'n plek het nie.

Mnr. Liebenberg sê dat hy die eerste is om dadelik te erken dat 'n klein bank veral sy strategie voortdurend sal moet aanpas by veranderde omstandighede en behoeftes.

Dit is so dat banke oor die laaste paar jaar baie meer aggressief geword het en dat hulle vandag produkte verkoop. Solank as wat hierdie produkte winsgewend verkoop kan word, is daar geen rede waarom 'n klein bank nie ook aggressief kan optree nie.

MNR. GERT LIEBENBERG

Mnr. Liebenberg meen dat daar byvoorbeeld geen rede is waarom Boland-Bank nie ook tjekboekgeriewe vir sy klante kan aanbied nie. Dit gebeur dikwels waar 'n klant al sy finansiële sake by Boland het en dan elders 'n bankrekening het.

Banke beweeg in hierdie land teen 'n bepaalde dissipline, sê mnr. Liebenberg. Hierom sal dit ook sinneloos wees om die grotes te probeer pak en kleiner banke moet tred hou met die beperkinge wat op hom geplaas word.

Uitbreiding moet altyd gemeet word aan winsgewendheid wat dit vir die kleiner bank inhou. In die geval van Boland strek sy ontstaan 78 jaar terug en het hierdie groep al 'n slag tevore deur 'n ernstige depressie gegaan en sterk anderkant uitgekom.

Met sy ontwikkeling uit die eksekuteurskamers het die groep oor die jare steeds weens 'n behoefte na meer dienste uitgebrei om 'n groter spektrum te dek. Vroeër het die groep feitlik uitsluitend op verbandfinansiering gekonsentreer, maar hy kon nie vir altyd net daar bly nie.

Die beleggingsfilosofie moes verander en die posisie is bereik waar die groep vandag ook bedrywig is op aksepfinansiering, huurkoop, verhuring, ens.

Hierdie uitbreiding het wins as oogmerk en dit sal altyd die bank se strewe wees om wins te maak.

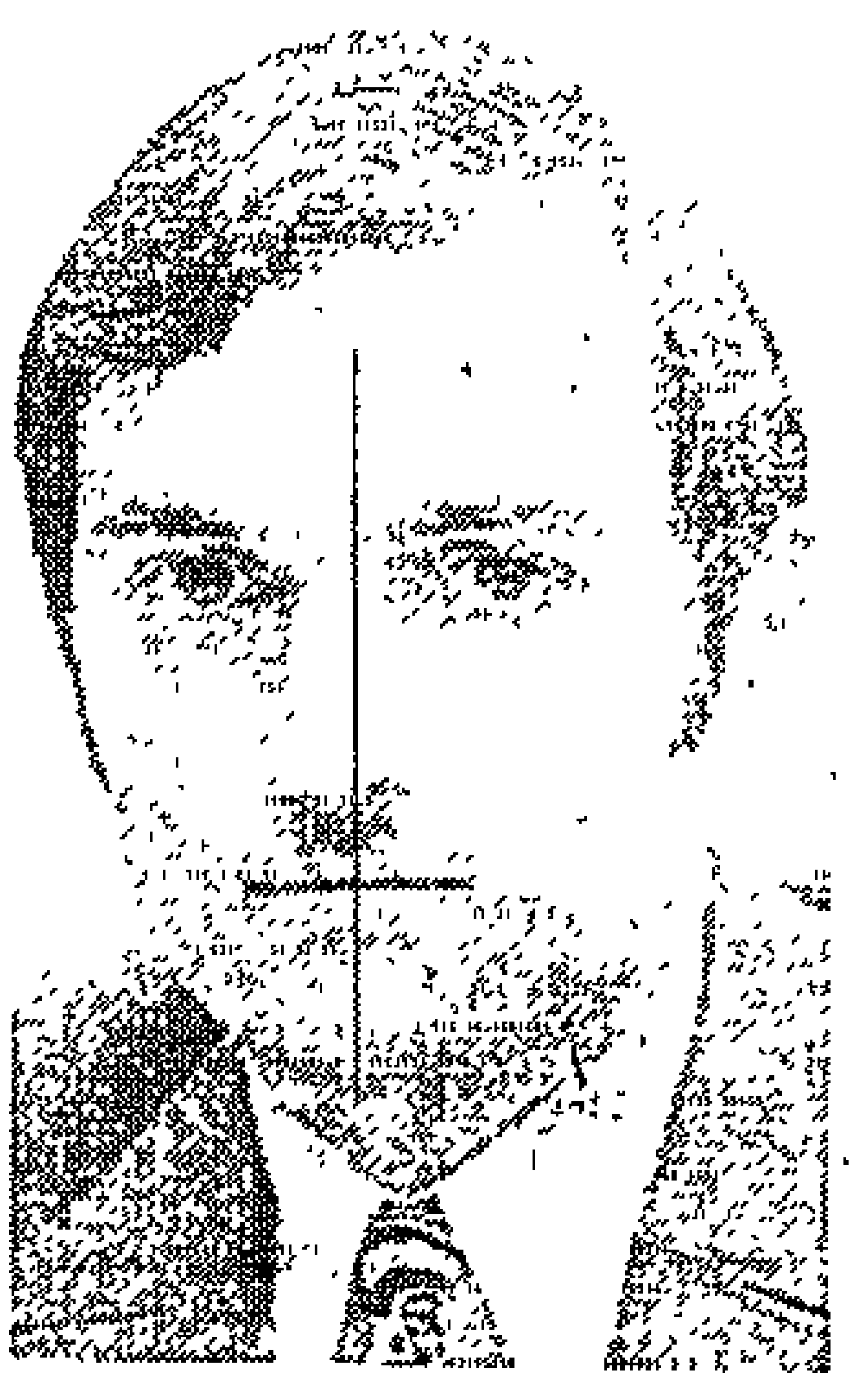
'n Klein bank kan dit nie bekostig om dienste teen 'n verlies aan te bied nie.

## Sake-Rapport kyk na die Bankwese

Maar die klem val op diens en diens van gehalte. Vir hierdie soort dienste is daar altyd 'n vraag en klante is bereid om duurder daarvoor te betaal.

Dit is ook om hierdie rede dat sy groep se uitbreidinge van die laaste paar jaar uiters suksesvol was en mnr. Liebenberg meen dat die bank in 'n sterk posisie is om geleenthede vinniger te kan benut.

Terwyl groepvorming as sodanig nie noodwendig nadelig is nie, sal daar altyd 'n plek wees vir die kundig en suksesvol bestuurde kleiner organisasie waar die gehalte van die bates van meer belang as die blote omvang daarvan geag word.



MNR. EUGéNE VAN RENSBURG

In hierdie opsig stem mnr. Van Rensburg, wat 'n maand of wat gelede oorgeneem het as besturende direkteur van Bankovs nadat hy hoofbestuurder van Finansbank was, volmondig saam.

Mnr. Van Rensburg sê dat die klein bank op die individu ingestel is, met persoonlike diens sy grootste voordeel

By groot banke wat groter en groter word gebeur dit noodwendig dat daar soms 'n onpersoonlikheid ontwikkel. Daar sal altyd klante wees wat 'n meer persoonlike diens verlang, wat gepaard gaan met 'n behoefte tot persoonlike advies.

Dit is 'n leemte wat die kleiner bank met groot vrug kan vul. Hierdie spesiale aandag het uit die aard van die saak spesiale kundigheid nodig. Dit bring mee dat sulke dienste duurder kos. Maar dit is sy bankgroep se ondervinding dat die klant wat hierdie soort dienste benodig, heeltemal bereid is om 1 of 2 persent meer te betaal.

Vir baie mese is 'n bank nie soos 'n supermark nie, sê mnr. Van Rensburg. 'n Mens het hier met 'n vertrouensposisie te doen, waar 'n simpatieke oor baie nodig is. Vir die kleiner bank moet kontak met die klant van die grootste belang wees.

Hy sien dan ook die toekoms van die kleiner bank eerder in 'n streeksontwikkeling. Daar moet eerder probeer word om 'n sekere segment van die bankwese te bevredig, met die klem op winsgewendheid en nie volume nie.

Hier meen mnr. Van Rensburg dat Bankovs se toenemende betrokkenheid in die landbou 'n goeie voorbeeld is van hoe 'n klein bank op 'n sekere gebied sterk kan konsentreer.

Die groep het 'n spesiale landbou-afdeling, wat gespesialiseerde finansiële hulp tot beskikking van die boer stel. Die Vrystaat is eintlik 'n landbouprovinsie en as 'n hoofsaaklik Vrystaatse bank moet die boer uit die aard van die saak vir so 'n bank 'n baie belangrike klant wees.

In hierdie opsig is daar 'n groot ooreenkoms tussen Bankovs en Boland-Bank en 'n mens wonder of daar nie in die toekoms die een of ander vorm van samewerking op 'n streeksgrondslag nog kan ontwikkel nie.

Star 6/9/78

(58)

# Thousands hit by subsidy removal

**Thousands of the poorest home-buyers around the country will have to pay more for their bonds under a Government decision to remove the subsidy previously granted on loans of R15 000 or less on houses valued at a maximum of R20 000.**

The forthcoming removal of the subsidy was announced yesterday by the Minister of Community Development, Mr Marais Steyn.

A spokesman for the Association of Building Societies today agreed that it would generally be the home-buyers with the lowest incomes who would be affected by the move.

The total number, he said, would probably "run into thousands but probably not hundreds of thousands." He could not give a precise number.

However, he pointed out that the Government was cushioning the subsidy removal by ruling it would only come into effect for home-owners who had received the subsidy for five years, and that building societies should extend the terms of their loans to 30 years.

## UNDERSTANDING

Phasing-out of the subsidy will begin on November 1.

The association spokesman agreed that many people had taken out bonds on the understanding they would receive a subsidy (of two percent of the interest rate) and this subsidy was now being taken away from them.

But he did not think the Government had intended the subsidy should last "forever" although this might have been the impression held by many borrowers.

The association, he said, had been consulted before the subsidy decision was taken. In general, it agreed with the Government that subsidies to borrowers distorted the housing market and led to people buying more luxurious housing than they would if not subsidised.

## ON SAVINGS

He agreed that subsidised luxurious housing was out of the question in view of the low borrowing and valuation limits needed to qualify for a subsidy.

The building societies preferred the view, which the Government had come round to, that there should be a subsidy on the interest on savings for home-ownership rather than on borrowings.

He agreed that this was to the advantage of building societies as it helped them compete for funds with other financial institutions.

The foundation of Enlightenment belief, that truth was an absolute independent of man was now successfully challenged by

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what of that? for the imagination
is no past."① To bring the pa
to resurrect it as Michelet so
a central concern of the Romantic
determined the manner in which the
Great passion marks their attitude to
subject matter and the vividness
they portrayed events. Imagination
perhaps, the most important [illegible]
in recreating the past.

These directions against
thought such as relativity
emphasis on singularity and the
as well as the special role of
imagination are best seen in
nineteenth century historians,

① Gooch p 171.

Appendix I: Comparison of Village Health Worker Programmes in Three Districts of Lesotho

(Source: Ministry of Health The Village Health Worker in Lesotho: Report of a Workshop held 26-27 March 1977. Maseru, 1977.)

## TABULATION EXISTING THREE VHW PROGRAMMES

| | QUTHING | SCOTT | TEBELLONG |
|---|---|---|---|
| GOALS | To obtain optimal contact between institutional health & consumer by training VHW's | The improvement of the level of health in the villages in the Scott Hospital region | Getting people involved in their own health care |
| OBJECTIVES | Assist VHW in identifying:<br>local health needs/ problems<br>solving the above<br>After one year<br>VHW's provide simple curative care | To establish community based health service structure by identifying:<br>VHW tasks<br>programme villages<br>team identification<br>Selection of VHW's for training and followup<br>Improvement of:<br>coordination & communication between health agencies working in the area<br>alth knowledge & motivation<br>lopment of Health ucation materials | That women chosen by their own people accept certain designated responsibilities in their own villages |
| SELECTION OF VHW'S | By mot<br>MCH C<br>Through<br>Chief<br>in C | age pitso called by ief to discuss VHW ogramme<br>nd pitso called for ection of VHW's | Each community chose 5 volunteers: hospital staff selected 2 staff members for VHW Programme |
| NUMBER OF VHW'S | Orginal out;<br>"Up to | inally 40; 16 dropped t | 2 to 4 each village |

| | | SCOTT | TEBELLONG |
|---|---|---|---|
| | Q | | |
| LOCATION OF VHW'S | 9<br>Q | Motsekuoa, Matel | ing the |
| INITIAL TRAINING | Or | | |
| SUBSEQUENT TRAINING | T | | ry 2 |
| TRAINING CONTENT | Gr | | |
| SERVICES RENDERED | Mo<br>Rep<br>cc<br>dr<br>loc<br>Encou.<br>MCH<br>Fami<br>Contac<br>3 fa<br>for health education | | ion<br>ization |

(58) 5/9/78

# Building society pledge to help soften blow

EAST LONDON — Building societies throughout South Africa will do all they can to help home buyers overcome the phasing out of the Government subsidy.

So said the director of the Association of South African Building Societies, Mr D. Alston, from Johannesburg yesterday.

In a telephone interview, Mr Alston said: "We will do everything we can to soften the blow by lessening the amount the house-holders pay on their bonds."

An immediate increase will be experienced from November 1 by people who have been receiving the subsidy for more than five years.

Those people whose bonds have not been registered for five years, will continue to receive the two per cent Government subsidy until November 1982.

How much will it affect you? According to Mr Alston, the most a home-owner will have to pay as from November 1 is an extra R22. This is for the maximum bond which receives the subsidy — R15 000. That is provided the house valuation is not more than R20 000.

Another example was for someone with a R12 000 bond. This person would have to pay an extra R17,62 a month.

These amounts would be greatly reduced if the owner decided to seek payment of his bond over 30 years instead of 25. However, this would in the long run mean the owner paying more for his house because of the extra interest.

"Ultimately, this will entail paying more, but it is up to you really, to decide whether you can afford a fairly substantial increase, in repayments or whether you'd rather increase the time of repayment.

"The new move gives people time to decide, if they have not been enjoying the subsidy for five years already.

"I don't think anyone can say it is a shock. Existing borrowers knew it was coming. It was just a question of when.

"It's not a case now of having to make an instant decision. Even those home owners whose subsidy falls away this year have time to go to their building societies and discuss the matter with them," Mr Alston said.

Spokesmen for building societies in East London said yesterday they could not comment on the issue as they had not yet been notified by their head offices. — DDR

## BANKING

# Quarterly returns analysed

(58) FM 8/9/78

**An analysis** of the latest bank statements of assets and liabilities (for the June quarter) underlines the consolidation and growth of the revitalised Trust Bank. After slipping steadily just before and after the Bankorp takeover and rationalisation, Trust seems to have made a determined effort to recapture lost ground.

Assets, for instance, grew by nearly 17% while lendings at risk (see table) jumped by over 40%, both compared to the previous quarter. However, as Trust GM Chris van Wyk freely admits, this growth is by no means all attributable to new business for the bank. In fact, he confirms more than half the increase in lendings is related to "a reorganisation of the bank's property involvement."

Although Trust's total exposure to property hasn't changed, there has been what Van Wyk calls "an unscrambling of our exposure." For instance, direct property exposure has been reduced by some R70m, with the balance now included under the item "other advances and discounts." The equity portion has been transferred to the recently established Trust Property Corporation.

Trust also saw remarkable growth in its hp receivables, which rose by some R110m in only three months — well nigh impossible under normal market conditions given the present competition among other banks in this field. However, Trust insists that three factors accounted for the jump:

- The bank secured "a couple of large corporate hp deals;"
- June was an excellent month for car sales — from which the other banks also benefited;
- Trust bought in a lot of additional hp paper.

Among the other big banks there were no startling changes to their figures, which reflected the strong seasonal patterns typical of the June and December quarters. The all round substantial increase in cheque deposits reflected seasonal build-up in anticipation of large tax payments due in July, while liquid asset requirements also rose to meet the build up in deposits.

Standard, Volkskas and Nedbank were all well over their requirements, while Barclays and Trust just skimmed theirs. Since these are low yielding investments (and, therefore, cost money to maintain) a large surplus does not necessarily indicate that one bank is managing its affairs btetter than the next, or even that it is more liquid, although a consistent shortage would spell trouble.

Barclays and Trust both claim to have paid particular attention to the management of their liquid asset portfolios in cutting their surpluses to the absolute minimum. In some of the other cases, banks may be left temporarily holding large surpluses due to tax cheques not being cleared by the end of the month, thereby requiring liquid assets to be reserved against these.

Although bank lending showed an unexpected hiccup during March and April, there was (apart from Trust) very little growth in total lendings of the big banks during the second quarter of the year, reflecting the general slackness in the demand for credit.

Similarly, savings grew only modestly, which was to be expected in view of the surge in pre-gst spending. According to one banker, there are indications that personal savings are now increasing more rapidly.

### COMMERCIAL BANKS

| Bank | Total assets | † Lendings at risk | Cheque deposits | Total deposits | Savings deposits | Excess liquid assets |
|---|---|---|---|---|---|---|
| Latest Rm | 3 681 | * 1 715 | 917 | 3 165 | 792 | 7 |
| BARCLAYS | | | | | | |
| % change ‡ | 2,8 | 2,0 | 10,9 | 2,9 | 3,1 | |
| Latest Rm | 2 961 | 1 318 | 794 | 2 613 | 737 | 80 |
| STANDARD | | | | | | |
| % change ‡ | 7,5 | 0,9 | 11,8 | 6,1 | 3,7 | |
| Latest Rm | 2 088 | 768 | 481 | 1 759 | 334 | 99 |
| VOLKSKAS | | | | | | |
| % change ‡ | 5,0 | 0 | 22,1 | 6,9 | 3,7 | |
| Latest Rm | 1 469 | 471 | 215 | 1 118 | 351 | 48 |
| NEDBANK | | | | | | |
| % change ‡ | 8,3 | -4,1 | 17,5 | 17,1 | 5,4 | |
| Latest Rm | 1 278 | 721 | 99 | 1 006 | 154 | 4 |
| TRUST | | | | | | |
| % change ‡ | 16,9 | 41,9 | 11,2 | 12,7 | 1,5 | |

** Included in Barclays' lendings is R203m worth of HP and leasing. Standard, by comparison, includes only R31m, while Volkskas includes R75m.*

*† Includes bills discounted or purchased, HP discounts and advances, leases, deeds of sale discounted and other loans and advances.*

*‡ % change over previous quarter.*

13/9/78 V.M (58)

# Savings and loan interest to be cut

**Financial Editor**

**COMMERCIAL banks and building societies are planning to cut fix deposit and special savings interest rates by 1 percent.**

But the move, expected in an announcement on Friday, is almost certain to be followed in a few months' time, by a lowering of 0,5 percent in home mortgage interest rates.

It is anticipated that similar cuts in savings accounts interest will be made by the Post Office and the Government on defence bonds.

Our Johannesburg correspondent writes that the weekend announcement will be accompanied by notice that the prime overdraft rate is to be lowered by a further 0,5 percent.

## Relief

The prime rate, which is the rate paid by blue-chip companies rather

was reduced from 12,5 percent to 12 percent last month.

The reason for the delay in passing on relief to home owners is that lower deposit rates will apply only to new money, while existing deposits will continue to earn the current rate to the end of their terms, be that 12 or 24 months.

On the other hand, interest on special savings may be lowered after a period of notice has been given.

Economic observers believe that the adjustment in interest rates will result in a reduction in the cost of living, with the country's economy taking a further upsurge and inflation being pegged at about 10 percent.

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stiff fighting ensued. 'The din was tremendous. All the low coloured women in the district - who are greater furies than their menfolk are brutes, joined in the scrimmage.' The police succeeded in arresting one of the ringleaders, a twenty year old basket-maker, John Kelly, but were forced to retreat with their captive into a nearby house. It was at this point that the only shooting of the entire riots occurred. According to the Cape Times, thirty shots were fired -

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helped to cool down the violence. But at an early
the Argus reported on the afternoon of the 8th,
umber of genuine-looking coloured hooligans gathered
rade.' The police in their white helmets were out
Messenger boys hung around, playing marbles to
time. And the usual traderswere to be seen, standing
, anxiously discussing with one another whether or not
their stalls. 'About 10 o'clock a wagon drove up
argo of rusty bedsteads and fly-blown pictures, while
rd lay exposed for sale a number of polo sticks and
ng-pong sets and corkscrews.' But 'in general the
totally different from the usual one.' Many Jewish
nd auctioneers, it was noted, had heeded the advice
iblatt, one of the leaders of their community, and
home.

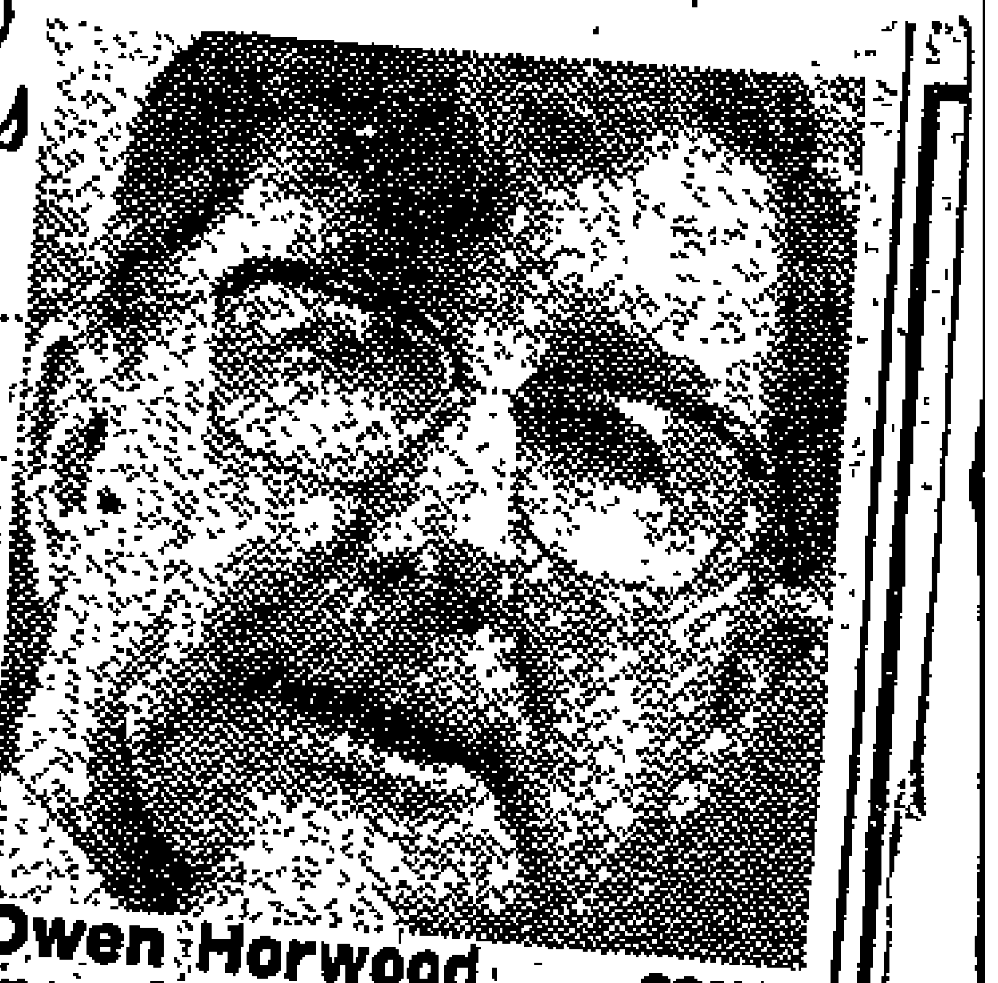
e number of loafers increased, it seemed to the Argus
hat 'there was a decided undercurrent of mischief
t needed only 'a strong hand to guide it.' But
nothing serious happened. Just before on o'clock 'a regular drove of ragged, ribald hooligans rushed down Darling Street, but they did nothing save trampling on pedestrians' feet and bumping people off the pavement.' The only person to be arrest

that day/...

e Village Health Worker in Lesotho: Report of a Workshop held
26-27 March 1977. Maseru, 1977.)

17/9/78 (58)
Sund Times

# orwood asks for a S finance summit



**Owen Horwood . . . causing alarm.**

### By JIM SRODES

**— A re-**
**Minister of**
**Horwood,**
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World Bank and the International Monetary Fund.

Mr Horwood and his entourage of top Treasury and Reserve Bank officials left on Friday night on the first leg of their journey to the United States where he is expected to arrive late next week.

Consequently, at the time of going to press, South African Treasury spokesmen were not available for comment.

While no topic of discussion has been offered by the South African Government, the aides to Mr Blumenthal are worried that Senator Horwood wants to convey news of a major policy shift, perhaps involving the dollar-rand linkage or SA's gold sale policy.

Worse, there are some worries that whatever Mr Horwood has up his sleeve may involve pressuring the United States into some kind of concession as a price for keeping American-South African ties just the way they are.

In short, Mr Blumenthal's aides do not know how to brief their boss on how to respond.

They would prefer he didn't meet Senator Horwood but are afrad of what might happen if he ddn't.

A case of guilty conscience might also be at work here as well. For the Americans did not alert the South Africans that the Treasury was going to increase its monthly gold sales from 300.000 to 750.000-ounce offerings next month.

Now the Americans fear that the SA Reserve Bank may have decided to hold back some of the bullion it puts on world markets in a twin bid to drive world prices even higher than they are and to boost SA's official reserve holdings.

Such a move would have a third effect of making the US Treasury gold sales all the more controversial within the American Congress, where there is rising criticism of Carter administration sales of an American reserve asset while the dollar continues to fall.

Another gambit perhaps in store for the Americans is a severing of the official exchange rate link between the rand and the dollar.

Currently it takes R1,15, officially, to buy an American dollar and that rate has stood while the dollar has devalued as much as 30 per cent against the Swiss franc and more than that against the Japanese yen.

As a result, the rand has been devalued along with the dollar and the drop in the rand value has eroded any gains South Africa may have scored by the rising price of gold.

It is just possible, US Treasury advisers feel, that a floating of the rand would immediately boost its value and the worth of the gold it sells and deal a modest, but currently unwelcome blow, to the prestige of the dollar at a time when the Americans need all the friends in the world money market they can get.

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GOALS

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**BANKS ACT** (58) FM 15/9/78

# The law, Swabank and Mouton

**It would be** easier to square the circle than to square the Banks Act and the prospectus of the Bank of South West Africa (Swabank) with what Swabank founder Ben Mouton has stated under oath in the Rand Supreme Court. The worst suspicions of Banks Registrar Wynand Louw over ownership of Swabank now have been confirmed.

Under the Banks Act, no person *and his associates* may own more than 10% of a bank. Under the Swabank prospectus, issued in 1973, "no shareholder may at any stage hold more than 10% of the issued share capital of Swabank." This was one of the conditions under which the registration of Swabank was approved. "I was happily under the impression that it had been strictly complied with, and this was endorsed by the share register which showed no irregularities," notes Louw.

But in fighting an application earlier this month for liquidation of the company which owns his house, Mouton stated on affidavit:

"I was the sub-underwriter in respect of the public issue of 6m shares (the entire share capital) of Swabank. In consequence thereof, approximately 53% of the issued share capital of Swabank came to be under my control in that the shares were obtained in my name, in the names of various nominees, and in the names of the companies under my control.

"All the registered holders of these shares were under my control. They signed a declaration of trust and power of attorney in my favour so as to ensure that I may exercise the voting rights in respect of such shares. Accordingly, up to this day, I still control approximately 48% of the issued share capital in Swabank and am able to exercise or control the voting rights for those shares."

Members of his family, stated Mouton, hold a further 10%.

**Registrar reacts**

What then is to be believed? Was there a contravention of the Banks Act from the inception of Swabank to this day? Did the Swabank prospectus correctly present to the public the intentions of its founder? Was the Registrar correctly informed of those intentions before and since registration was granted? Or was the court not correctly advised by Mouton of his control over Swabank? Somewhere along the chain, there is a suspect link.

Registrar Louw is understandably angered: "Mouton's statement tallies with the impression I have had for the past year that he had not complied with the requirements right from the start. I was not aware that this was the position. When these proceedings have blown over, it will have to be corrected. I cannot say at this stage what action I shall take."

**Swabank founder Mouton . . .**
**some Act to follow**

And action there will be. There is no reason to assume that Mouton's affidavit did not disclose the true situation. That being so, Louw undoubtedly will make every effort to establish why he was under such a different impression for so long.

In a summary judgment at the beginning of this month, the court placed Merrowdown Development (Pty) in final liquidation. This is the company in which Mouton's personal residence, in Witkoppen, is registered.

Mouton claimed that Merrowdown was built at a cost of R950 000 and has a value of R1,1m. However, provisional liquidator Henry Gunn has a sworn valuation that the property is worth no more than R341 000. The company's liabilities are the bond repayments and debts to associated companies in the Mouton group of R1,17m. The property's first bondholder is Northern Trust, for R90 000, and the second is Mercabank, for R250 000.

Opposing the application for Merrowdown's liquidation, Mouton argued that Mercabank (to whom the Swabank shares are pledged) had intentionally brought about its downfall. He had controlled the Bodendom group, whose main business was selling sectional title units, until 1975. Mercabank financed Bodendom. In 1975, Mercabank brought an application for the judicial management of Bodendom but settled with Mouton on the basis that Mercabank would take over its management. If Bodendom had been properly managed, Mouton alleged, he would have had sufficient cash to pay his debts.

The court ruled that this claim was irrelevant.

Last week, an order for the final sequestration of Mouton personally was granted. Again he brought in the Bodendom dispute, and again this was held irrelevant. His personal liabilities were in excess of R5m and his only assets, he told Justice Hart under oath in an earlier investigation into his financial affairs, were 5 000 shares in a private family company.

.Mouton refused to value these shares which, according to him, controlled a number of other companies, mining rights in SWA, and had assets worth a substantial amount. The Deputy Sheriff who attached them valued these shares at less than R50 000.

When Mouton fought his final sequestration, it turned out that these shares were not his only asset. It was then that he disclosed his control of Swabank.

Financial Mail September 15 1978

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| 1972 | 2 911 | 1 416 | 4 327 | 378 |
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Source: Department of Bantu Education, Annual Reports.

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**MERCHANT BANKS** (58)

## Acceptances rise

FM 15/9/78

**With one exception,** merchant banks experienced a substantial increase in acceptance business during the second quarter. Hill Samuel was the only bank to see a decline which, says MD Christopher Castleman, was chiefly attributable to a decision to cut back on exposures to individual clients and to a culling of poorer clients.

Castleman also reckons that, as an independent merchant bank, Hill Samuel did not benefit from switching into acceptances from overdraft finance to the same extent as merchant banks attached to large commercial banks.

Hill Samuel's utilisation of acceptance facilities also dropped marginally (to around 71%), while most other banks report a slight increase. Standard Merchant, for instance, says its utilisation is currently running at one of the highest levels yet. However, reflecting slack demand for credit, a number of merchant banks saw their total lendings decline. Apart from Volkskas Merchant (which is still relatively small and whose figures therefore change from a low base), Senbank was the only one to record a big jump in lendings (nearly 28%). It should be noted, though, that lendings include bankers' acceptances held for liquid asset purposes.

The two largest merchant banks reveal divergent approaches to the market. UAL runs a much shorter book than Senbank, with only 17% of total deposits in the long-term category, compared to Senbank's 50%. This means that UAL has a cheaper cost of money than Senbank, although it also has to keep a higher proportion of liquid assets against these. Should rates turn suddenly, Senbank would obviously be at an advantage.

However, says UAL's Tony Ross, "our traditionally shorter book is completely acceptable in view of our continued dependence on short-term trade finance (mainly acceptances) and because of a lack of involvement with medium-term lending, such as HP and leasing." Furthermore, UAL's lending as a proportion of total deposits is considerably lower than other banks (Senbank's is 54%, for instance). Again, says Ross, this is because UAL has more or less limited its activities to trade finance.

Most banks experienced a drop in foreign deposits (which include securities rand accounts and transferable rands of non-residents). Bankers attribute the fall in this category and in foreign loans to falling domestic rates and rising overseas rates.

### MERCHANT BANKS*

| Bank | Total assets | Lendings at risk | Total deposits | Acceptances created | Foreign deposits |
|---|---|---|---|---|---|
| **SENBANK** | | | | | |
| Latest | 358 | 83 | 155 | 161 | 29 |
| % change | 7,2 | 27,7 | 8,4 | 5,9 | —5,2 |
| **UAL** | | | | | |
| Latest | 262 | 24 | 135 | 88 | 8 |
| % change | 11,5 | —2,4 | 20,5 | 19,2 | —18,4 |
| **STANDARD MERCHANT** | | | | | |
| Latest | 248 | 80 | 144 | 77 | 4 |
| % change | —7,5 | 4,3 | —14,8 | 5,5 | 2,6 |
| **BARCLAYS MERCHANT** | | | | | |
| Latest | 191 | 34 | 127 | 48 | 0,5 |
| % change | —3,2 | —12,5 | —7,3 | 5,1 | —28,6 |
| **MERCABANK** | | | | | |
| Latest | 144 | 69,1 | 115 | 19 | — |
| % change | 5,9 | —10,4 | 7,6 | 5,5 | — |
| **HILL SAMUEL** | | | | | |
| Latest | 142 | 56 | 84 | 38 | 20 |
| % change | 2,9 | —5,5 | 8,2 | —4,6 | —1,0 |
| **FINANSBANK** | | | | | |
| Latest | 67 | 30 | 45 | 11 | 0,6 |
| % change | 5,0 | 1,0 | 2,9 | 39,5 | 0 |
| **VOLKSKAS MERCHANT** | | | | | |
| Latest | 65 | 16 | 31 | 27 | 0,5 |
| % change | 39,0 | 96,3 | 45,0 | 37,4 | — |

*Includes bills discounted or purchased, HP discounts and advances, leases, deeds of sale discounted and other loans and advances.
†% change over previous quarter.

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| | | | Total passes | Index 1965 = 100 |
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| 1971 | 2 388 | 893 | 3 281 | 287 |
| 1972 | 2 911 | 1 416 | 4 327 | 378 |
| 1973 | 3 226 | 1 042 | 4 308 | 376 |
| 1974 | 3 441 | .. | .. | .. |

Source: Department of Bantu Education, Annual Reports.

# STAATSKOERANT
VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA
# GOVERNMENT GAZETTE

REGULASIEKOERANT No. 2667
*As 'n Nuusblad by die Poskantoor Geregistreer*

PRYS 20c PRICE
OORSEE 30c OVERSEAS
POSVRY—POST FREE

REGULATION GAZETTE No. 2667
*Registered at the Post Office as a Newspaper*

Vol. 159] PRETORIA, 15 SEPTEMBER 1978 [No. 6155

## GOEWERMENTSKENNISGEWING

## DEPARTEMENT VAN FINANSIES

No. R. 1859 15 September 1978

### REGULASIES KRAGTENS DIE BANKWET, 1965

Die Minister van Finansies het kragtens die bevoegdheid hom verleen by artikel 50 (1) van die Bankwet, 1965 (Wet 23 van 1965), die regulasies in die Bylae hiervan vervat, uitgevaardig.

### BYLAE

### REGULASIES KRAGTENS DIE BANKWET, 1965

INHOUD

### WOORDOMSKRYWING

1. In hierdie regulasies, tensy uit die samehang anders blyk—

(a) het 'n woord of uitdrukking wat in die Wet omskryf word, dieselfde betekenis as in die Wet;
(b) beteken "die Wet" die Bankwet, 1965; en
(c) beteken "artikel" 'n artikel van die Wet.

### DEEL I

### APPÈLLE NA DIE MINISTER

2. Elke bankinstelling, bankbeheermaatskappy of persoon wat verlang om ingevolge artikel 3 (3) van die Wet appèl by die Minister aan te teken teen enige beslissing of weiering van die Registrateur, moet binne een maand nadat die betrokke beslissing of weiering waarteen

## GOVERNMENT NOTICE

## DEPARTMENT OF FINANCE

No. R. 1859 15 September 1978

### REGULATIONS UNDER THE BANKS ACT, 1965

The Minister of Finance has, by by virtue of the powers conferred upon him by section 50 (1) of the Banks Act, 1965 (Act 23 of 1965), made the regulations contained in the Schedule hereto.

### SCHEDULE

### REGULATIONS UNDER THE BANKS ACT, 1965

CONTENTS

### DEFINITIONS

1. In these regulations, unless the context otherwise indicates—

(a) all words and expressions defined in the Act shall have the same meanings as in the Act;
(b) "the Act" means the Banks Act, 1965; and
(c) "section" means a section of the Act.

### PART I

### APPEALS TO THE MINISTER

2. Every banking institution, bank controlling company or person desiring to appeal to the Minister in terms of section 3 (3) of the Act against any decision or refusal of the Registrar shall, within one month after the pronouncement of the decision or refusal at issue, lodge a notice of

geappelleer word bekendgemaak is, by die Registrateur 'n kennisgewing van appèl indien wat duidelik die beslissing of weiering uiteensit waarteen verlang word om appèl aan te teken en die gronde vir die appèl.

3. Na ontvangs van die kennisgewing in regulasie 2 vermeld, moet die Registrateur 'n uiteensetting van die redes vir sy beslissing of weiering opstel.

4. Die Registrateur moet 'n afskrif van die uiteensetting in regulasie 3 vermeld aan die appellant per geregistreerde pos stuur en hom versoek om binne 21 dae na versending van sodanige uiteensetting of binne sodanige verdere tydperk as wat die Registrateur goedkeur, te kenne te gee of hy voornemens is om met sy appèl voort te gaan al dan nie.

5. Indien die appellant verklaar dat hy nie voornemens is om met sy appèl voort te gaan nie, of indien hy nie die Registrateur ooreenkomstig regulasie 4 van sy voorneme verwittig nie, verval die appèl outomaties.

6. Indien die appellant ooreenkomstig regulasie 4 verklaar dat hy voornemens is om met sy appèl voort te gaan, moet hy saam met sy verklaring by die Registrateur 'n antwoord op die uiteensetting in regulasie 3 vermeld, indien.

7. Na ontvangs van die appellant se verklaring en antwoord moet die Registrateur hulle tesame met alle ander betrokke stukke so spoedig doenlik aan die Minister voorlê.

8. Die Minister kan van die Registrateur of van die appellant verlang om enige verdere of ander skriftelike inligting te verstrek wat hy nodig ag vir 'n regverdige beslissing oor die appèl.

9. Die Minister moet sy beslissing oor die appèl aan die Registrateur bekendmaak, wat dit aan die appellant moet meedeel.

## DEEL II

## AANSOEK OM REGISTRASIE AS BANKBEHEERMAATSKAPPY

10. 'n Persoon wat ingevolge subartikel (2) of subartikel (5), saamgelees met subartikel (6), van artikel 12A van die Wet aansoek om registrasie as 'n bankbeheermaatskappy moet doen, moet sodanige aansoek by die Registrateur indien in die vorm voorgeskryf by BW-Vorm 10 hieronder.

11. 'n Aansoek ingevolge genoemde subartikel (2) moet nie later nie as 31 Desember 1978 ingedien word.

12. Elke aansoek om registrasie moet vergesel gaan van onderstaande:

(1) Twee kopieë van die Akte van Oprigting en Statute van die maatskappy soos deur die Registrateur van Maatskappye geregistreer;

(2) 'n kopie van die maatskappy se registrasiesertifikaat uitgereik deur die Registrateur van Maatskappye;

(3) 'n aangifte van die adres van die geregistreerde kantoor van die maatskappy;

(4) 'n aangifte van die naam en adres van die voorsitter, elke direkteur en die hoof- uitvoerende beampte van die maatskappy;

(5) 'n uiteensetting van die besigheid wat die maatskappy dryf of van voorneme is om te dryf en van die wyse waarop sodanige besigheid gedryf word of sal word asook die omvang van elke soort besigheid gedryf;

appeal with the Registrar, which shall clearly set forth the decision or refusal it is desired to appeal against and the grounds for the appeal.

3. Upon receipt of the notice referred to in regulation 2 the Registrar shall prepare a statement of the reasons for his decision or refusal.

4. The Registrar shall dispatch a copy of the statement referred to in regulation 3 to the appellant by registered post and require the appellant to declare within 21 days of the dispatch of such statement, or within such further period as the Registrar may approve, whether he proposes to continue with his appeal or not.

5. If the appellant declares that he does not propose to continue with his appeal or if he fails to make a declaration to the Registrar in terms of regulation 4, the appeal shall lapse automatically.

6. If the appellant declares his intention in terms of regulation 4 to continue with his appeal, he shall with his declaration lodge with the Registrar a reply to the statement referred to in regulation 3.

7. Upon receipt of the appellant's declaration and reply, the Registrar shall as soon as may be transmit them to the Minister, together with all other relevant documents.

8. The Minister may require the Registrar or the appellant to furnish him with any further or other information in writing that he considers necessary for a just decision on the appeal.

9. The Minister shall notify his decision on the appeal to the Registrar, who shall communicate it to the appellant.

## PART II

## APPLICATION FOR REGISTRATION AS A BANK CONTROLLING COMPANY

10. Any person who has to apply for registration as a bank controlling company in terms of subsection (2) or subsection (5), read with subsection (6), of section 12A of the Act, shall submit such application to the Registrar in the form prescribed by BA Form 10 below.

11. Any application in terms of the said subsection (2) shall be submitted not later than 31 December 1978.

12. Every application for registration shall be accompanied by the undermentioned:

(1) Two copies of the Memorandum and Articles of Association of the company as registered by the Registrar of Companies;

(2) a copy of the company's certificate of registration issued by the Registrar of Companies;

(3) a statement of the address of the registered office of the company;

(4) a statement of the name and address of the chairman, every director and the chief executive officer of the company;

(5) particulars of the business which the company carries on or proposes to carry on and of the manner in which such business is carried on or will be carried on, as well as the extent of each type of business carried on;

Major purchases were made in Free ate Saai (increased from 10 000 to 4 900 shares), Kloof (up from 49 700 168 900), Southvaal (up from 202 600 376 100) and Vaal Reefs (up from 326 to 136 400). At the same time, duction of the Randfontein holding om 116 300 to 52 200 points to the ew that the shares have peaked and at the major gold grade drops slated for c next few quarters had not been disunted by the market.

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| ted investments: | | | | |
| ok value (Rm). . . | 36,0 | 33,5 | 34,9 | 39,4 |
| rket value (Rm) | 87,8 | 44 7 | 45 8 | 60,6 |
| -tax profits (Rm) | 6 2 | 5,7 | 5 5 | 6,3 |
| rnings (c) ....... | 34 | 31 | 30 | 34 |
| vidends (c) . ..... | 30 | 30 | 28 | 30 |
| t asset value (c). | 517 | 344 | 331 | 421 |

In other sectors, dividend potential nong coals has been maintained despite vitching. The apparent view on atinum is that there is little point in lding on to non-strategic investments. ll the Rustenburg holding has gone and ydenburg reduced, to be partly replaced an increase in Bishopsgate to 1,21m m) shares. No details are given of when ese changes took place, but the move akes sense on the strength of Bishops' tter profit base, despite this year's atinum producer price increases.

Emphasis on group base metal mines s increased with additions to the sauli and Gefco holdings, while Cons urch, Vogels, Palabora and De Beers ve been run down.

## SENTRUST'S TOP SIX

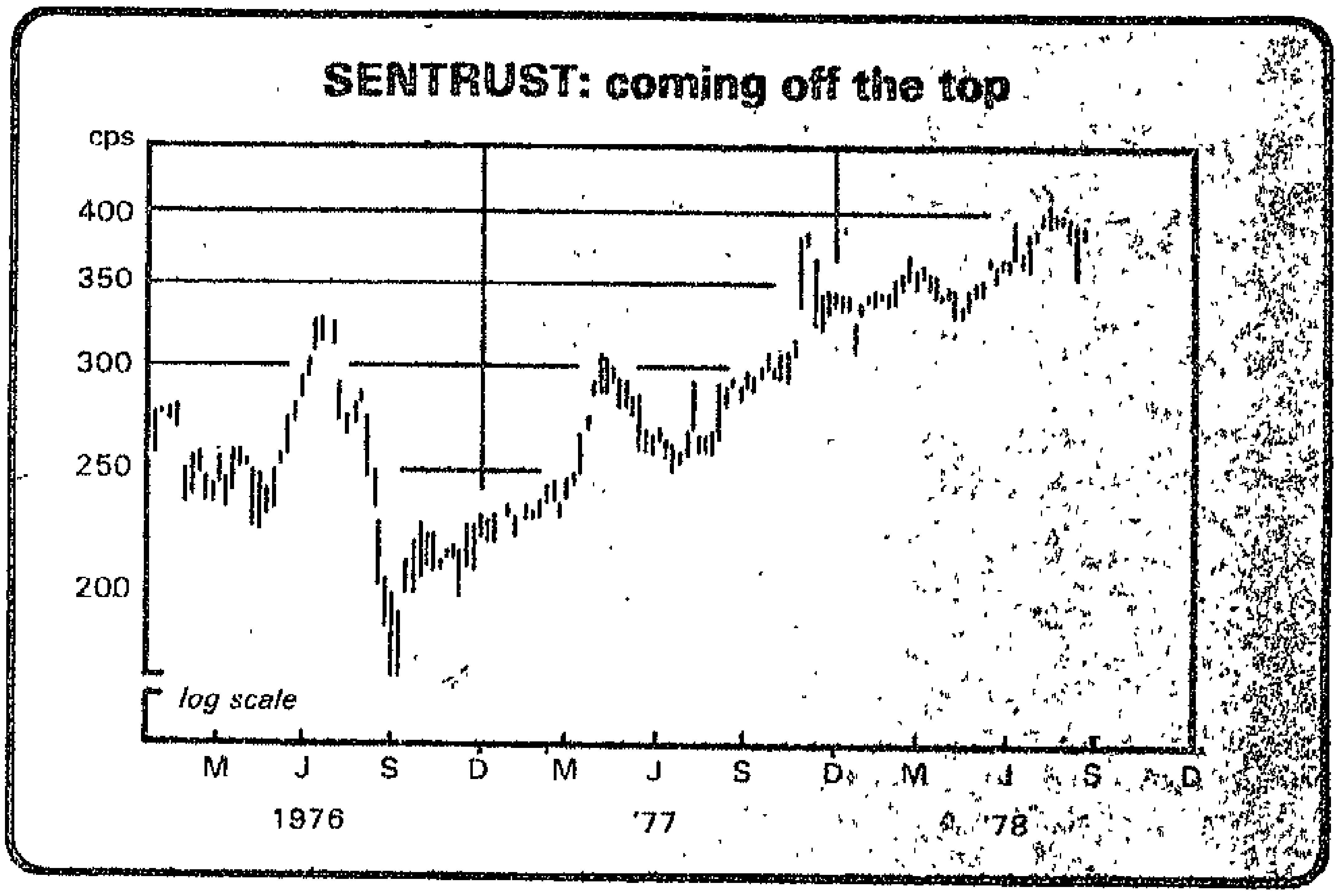
| hare: | Market value: Rm |
|---|---|
| efco | 5,1 |
| uffels | 5,1 |
| ed Myn | 3,6 |
| Steyn | 3,5 |
| aal Reefs | 3,3 |
| ans-Natal | 3,2 |

In line with the generally accepted arket view that best recovery and ar-term growth prospects are in indusals, holdings have been increased more less across the board at the expense of nning down the JCI and Fedmyn holdgs.

It remains to be seen whether Sentrust ews the increased holdings as longrm. If not, there could be good selling portunities to help maintain share deal g profits in the current year.

There is little new reported on the mpany's mineral rights. Income from e 33% stake in the Lucas Block creased marginally to R140 000 119 000). Despite higher gold prices, antum earnings improvements from is source are at least two or three years vay when Buffel's completes development in the area. Drilling has ceased at ermeulenskraal Noord, though parently Genmin is active in the OFS "area of interest."

SENTRUST: coming off the top



Higher gold dividends boosted gold's contribution to 33,3% (22,6%) of investment income and unless there is major disinvestment, the percentage contribution should increase this year. In any event, the portfolio's spread points to sound near-term earnings growth potential. Policy is that profits on realisation of investments are re-invested with high distributions from earnings.

There is scope for a further dividend increase in the current year but at 390c the shares discount year-end net by only 7,4%. The 7,7% yield is unattractive and the shares are best suited to investors with medium-term objectives.

*Jim Jones*

### SENTRUST (58)

# Increasing the spread

FM 15/9/78

**Activities:** *Investment company owned as to 33,0% by General Mining. Sanlam holds 11,7%. Has 10% net participation rights in any new business undertaken by General Mining.*

**Chairman:** *J L van den Berg.*

**Capital structure:** *18m ordinaries of 10c. Market capitalisation: R70,2m.*

**Financial:** *Year to June 30 1978. Borrowings: long and medium term, R0,5m. Net cash: R1,1m. Current ratio: 0,8.*

**Share market:** *Price: 390c (1977/78: high, 410c; low, 228c; trading volume last quarter, 230 000 shares). Yields: 8,8% on earnings; 7,7% on dividend. Cover: 1,14. PE ratio: 11,4.*

**Sentrust** is maintaining its record as one of the most active investment companies as reflected in the increase in net surplus on investment transactions to R3,4m (1977: R318 000).

## DEPARTEMENT VAN FINANSIES

No. 1923 22 September 1978

### WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

### BEPALING VAN STATUTERE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 31 Augustus 1978 teen R158,80 per ons suiwer goud gewaardeer het.

No. 1927 22 September 1978

### RENTEKOERS VAN TOEPASSING OP STAATSLENINGS EN VOORSKOTTE

Hierby word bekendgemaak dat die Minister van Finansies, ingevolge artikel 26 (1) van die Skatkis- en Ouditwet, 1975 (Wet 66 van 1975), die standaardrentekoers van toepassing vanaf 2 Oktober 1978, en tot nadere kennisgewing, op lenings en voorskotte deur die Staat toegestaan uit die Staatsinkomstefonds op tien en 'n half persent (10½%) per jaar vasgestel het.

## DEPARTMENT OF FINANCE

No. 1923 22 September 1978

### SOUTH AFRICAN RESERVE BANK ACT, 1944

### DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 31 August 1978, all gold of the South African Reserve Bank at R158,80 per fine ounce of gold.

No. 1927 22 September 1978

### RATE OF INTEREST ON GOVERNMENT LOANS AND ADVANCES

It is hereby notified that the Minister of Finance has in terms of section 26 (1) of the Exchequer and Audit Act, 1975 (Act 66 of 1975), fixed the standard interest rate applicable from 2 October 1978, and until further notice, to loans and advances granted by the State out of the State Revenue Fund at ten and a half per cent (10½%) per annum.

Bogenoemde standaardrentekoers is van toepassing vanaf 2 Oktober 1978, en tot nadere kennisgewing, op alle trekkings van lenings en voorskotte uit staatsgelde, uitgesonderd lenings en voorskotte ten opsigte waarvan ander rentekoerse spesifiek deur wetgewing of die Minister van Finansies gemagtig is.

No. 1933 22 September 1978

### UITGIFTE VAN BINNELANDSE GEREGISTREERDE EFFEKTE, 10 PERSENT, 2000 (VERDERE UITGIFTE) EN BINNELANDSE GEREGISTREERDE EFFEKTE, 8,15 PERSENT, 1981 VAN DIE REPUBLIEK VAN SUID-AFRIKA

Die ondergenoemde Binnelandse Geregistreerde Effekte van die Republiek van Suid-Afrika sal op 2 Oktober 1978 uitgereik word:

A. *Binnelandse Geregistreerde Effekte*, 10 *Persent*, 2000 *(Verdere Uitgifte)*

Uitgifteprys R100 persent ten volle betaalbaar op aanvraag, of minstens R10 persent op aanvraag en die res voor of op 15 November 1978 Die kapitaal van hierdie effekte is op 15 Oktober 2000 teen pari terugbetaalbaar, en die rente is halfjaarliks op 15 April en 15 Oktober betaalbaar.

B. *Binnelandse Geregistreerde Effekte*, 8,15 *Persent*, 1981

Uitgifteprys R100 persent ten volle betaalbaar op aanvraag. Die kapitaal van hierdie effekte is op 1 Oktober 1981 teen pari terugbetaalbaar en die rente is halfjaarliks op 1 April en 1 Oktober betaalbaar.

Inskrywingslyste ten opsigte van kontantaansoeke word op 2 Oktober 1978 oopgestel en sal voor of op 9 Oktober 1978 gesluit word.

Prospektusse en aansoekvorms vir kontantinskrywings sal, gedurende die tydperk wat die inskrywingslyste oop is, by banke in die Republiek en Suidwes-Afrika en by die Tesourie, Pretoria, verkrygbaar wees

The above-mentioned standard interest rate is applicable from 2 October 1978, and until further notice, to all drawings of loans and advances from State moneys, except loans and advances in respect of which other rates of interest are specifically authorised by legislation or the Minister of Finance.

No. 1933 22 September 1978

### ISSUE OF INTERNAL REGISTERED STOCK, 10 PER CENT, 2000 (FURTHER ISSUES) AND INTERNAL REGISTERED STOCK, 8,15 PER CENT, 1981 OF THE REPUBLIC OF SOUTH AFRICA

The undermentioned Republic of South Africa Internal Registered Stocks will be issued on 2 October 1978:

A. *Internal Registered Stock*, 10 *Per Cent*, 2000 *(Further Issue)*

Issue price R100 per cent payable in full on application or not less than R10 per cent payable on application and the remainder on or before 15 November 1978. The principal of this Stock will be repayable at par on 15 October 2000 and interest will be payable half-yearly on 15 April and 15 October

B *Internal Registered Stock*, 8,15 *Per Cent*, 1981

Issue price R100 per cent payable in full on application. The principal of this Stock will be repayable at par on 1 October 1981 and interest will be payable half-yearly on 1 April and 1 October

Subscription lists for cash applications will open on 2 October 1978 and will be closed on or before 9 October 1978.

Prospectuses and application forms for cash subscriptions will be obtainable from banks in the Republic and South West Africa and from the Treasury, Pretoria, during the period that the subscription lists are open.

(1)

TRUST COMPANIES (58)

## Stanbic into the fray

FM 22/9/78

**Stanbic** is expected shortly to announce its takeover of the tiny Griqualand West Trust Company. On the face of it, the deal will not set the earth alight. Below the surface, there are sure to be ructions and rumbles. For Stanbic now will be able to launch a major diversification into a field which the Attorneys' Admission Act specifically precludes a bank from entering.

Unlike Barclays, Nedbank and Bankorp, for instance, Stanbic to date has enjoyed no link with a trust company. That Barclays has an equity association with Security Executor, Nedbank has Syfrets, and Bankorp has Santamtrust means that these competitors of Stanbic are able to offer a client service which Standard cannot. Under the Act, a bank can administer deceased estates

Financial Mail September 22 1978

(2)

only if it has been nominated in a will, and may not do so under power of attorney. This right is restricted to attorneys, chartered accountants and old established trust companies.

So what Stanbic has done is buy an old trust company or, specifically, its trust licence. Now Stanbic enters the potentially lucrative league of building its

(3)

own trust company through its multifarious banking customers by administering estates on an agency basis. The takeover is a shrewd move in that it enables Stanbic, as a bank holding company and not a banking institution, neatly to sidestep the Act.

Stanbic's Roy Terry will not confirm that the deal has been concluded, only that a "hitch" is delaying its announcement. The *FM* understands that hitch to be use of the name Standard Trust Company (STC).

An unfortunate accident of history is that the family of Stanbic chairman Ian Mackenzie is divided into two parts. The other part, which was headed by Ian's late uncle John, has a substantial holding in Northern Trust. It was John who set up STC in about 1920. However, the company has been inactive for the last 25 years, its functions being performed by Northern Trust.

Yet STC is still registered. And its registered office is Northern Trust Building in Loveday Street.

For Stanbic to use the STC name, it seems, the two sides of the Mackenzie family will have to talk to one another.

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(D) indicates Diploma course, (C) indicates Certificate course, ind (D & C) indicates that the Diploma and Certificate figures iave been lumped together.

hat there is clearly a fairly high correlation between the rank- ngs of each category for immediate demand and 1981 demand, despite hat was written in the previous paragraph about the unreliability f the 1981 figures.

ooses of this report, the above table indicates, in order of nat courses the proposed Technical College at Umlazi should is important to note that the table should not be interpreted ng that the College should offer a course, say, for Chemical , ranked third, but not one in Chemical Technology (Plastics), . In fact, the syllabi for both at the White Colleges for chnical Education are very similar,& if the proposed College were Diploma course for Chemical Technicians, it could also offer the hemical Technology (Plastics) at negligible extra expense in ney or time.

olleges for Advanced Technical Education are usually divided into Departments. The College at Umlazi, too, could be divided into [illegible] Schools. On the basis of table 40, the most likely [illegible] would be Mechanical Engineering, Electrical Engineering, e, and Civil Engineering and Building.

of Mechanical Engineering could offer a course in Mechanical its first choice. Then a course in Production Engineering, of much the same subject matter as Mechanical Engineering, ed at little further expense to the Department and might had enough students to make it viable.

nt applies to the Department of Electrical Engineering where ght and heavy current follow largely the same course. The ld offer specialised courses such as Industrial Instrumen- and Electronics, at a later stage of its development should , as well it might with the present expansion of the elect- y and plans for opening a TV channel for African viewers.

of Applied Science, or some equivalent, could offer courses Chemical Technicians. It should be noted that the Diploma for Chemical Technicians appears to be exactly the same as the one in Analytical Chemistry, and to further confuse matters, is also called the Diploma in Chemical Technology by different Colleges for Advanced Tech-

NM -30/9/78

# Firm fined for Railways fraud

58

Mercury Bureau

PIETERMARITZBURG — Meadow Feed Mills Ltd. was fined R18 750 in the Regional Court here yesterday after being found guilty of defrauding South African Railways.

The company pleaded guilty before Magistrate Mr. H. Weitz to defrauding the Railways administration of R101 107,30 by making false entries on record forms so that payment of demurrage charges on railway trucks could be evaded.

Meadow Feeds was fined R250 on each of the 75 counts of fraud.

The offences were committed between February 1974 and 1977.

Defence counsel for Meadow Feeds submitted that the incident was not a deliberately planned scheme of fraud devised with the intention of profiteering.

The fraud arose as a result of a scheme to eliminate the accumulation of railway trucks at the company's private siding.

The scheme had been devised by a former employee of Aunt Caroline rice mills which was experiencing similar problems.

It was suggested that Meadow Feeds fall in with the arrangement, unknown to the directors of the company.

Aunt Caroline's was subsequently convicted of 12 counts of bribery and 35 fraud charges.

However, Mr. Weitz found that Meadow Feeds was "heavily involved in the scheme."

Mr. Anton Ackermann appeared for the State. Mr. H. Z. Slomowitz, SC, assisted by Mr. A. H. Gottlieb, appeared for the defence.

# Bank bosses take closer look at large ‘gifts’

Sun Express 1/10/78

58

### By DEREK TAYLOR

**THE disclosure that some bank managers accept "thank you" gifts worth R1 000 or more from their clients sent a number of senior banking officials into a careful re-consideration of their payola policies this week.**

An official of Barclays Bank, Mr A Carmel, testified — in a Pretoria court case — that it was common practice for managers and senior officials of his bank to receive gifts from clients.

He said he was aware of some bank officials who had received more than one case of whisky.

Other gifts received were TV sets, clothing and discounts worth R1 000 on cars bought by the bank men.

Bankers interviewed by the Sunday Express confirmed the practice was widespread — expenses-paid trips abroad were also frequently offered to managers or officials and an occasional hazard of banking was the polite fending-off of offers of free shares or "some free slice of the action" from clients.

But, said a spokesman for Barclays, the normal situation is that of a grateful client who has been helped and wants to express that gratitude.

"Big gifts are not a common practice," he said.

"But the problem when you encounter that situation is: what do you accept, and when do you risk offending the customer by refusing?" he said.

In such a plight, the official could accept and protect himself from any slur or future claim by the client by reporting the gift to a senior manager or the board of directors.

One manager had been presented with two bottles of Scotch and, soon afterwards, was asked for a flimsily-backed R2 000 overdraft.

He returned the bottles, saying: "I can't afford whisky at R1 000 a bottle."

Mr Anton van der Merwe, a general-manager of Nedbank, said: "No client of mine could convince me that something worth R1 000 was a gift — I would feel that he was trying to soften me up.

"Our rules are clear and firm: nobody is allowed to receive gifts of excessive value.

"Anything more than the bottle-of-something at Christmas kind of gift is returned with thanks."

Trust Bank's personnel manager, Mr J Howell said: "It's difficult to refuse gifts without causing offence and we recognise the problem by allowing our people to accept the traditional small gifts.

"But the rough guide is: what he can't eat in a day, he can't take!

"A bottle of whisky — yes. A case of whisky — no."

Standard Bank's Mr Roy Terry said he felt it right to share the usual seasonal gifts with his staff.

"We do not mind the usual small gifts but we do frown on substantial gifts.

"But how does one define substantial to cover all cases? It is left to the discretion of the men on the spot. They know that, if in the situation of being offered a gift that is difficult to refuse without causing offence, it is wise and usual to report it," he said.

Other bankers, speaking informally, say the problem is complex and repulsive.

Said a senior manager: "To some big trading clients, giving their bank man a bottle of Scotch would seem like an insult — they're big people and so they think in terms of cases of whisky, not bottles.

"This is where the bigger gifts are easier to sort out. If your client makes TV sets and he likes doing business with you, then there's nothing odd about him giving you a TV set.

"But obviously, if you've got a client whose business is down and you know he's trying to screw up the nerve to ask for a bigger loan then you know what it means if he suddenly sends you a TV set.

"But look what it means to try to bribe a bank manager to get you money on false collateral or false information — it is asking the man to commit professional suicide.

"Anyone can make an honest mistake and come out with a bad deal for the bank, but when that happens obviously there is some kind of investigation and you must be prepared to answer in detail for your mistake," he said.

Certainly, according to police and court records, very few bank managers are convicted of being corrupt in their relationships with clients.

### NO GENERAL SWITCH TO OVERSEAS MONEY

# Traders stick to overseas financing

RDM
6/10/78
(58)

**By HOWARD PREECE**
**Financial Editor**

**THERE IS still no general evidence of any major switch by traders from overseas to domestic financing although fears have been expressed by the Standard Bank economic review.**

Mr Bob Aldworth, managing director of Barclays National Bank, said yesterday that Barclays was keeping a close weekly monitor on the position.

"There are no signs yet of any significant switching," he said. "It is possibly too early to tell, however, because the recent cut in interest rates has perhaps not been fully reflected at this stage."

Mr Rob Abrahamsen, executive director of Nedbank, said also that such switching as was occurring was still minimal.

"There is certainly nothing happening on a scale that would be a threat to the reserves and the balance of payments," he said.

But a spokesman for one of the smaller banks, Hill Samuel, said there were signs of large switching to domestic finance.

Standard Bank's economic review said: "The official easing up on domestic interest rates unhappily coincided with a significant rise in the cost of finance in the United States.

"This has now made it attractive in many situations for South African firms to finance foreign trade domestically in preference to abroad.

"Until recently a large-scale switching of trade finance from foreign to domestic sources was only a distant possibility.

"In the past weeks, however, banks have noticed an accelerating shift towards the use of domestic credit."

Fears of such switching have been a lurking menace over South African economic policy throughout the year.

Interest rates would almost certainly have been cut earlier — to help boost the domestic economic recovery — but for this anxiety.

The worry is that switching of up to R750-million could occur, thus putting a severe liquidity squeeze on the foreign exchange reserves.

The consequence of that would be to force interest rates up again and weaken the still small upward economic momentum.

However, the fear has been more academic than real to date.

In its quarterly bulletin published last week the Reserve Bank said: "The reduced net outflow of short-term capital (in the second quarter of 1978) was probably related to the increase in merchandise imports and an accompanying rise in trade credits and occurred despite the fact that the effective cost of trade financing had risen above the comparable domestic cost."

On the evidence of Barclays and Nedbank it still seems to be the case that switching is not yet posing any real threat to the capital account.

Standard offers, in fact, various reasons why there has so far been no "flood of funds out of the country" — although the bank suggests signs of a big shift.

These reasons include:

- Foreign companies subject to exchage control are limited in their local borrowing ability.
- There is a desire to protect offshore facilities because the relatively thin local market is expected to tighten in the case of large-scale switching.
- Any run-off can only be gradual when maturing debts are replaced with South African credit.

It is possible that there has been a general rise in the demand for credit since interest rates were lowered and this has given an impression of switching.

Alternatively, it may be that different patterns are showing at different banks.

But it is unlikely the authorities will change the present cautious stance of letting interest rates slide to help boost growth until there is firm evidence of general trade finance switching.

Senator Horwood, the Minister of Finance, also spoke optimistically this week of South Africa's borrowing potential and credit rating overseas.

It might well be possible to use loans to bolster the reserves if such switching becomes as widespread as Standard fears.

**SUNDAY TIMES, Business Times, October 8, 1978**

# Senbank chief is cautious on growth

㊳

By DON WILKINSON

**DR Fred du Plessis, wearing his hat as chairman of Senbank, the merchant banking arm of Bankor, expects that the current economic upswing will continue throughout next year but "it will not be a phase of vigorous growth".**

A principal reason for his caution is the expectation of diminished growth in free world economies, which leaves immediate prospects unexciting.

For the longer haul, however, du Plessis believes South Africa to be in a very favourable position, the past seven years or so having seen heavy investment in the country's infrastructure.

"These investments", he says, "tend to have a long period of gestation before full utilisation of the created capacity and good returns can be expected.

"But at the conclusion of this gestation period, a firm foundation for high growth will have been laid.

"This situation should be reached early in the 1980's . . . an important underlying assumption to this rosy picture is that the political situation both externally and internally, will not deteriorate."

## Entice

Senbank's chairman stresses, however, that economic policy in this country must be more favourable towards the treatment of equity capital, so as to entice entrepreneurs to undertake new investment.

Dr Fred du Plessis . . . SA in favourable position.

Such a move would allow a greater part of total savings to flow into this field, and he sees the recent small fall in the surcharge on company tax last March as a start in the right direction.

Noting that the fall in money market interest rates in 1976 and first-half 1977 was not accompanied by any lowering of lending rates, Dr Du Plessis points out that during the year ended last June there were relatively wide margins between lending rates and the cost to the bank of funds.

## Static

But the margins were earned on a virtually static volume of lendings. "Despite the efforts of the monetary authorities, forces in the domestic market after March were so strong that a substantial softening of money market interest rates occurred," a decline which the bank exploited by lengthening its deposit book substantially.

"The trend in interest rates in the United States will, to a large extent, determine the scope for further change in the monetary policy stance," says Dr Du Plessis, adding that "forecasting on this topic is extremely hazardous . . . but it does seem certain, however, that interest rate margins will come under some pressure".

Nevertheless, he expects that an improved volume of lendings should enable Senbank to have a successful year.

Additionally, the corporate finance and capital market sections of the business, which both had good years, are expected to do well again this time around.

Rapport
8/10/78
(58)

# Senbank reg vir die vet jare

Deur **WILLEM LAUBSCHER**

**DIE sewe maer jare is verby! Maar in daardie tyd is 'n stewige fondament gelê vir hernieude groei soortgelyk aan wat die land in die jare sestig ondervind het.**

In dié optimistiese trant gesels dr. Fred du Plessis as voorsitter in sy voorsittersrede van Senbank, wat gister bekend gestel is.

Hy verwag dat die ekonomiese opswaai wat einde 1977 begin het en nog nie mooi stoom gekry het nie, die hele 1979 sal voortduur maar dat dit nie 'n kragtige groeifase sal wees nie. Een rede is die verwagting dat groei in die ekonomie van die Vrye Wêreld sal afneem. Maar vanweë die basis van die afgelope sewe jaar wat stewig gelê is, is Suid-Afrika in 'n gunstige posisie wat die langtermyn-groeivooruitsigte betref.

In die boekjaar wat verby is (tot vanjaar op 30 Junie) het Senbank sy beste jaar ooit beleef. Sy verklaarde wins beloop R3,4 milj. teenoor verlede jaar se R2,8 milj. Dis 'n persentasiestyging van 19,5 persent.

Mnr. Eduan Pretorius, besturende direkteur van Senbank, het in 'n geselsie met Sake-Rapport gesê dat al die afdelings van die bank in die boekjaar hul kant wonderbaarlik gebring het. Veral was die klimaat vir die kapitaalmarkafdeling in die verslagtyd besonder geskik. Vandaar ook die pragpoging uit daardie oord.

Hy verwag dat dinge in die lopende boekjaar dramaties kan verbeter. En die resultate van die eerste paar maande van die boekjaar maak hom optimisties dat die verhoogde doelwitte bereik sal kan word.

Dit spreek vanself dat manne in sy posisie nie voorspellings waag wat betref syfers nie. As 'n mens egter kyk na die winsgeskiedenis van Senbank oor die afgelope vyf jaar, toon dit 'n interessante dog duidelike patroon. Dit lees soos volg:

- 1974 R2,2 milj.
- 1975 R1,9 milj.
- 1976 R2,4 milj.
- 1977 R2,8 milj.
- 1978 R3,4 milj.

Weens faktore bekend aan die bankwese was 1975 'n minder gelukkige jaar wat winste betref. Die herstel daarna tot vanjaar was egter patroonvas.

As 'n mens nou mnr. Pretorius se positiewe siening vir die lopende jaar saamlees met Senbank se bekende konserwatiewe standpunt ten opsigte van die wegpak van geheime reserwes, kan 'n mens met redelikheid aanvaar dat die winsstyging vir die afgelope boekjaar heelwat meer was as die verklaarde 19,5 persent.

Trouens, dit sal nie verspot wees om te sê dit kan selfs twee keer meer gewees het nie. In dieselfde trant (terwyl 'n man dan nou nie verspot is nie) kan dit saamgelees met die verklaarde winsgeskiedenis van die laaste klompie jare beteken dat 'n man kan begin dink aan 'n verklaarde wins van sowat R4 milj. vir die jaar tot 30 Junie 1979.

# Trust-Bank win vertroue dramaties terug

58

Rapport 8/10/78

**Deur DAVID MEADES**

**BELEGGERS en klante se vertroue in Trust-Bank het die laaste paar maande dramaties herstel nadat daar 'n jaar gelede nog 'n ernstige vertrouenskris was.**

Dit word veral weerspieël deur duisende nuwe spaarrekeninge wat hy elke maand open en 'n merkwaardige toename in die uitreiking van die bank se verhandelbare depositosertifikate (VDS'e).

Trust-Bank het vandeesweek vir die agttien maande tot 30 Junie 'n wins van R2,3 milj. verklaar, maar was dit nie dat hy belangrike afskrywings gedoen het om knelpunte uit sy lyf te kry nie, kon dit nader aan R10 milj. gewees het.

Die uitvoerende voorsitter van die bank, dr. Fred du Plessis, het vandeesweek die eerste keer werklike besonderhede verstrek oor die benarde posisie waarin die bank hom bevind het voor die ingryping van Bankorp, gesteun deur Sanlam.

Maar op 'n perskonferensie waarop hy die jaarverslag beskikbaar gestel en bereid was om enige vraag openhartig en reguit te beantwoord, was dit duidelik dat die „reddingsoperasie" uiters suksesvol was.

Die belangrikste maatstaf van vertroue in enige bank is sy spaarbankklante. En hier is Trust-Bank besig om ongelooflik te vorder.

Dr. Du Plessis het agterna in 'n onderhoud aan Sake-Rapport gesê dat die bank se spaarbankrekenings nou groei in 'n tempo van tussen 3 000 en 4 000 per maand, waarvan meer as die helfte afkomstig is van die unieke nuwe Trustlyn-diens van die bank.

In die eerste paar maande nadat Bankorp die bestuur van Trust-Bank oorgeneem het, het dit baie moeilik gegaan. Maar sedert Februarie het sake dramaties begin verander.

In Februarie het Trust-Bank se totale uitgereikte VDS'e net sowat R18 miljoen beloop, maar staan

Die suiwer bankbedrywighede van Trust-Bank is besig om sterk stukrag te kry en hier kon die bank sy bedrywighede die afgelope jaar met meer as 15 persent laat groei. Dr. Du Plessis meen ook dat hierdie groei vorentoe verder sal versnel.

Die bank het egter twee probleemgebiede wat vorentoe nog geruime tyd kan lol en die rede is waarom dr. Du Plessis meen dat daar oor minstens vier jaar eers weer dividende verklaar sal kan word.

Die groot eiendomsportefeulje sal vir die grootste deel van hierdie posisie verantwoordelik wees, terwyl daar oor minstens die volgende jaar sterker voorsiening vir oordragte na reserwes gemaak sal moet word.

Dr. Du Plessis meen dat die bank se wins ná belasting vir die afgelope jaar sowat R8 miljoen meer kon gewees het, was dit nie vir die eiendomme en buitengewone afskrywings nie.

## Troos

In die geval van eiendomme wat voor rente 'n verlies getoon het, is daar besluit om dit alles te verkoop en die verlies te vat.

Met die oorblywende eiendomme kry die bank nie die koste van sy geld terug nie, maar daar word geglo dat dit die regte ding is om nou vir eers minder te verdien en te wag vir wanneer die tyd ryp is en daar 'n verbetering intree.

Uit sy voorsittersverslag blyk dit dat daar ondanks 'n verdubbeling in die bates van die bank tussen 1 Januarie 1972 en 31 Desember 1976, daar feitlik geen netto toevoeging tot die geheime reserwes was nie.

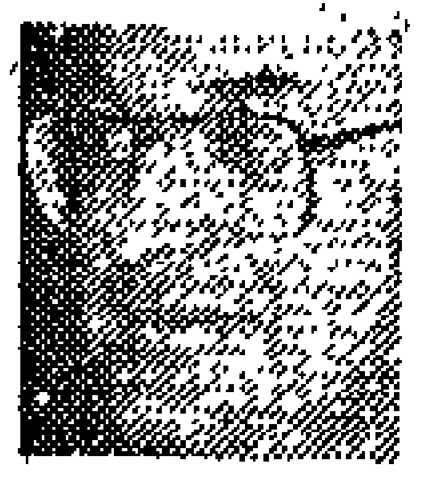
Daar is egter een troos vir die aandeelhouers van Trust-Bank. Die eiendomme sal vorentoe soos die ander bankbedrywighede groei 'n al kleiner persentasie van die bates uitmaak. En dan behoort die oplewing in die ekonomie ook geleidelik die opbrengs van die eiendomme verbeter en hier kan 1 persent waarskynlik 'n paar honderdduisend rand beteken.

En net so behoort daar waarskynlik nog net in die lopende jaar aanvullend voorsiening vir afskrywings gedoen te word waarvoor nie voldoende in vroeëre jare voorsien is nie. Dit is dan wanneer 'n wins ná belasting van R15 miljoen oor vier jaar steeds meer as waarskynlik lyk.

Star 13/10/78

(58)

# Year's jail for Tastic Rice boss



MR JOFFE

Wealthy people must be deterred from "feathering their nests abroad," a judge said today before sentencing a Johannesburg businessman to a year's imprisonment for illegally exporting share certificates worth R300 000.

The businessman, Benjamin Joffe (57), of Hyde Park, Johannesburg, was convicted in the Rand Supreme Court yesterday under the exchange control regulations. He admitted illegally taking share certificates in the American company Colgate-Palmolive to the United States last July.

## SECURITIES

The shares, held in his wife's name, are classed as "securities" and subject to exchange control regulations.

The Treasury required that they be kept under the control of the South African Bank.

Mrs Thelma Joffe acquired the Colgate-Palmolive shares through financial transactions with the shares she held in the firm founded by her father, S Wainstein and Co (Pty) Ltd, suppliers of Tastic Rice. Mr Joffe is joint managing director of the company.

Mr Justice Botha fined Joffe R50 000 and sentenced him to jail without the option of a fine.

He rejected the suggestion that Mr Joffe had not known his actions, in taking the share certificates out of the country, were illegal.

"A man with his business experience could hardly have failed to appreciate the nature of what he was doing," said the judge.

The deterrent effect of the sentence was of "overriding importance."

"In my view wealthy people in this country must be deterred from feathering their nests in this way to the potential detriment of the country."

## NOT IMPRESSED

He was "not impressed" by the argument that because the share certificates had not been sold and had been voluntarily returned to South Africa by Joffe, the country's economy had not suffered.

It was obvious that the shares had not been intended for "immediate use" abroad, said Mr Justice Botha.

Joffe's counsel had informed him that the shares were for an "emergency" that might make Joffe leave the country.

As Joffe had not testified, however, he was not able to tell what such an "extreme situation" would be.

## APPEAL

Mr Justice Botha allowed leave to appeal against his sentence following a submission by counsel for Joffe, Mr G Alexander, SC, that the "potential harm" to the country's economy might have "loomed overlarge" in Mr Justice Botha's mind.

Joffe's bail was increased to R25 000 pending the results of the appeal. He has surrendered his passport and has to report weekly to John Vorster Square.

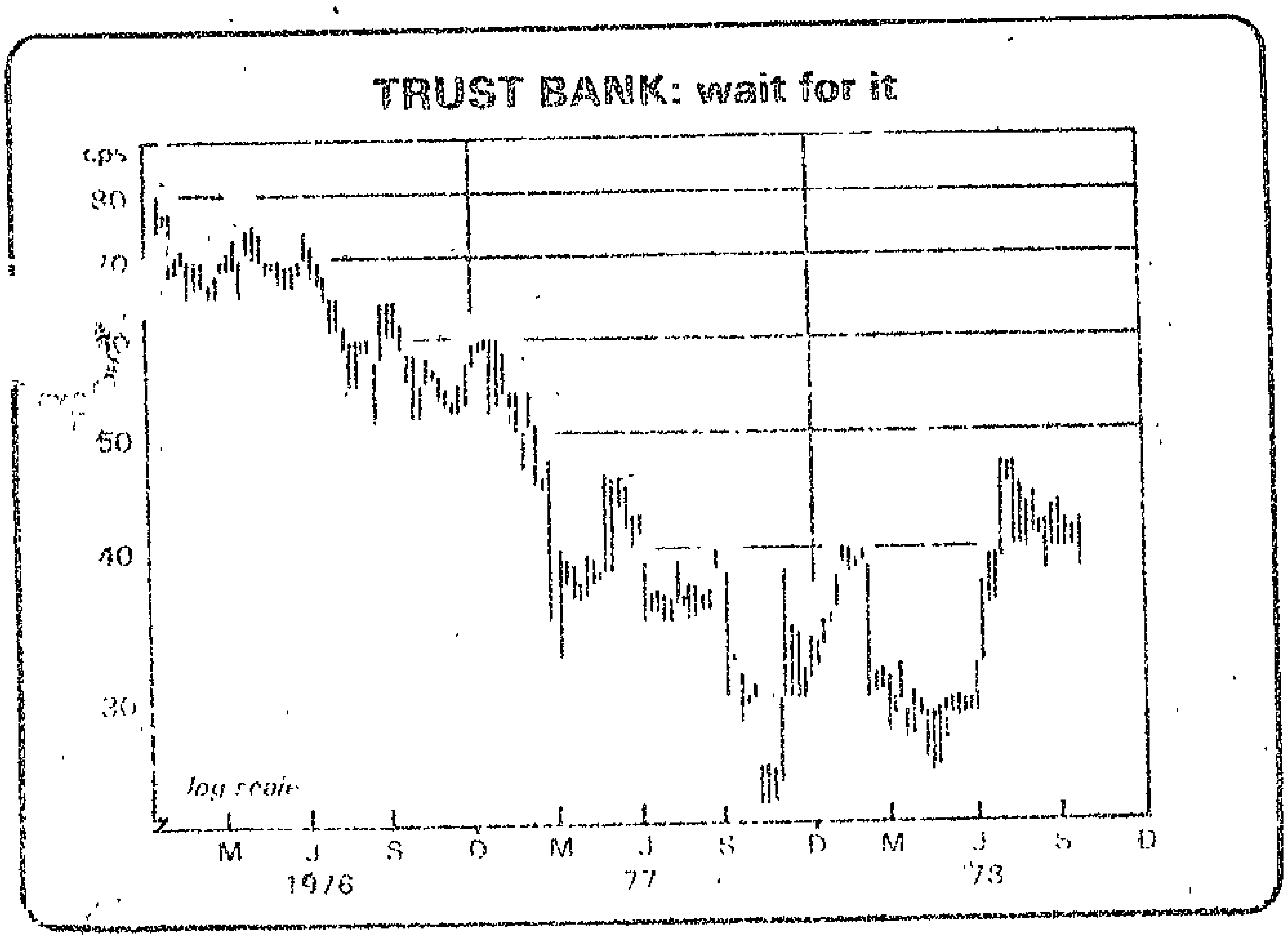
## TRUST BANK

(58)

# Patience needed

FM 13/10/78

**Activities:** *SA's fifth biggest bank with 139 offices nationwide. Bankorp holds 60% of the equity.*


TRUST BANK: wait for it

**Chairman:** *Dr F J du Plessis.*

**Capital structure:** *47m ordinaries of 50c. 25m 11,5% cum convertible prefs of R1. Market capitalisation: R17,4m.*

**Share market:** *Price: 37c (1977 78: high, 58c, low, 21c; trading volume last quarter, 598 000 shares). Yield, 9,2% on earnings. PE ratio: 10,9.*

| | *74 | *75 | *76 | †78 |
|---|---|---|---|---|
| Deposits (Rm) | 875,7 | 981,1 | 1 041,9 | 1 119,7 |
| Advances (Rm) | 644,1 | 645,7 | 643,7 | 775,1 |
| Taxed profit (Rm) | 6,1 | 7,0 | 7,1 | 2,3 |
| Earnings (c) | 18,3 | 19,4 | 15,1 | 3,4 |
| Dividends (c) | 7 | 7 | 7 | |
| Net asset value (c) | 135 | 121 | 128 | 69,8 |

*12 months to December 31 †18 months to June 30

**Chairman Dr Fred du Plessis** says he believes in candour, but the bank discloses little more than it did before he and his team took up the reins.

Du Plessis says the property portfolio has been scrutinised, rationalised and reorganised. Loss-making buildings have been sold, where necessary at capital losses, and others have been written down in the books to realistic values based on return. As to their value today he admits that, short of selling them, there is no way they can be valued. Obviously there is a value to them in the balance sheet but it is not disclosed.

All the properties have been put into unconsolidated Trust Property Corporation, a separate company owned equally by Trust Bank and Santam, "so the bank's future statements will not be clouded by its involvement in property." While the property companies thus go off balance sheet, "the consolidated income statement will take the involvement fully into account."

Main changes on the liabilities side of the consolidated balance sheet are the R25m of new convertible pref capital injected by Bankorp, the shrinkage of disclosed reserves to R17m (1976: R39,3m), a decline in debentures to R41,5m (R57,3m), a rise in liabilities under guarantees to R138,4m (R120m) and a R79m or 7% rise in deposits to R1 120m.

It cannot be inferred from the change in shareholders' funds that R47m has been written off against property and bad debts. This amount went to hidden reserves and undisclosed provisions were made from there.

The R79m rise in deposits was only partly due to new business. Rationalisation of Santambank might have brought in deposits and Trust has been a big buyer of NCDs in the money market.

Nevertheless, the BA 9 quarterly return to end June does show signs of revitalisation. Cheque deposits rose 12% from March to June to R99,4m, other short term deposits rose 20% to R109,2m, savings deposits were steady at R154,1m, other medium term deposits are up 24% to R196,5m and long-term deposits up 10% to R446,4m. NCDs are up 117% from R23,8m to R51,7m, while "other liabilities" are down from R85,7m to R38,4m. Cheque, savings and medium term deposits are cheaper than long term deposits and NCDs, so the deposit mix looks quite expensive.

On the asset side of the BA 9, the picture is brighter. HP discounts, possibly the most profitable assets, are up 12% to R242,7m, while secured and unsecured loans are up 47% to R323,2m. Liquid assets are only 4% above requirements, which is close to profit optimum. Bank premises have been written down to R3,5m (R54m) and total property to R100m (R170,8m). Property comprised 8% of assets at the year-end, compared with 16% at March 31. But part of the improvement is cosmetic, as certain properties are now shown in investments and subsidiaries.

Property values are problematical but if write-downs were adequate, greater detail could have been provided. The fact that Trust is not expected to pay dividends for at least another four years underlines that its property exposure remains substantial and places a question mark over asset value.

Nevertheless, it is now far more a bank than a property company. It seems that, barring another recession, targets of profits exceeding the R2,9m pref dividend this year and thereafter rising steadily should be achieved.

Du Plessis and his team would like nothing better than to pay a dividend in *three* years and, provided there is even a slight recovery in property by then, this might be a slender possibility. Trust stands at 37c compared to Bankorp at 192c, which means a Bankorp share is worth 5,2 Trusts.

Bankorp will no doubt want the 11,5c of dividend it is receiving from its prefs *after* conversion. It has the option to convert its prefs at two-for-one in December 1982 or December 1983 and will do so only when Trust is ready to pay a dividend of 5,75c on all its ordinaries. So 5,75c could be the dividend after 1982. That would cost Trust R5,5m on the 97m ords in issue after conversion when Bankorp's stake will rise from 60% to 80,6% and puts the share on a prospective yield of 31% in 1982 though recovery will take some years. There are attractions for investors prepared to wait.

*David Carte*

RDM Bus: 11/10/78

# Mushroom Volkskas Merchant

58

**Financial Reporter**

**VOLKSKAS Merchant Bank, which emerged as a small operation after Volkskas took over control of Bankovs Merchant Bank in May 1977, has mushroomed into an operation with assets of R76-million.**

Progressive and aggressive management under managing director Mr Laurie Korsten has transformed the merchant bank into a medium-sized, neat operation in 15 months.

The report for the six months to September 1978 shows assets have jumped from R46-milion at the end of March 1978, reflecting the bank's growth on the acceptance facilities side, its break into international finance on the export-import trade finance side and expansion into corporate finance in the past six months.

VMB started from an asset base of R9 600 000 and had a taxed profit of R77 000 in the six months to March 1977.

Taxed profit for the past six months is R300 000, after taking into account all expenses, tax provision and transfers to contingency reserves. This compares with a taxed profit of R120 000 for the previous comparable half-year and R450 000 for the year to March 1978.

No doubt the latest net profit reflects a hefty transfer to contingency and hidden reserves.

VMB has transferred R200 000 to general reserve and declared an interim dividend of R100 000, payout remaining on the same level as last year.

Holdings in VMB were still 80% by Volkskas and 20% by Bank of the Orange Free State in the six months under review. Since October 2 the Volkskas shareholding has been held by Volkskas Group.

The issued capital was increased to 5-million shares of R1 each and will be increased further before the current year-end. Shareholders funds are R5 440 000 compared with R4 250 000 at the end of March 1978 and R3 120 000 at the end of September 1977.

VMB reports that both the domestic and international banking divisions showed satisfactory growth in the past six months.

The merchant bank has been active in the corporate finance field, acting as adviser in the takeover of Racal Electronics by Grinaker; Fowler Holdings by Metkor Holdings; the acquisition of control in Bonuskor by Volkskas; and the rationalisation of the brick interests of Tongaat and Primrose.

The corporate finance division has advised other corporate clients in mergers, investments and raising of capital.

The capital market division participated in raising long-term loans on behalf of clients to the extent of R163-million, of which VMB's share amounted to R68-million.

The division was also active in bridging activities and the secondary market for gilt and semi-gilt edged securities.

The directors are confident that year-end profits will surpass those of the previous year.

G6189 20/10/78

(58)

## NOTICE 841 OF 1978

### PRESCRIBED INVESTMENTS. — APPROVAL IN TERMS OF THE BANKS ACT, 1965, AND THE BUILDING SOCIETIES ACT, 1965

In terms of paragraphs (g) and (l) of the definitions of "prescribed investments" in section 1 (1) of the Banks Act, 1965 (Act 23 of 1965), and section 1 of the Building Societies Act, 1965 (Act 24 of 1965), respectively, I, Jacobus Wynand Louw, Registrar of Banks and of Building Societies, hereby approve—

(i) Transkei as a territory; and

(ii) Transkei Development Corporation Limited as an institution,

for purposes of the said definitions, subject to the following conditions:

(a) The time of issue, the period and the aggregate amount of every loan shall have been approved by the Treasury; and

(b) the aggregate amount of the bills, bonds and securities issued by the governments of all territories other than the Republic of South Africa and by local authorities and institutions in such territories, which rank as prescribed investments for any banking institution or building society, shall not exceed 1½ per cent of the minimum amount of prescribed investments which the institution is required to maintain.

Notice 446 of 1977, as published in *Gazette* 5651 of 8 July 1977, is hereby withdrawn.

**J. W. LOUW**, Registrar of Banks and of Building Societies.

(20 October 1978)

## KENNISGEWING 841 VAN 1978

### VOORGESKREWE BELEGGINGS. — GOEDKEURING KRAGTENS DIE BANKWET, 1965, EN DIE BOUVERENIGINGSWET, 1965

Kragtens paragrawe (g) en (l) van die woordomskrywings van "voorgeskrewe beleggings" in artikel 1 (1) van die Bankwet, 1965 (Wet 23 van 1965), en artikel 1 van die Bouverenigingswet, 1965 (Wet 24 van 1965), keur ek, Jacobus Wynand Louw, Registrateur van Banke en van Bouverenigings, hierby—

(i) Transkei as 'n gebied; en

(ii) Transkei-ontwikkelingskorporasie Beperk as 'n instelling,

goed vir doeleindes van genoemde woordomskrywings, onderworpe aan die volgende voorwaardes:

(a) Die tyd van uitgifte, die termyn en die totale bedrag van elke lening moet deur die Tesourie goedgekeur wees; en

(b) die totale bedrag van die wissels, skuldbriewe en effekte uitgereik deur die regerings van alle ander gebiede as die Republiek van Suid-Afrika en deur plaaslike besture en instellings in sodanige gebiede, wat vir enige bankinstelling of bouvereniging as voorgeskrewe beleggings geld, mag nie 1½ persent van die minimum bedrag wat die instelling in voorgeskrewe beleggings in stand moet hou, te bowe gaan nie.

Kennisgewing 446 van 1977 in *Staatskoerant* 5651 van 8 Julie 1977 gepubliseer, word hierby ingetrek.

**J. W. LOUW**, Registrateur van Banke en Bouverenigings.

(20 Oktober 1978)

22/10/78 Sund Tribune

(58)

# Building societies make major changes over savings

Finance Reporter

BUILDING societies announced today that they are to introduce transmission accounts in the first week in November and restrict withdrawals from special savings and ordinary savings accounts to two a month.

In addition, in terms of the Financial Institutions Amendment Act, 1978, passed in June, depositors will no longer be able to have cheques drawn in favour of third parties.

Neither will they be able to transfer money to any other person or account, with the exception of accounts with the same institution in the name of the spouse or depositor and dependants.

The societies will be replacing the facilities that were avilable on savings accounts with transmission accounts.

The main feature of these new accounts is that interest will be paid at only two percent. However, there is no limit on cash withdrawals and no minimum balance is required.

In addition, the societies will supply an electronic funds transfer system which will make regular payments for such items as rates automatically for the depositors.

However, the banks which offer various savings accounts are not going to follow in the societies' footsteps at present and intend waiting until February 28, when such a move becomes mandatory.

This could prove to be detrimental to building societies as their depositors could well switch accounts to the banks where they can earn a higher rate of interest.

And once the move has been made, it is unlikely that a depositor will make yet another change once the banks fall into line.

The new accounts came into being after the Registrar of Financial Institutions said that certain institutions were abusing the savings accounts system.

He said the development of electronic transfer systems had turned savings accounts into high velocity accounts "and they should not be that."

Cape Times 25/10/78 58

# Nedbank profit R36,7m

JOHANNESBURG. — The Nedbank Group has reported attributable profit of R36 709 000 for the year ended September 30 compared with R31 591 000 for the previous year.

A final dividend of 14c per share makes the year's total 21c, against 18c.

Earnings per share were 42,7c (36,8).

The report said that "as in previous years, the profit has been arrived at after making provision for all known contingencies out of current profits and after making transfers to internal reserves".

## BANKORP FM 27/10/78

# Trustworthy (58)

**Activities:** *Holding company for Trust Bank, Senbank and Santambank. Sanlam holds 50,3%, Assura 11,6%, the IDC 7,1% and FVB 6,1%.*

**Chairman:** *Dr A D Wassenaar; deputy chairman: Dr F J du Plessis; managing director: W S Pretorius.*

**Capital structure:** *30,7m ordinaries of R1; 25m 11,5% cum convertible prefs of R1. Market capitalisation: R60,5m.*

**Financial:** *Year to June 30 1978.*

**Share market:** *Price: 197c (1977-78: high, 220c; low, 90c; trading volume last quarter, 80 000 shares). Yields: 15,8% on earnings; 7,6% on dividend. Cover: 2,1. PE ratio: 6,3.*

**As with** any bank not on full disclosure, published profit figures are of little use in drawing comparisons. Bankorp showed maintained earnings, despite the 6,7m additional shares in issue since the Trust Bank takeover.

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| Deposits (Rm).......... | 462 | 538 | 513 | 2 009 |
| Advances & other accounts (Rm) | 335 | 401 | 383 | 1 387 |
| Total assets (Rm).... | 645 | 727 | 764 | 2 422 |
| Taxed profit (Rm).... | 5,3 | 6,5 | 7,1 | 9,5 |
| Taxed return for shareholders (%)... | 9,9 | 11,4 | 11,8 | *10,7 |
| Earnings (c).............. | 25,8 | 31,6 | 34,7 | *35,1 |
| Dividends (c)........... | 11,0 | 12,5 | 14 | 15 |
| Net asset value (c).. | 261 | 276 | 295 | *369 |

**3,5m shares issued for Santambank excluded*

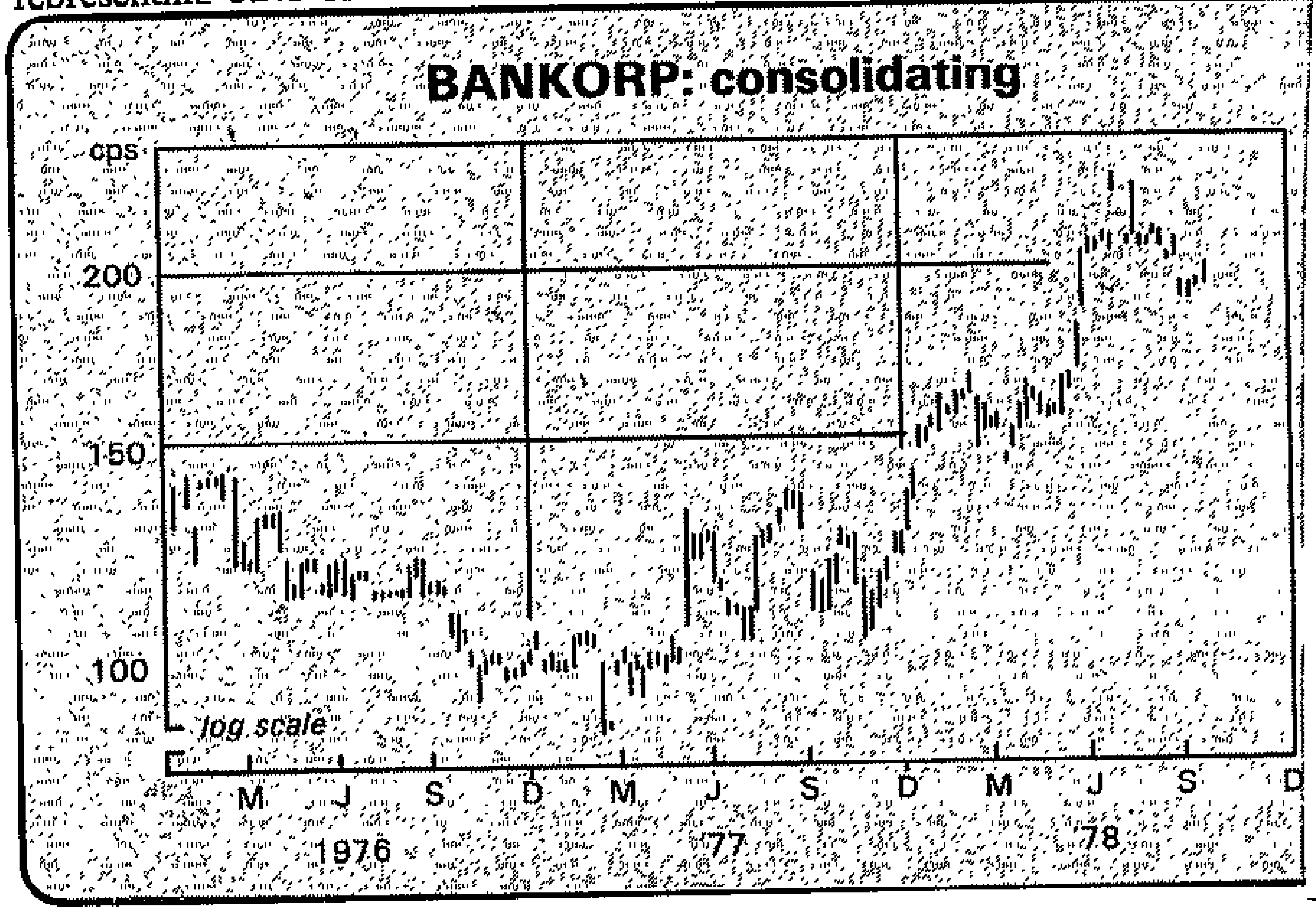
On the published figures of net operating income from banking subsidiaries, Trust contributed R1,4m, Senbank R3,4m (R2,8m), and Santambank, (which last year included only Creditbank and the Bank of Johannesburg) R4,6m (R3,8m). Trust, in other words, representing 32% of total assets, contributed only 15% of taxed profits — equivalent to 5,1c per Bankorp share.

The implication is that an improvement in Trust would benefit group profits immensely, and a property revival would do great things for both Trust and Bankorp. But a large portion of Trust's profits for the next few years will go into reserves and a dividend will not be paid for "at least" four years.

The assets and liabilities of the banking operations taken over from Santam for the issue of 3,5m shares are in the balance sheet, although no income from these banks is included in the income statement. This is because the takeover became effective from June 30 only — the last day of the financial year. Our earnings calculation is therefore based on the 27,2m shares in issue before the deal and not the 30,7m post-acquisition. These operations were acquired for effectively R11,06m. If this is deducted from shareholders' funds, Bankorp returned 10,7% taxed for equity.

Other banks have reported profits equivalent to between 12% and 14% of shareholders' funds. Bankorp should show a similar return soon. On current equity of R100m, this suggests taxed profits of R12m to R14m in the next year or two, depending on economic events, the state of the property market and interest rates.

Trust Bank's progress will probably determine how soon this target is reached. In the meantime, the profits of the other banks are probably at least 1,5 times those reported, so there is plenty of leeway to ensure a smoothly rising earnings curve in the future — assuming no economic disasters. Dividend cover seems unlikely to change much from its average of 2,4 for the past four years, as retentions are looked after in transfers to hidden reserves.



In the light of all this, chairman Dr Andreas Wassenaar's forecast of a "satisfactory growth in profit," maintained earnings and an unchanged dividend policy looks characteristically conservative.

To maintain earnings after the issue of the 3,5m shares for Santambank, Bankorp has only to increase taxed profits R1,2m. This should be relatively easy, as this was the order of the dividend those banks paid before the takeover.

The pref dividend will be no burden, as it is paid ultimately by Trust Bank. Deputy chairman Dr Fred du Plessis is confident that Trust's profits, even this year, will easily cover it. Bankorp will convert its Trust prefs in December 1982 or 1983, depending, probably, on when Trust is in a position to pay dividends on all its ordinaries.

After conversion, Bankorp's stake in Trust rises to 80,6% and Sanlam's in Bankorp from 50,3% to 56%. The convertible prefs, bought at R1, yielding 11,5% until conversion and convertible at two-for-three, have turned out a good investment for those who took them up. About 8,2m of the 25m are in other hands than Sanlam's.

Bankorp yields 7,6%, compared to the 6,2% average yield for Barclays, Standard, Nedbank and Volkskas. All are set to increase declared profits and dividends in the current favourable climate for banks, and none looks obviously cheap relative to the others. Once Trust starts to come right, though, Bankorp should be re-rated back into line with the other Big Four.

*David Carte*

**BOLAND.**

(58) FM 27/10/78

# Branching out

**The proposed** merger of one of the more successful small banks, Stellenbosch District, with Boland is unlikely to lead to major immediate changes, but has significant long-run potential for Boland.

The official announcement refers to the recent tougher supervision of small banks, and Boland's desire to expand its operating base. But as Stellenbosch has operated soundly and profitably since its formation in 1882 it is likely that the second consideration weighed more heavily with Boland, which has had a 31,9% stake in Stellenbosch since 1970.

For Stellenbosch has a commercial banking licence, while Boland is a general bank. Full control of Stellenbosch will enable Boland to move into commercial banking activities — notably current accounts and chequing facilities — although Boland's MD, Gert Liebenberg, stresses that this will not happen for some time.

Liebenberg said in Johannesburg this week: "If you want to remain an independent bank you have to plan ahead. We felt that this was the right time to consolidate our relationship with Stellenbosch; but we have 65 branches, and before we introduce commercial banking services on this scale we must first create the personnel expertise."

At the last balance sheet dates Stellenbosch's total assets were R30,8m, with an annual profit of R273 000. Boland's assets were R310m, and its profit R2,73m. Stellenbosch has 977 000 shares in issue, and if the bid receives 100% acceptance on the 80-for-100 terms Boland will thus have to issue 532 000 shares in respect of the Stellenbosch capital not already held by it. Boland has 5,5m shares in issue, and the relative size is such that Stellenbosch holders will gain in both earnings and dividend terms but Boland will be little affected.

Boland only started to move away from its traditional Cape base in 1970, when it took over a trust company in Kroonstad. It is now represented throughout South and South West Africa, and the latest proposal is a clear indication that it intends to retain its independence and grow into a major national bank.

*Michael Coulson*

### MUTUAL & FEDERAL

# Risk rating

(58) FM 3/11/78

**Activities:** *Short-term insurer in SA and SWA. Immediate holding company is Mutual & Federal Investment, whose shareholders are Old Mutual (51%) and Royal Insurance of the UK (49%).*

**Chairman:** *B C Smither; deputy chairman J G van der Horst; managing director; R A Isaac.*

**Capital structure:** *4,6m ordinaries of 50c. Market capitalisation: R19,0m.*

**Financial:** *Year to June 30 1978. Return on cost of investment portfolio: 8,5% (1977: 8,4%). Underwriting surplus/ gross premium income: 3,2 (1,9). Taxed return on shareholders' funds: 18,5% (24,9%).*

**Share market:** *Price: 415c (1977-78: high, 460c; low, 145c; trading volume last quarter, 26 000 shares). Yields: 21,7% on earnings; 9,2% on dividend. Cover: 2,4. PE ratio: 4,6.*

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| Earned premiums (Rm) | 32,0 | 37,0 | 42,7 | 47,5 |
| Insurance expenditure (Rm) | 34,5 | 37,1 | 41,6 | 45,4 |
| Underwriting surplus (deficit) (R000) | (2 527) | (60) | 1 147 | 2 025 |
| Investment income (R000) | 1 972 | 2 138 | 2 594 | 3 629 |
| Pre-tax profit (loss) (R000) | (795) | 1 838 | 3 341 | 5 384 |
| Taxed profit (loss) | (754) | 1 835 | 3 322 | 4 191 |
| Earnings (c) | — | 39,5 | 71,4 | 90,1 |
| Dividends (c) | 25 | 25 | 30 | 38 |
| Net asset value (c) | 327 | 262 | 289 | 489 |

**Recovery from the** debilitating premium war and the disasters of 1975 and 1976 continued. Earnings improved 26% to 90,1c and the dividend was given a major lift to 38c (1977: 30c).

Gross premium income rose only 8% but claims, commissions and expenses increased only 9%, enabling a R2m underwriting surplus. In addition, investment income rose 40% to R3,6m, hoisting pre-tax profits 61% to R5,4m. M&F's tax relief following the loss of 1975 and lower profitability of 1976 ended, resulting in a tax bill of R1,2m (R19 000). Managing director Reg Isaac says taxation is unlikely to rise significantly in percentage terms from the present overall 22%, as much investment income is tax free.

While M&F has been successful in persuading many clients to increase their sums assured to allow for higher replacement cost and premiums were raised to cover risk more realistically, gross premium income rose by less than the rate of inflation. So in real terms there was retrogression. However, premium levels for certain personal and commercial lines of insurance remain inadequate. It will take a revival in private and quasi-government fixed investment — the building of *new* factories, shops, offices, homes and "bantu breweries" — for real growth in the industry.

Issac does not expect another premium war flare-up. Too many insurers burnt fingers last time. But he says competition will remain strong in a no-growth industry.

**M&F's Smither . . . more realistic cover**

Fire premiums accounted for R33,6m or 41,6% (39,5%) of gross premium income, while total commercial and private accident premiums yielded R18,8m or 23,3% (24,6%) of the total and motor brought in R12,5m or 15,5% (14,7%) of the total.

While the market value of the investment portfolio grew 56% to R50,1m (R32m), it yielded only 8,5% on cost in dividends and interest. While the book value of equities held has risen to R13,5m (R12m), their proportion in the investment portfolio declined from 43,5% to 34,7%. Emphasis has been increasingly on investment in prefs which now comprise 22,9% (9%) of the portfolio.

Government stock holdings rose to R9,4m (R6,4m) — 64% (23%) of the portfolio. In the months prior to the year end, M&F seems to have moved heavily out of equities into fixed interest stock. There will have been some useful capital gains as interest rates continue their decline. But if rates stay low, yields could fall. And if the JSE remains firm, capital gains on prefs will be offset by the later higher cost of buying into equities.

All the short-term insurers enjoy discretion in the declaration of profits. Short of another premium war and major disasters, most should be able to show slight but positive earnings growth next year. The market attaches a relatively high risk rating to the sector as reflected in the average yield of 9,3% for the five "pure" short-term insurers. M&F looks good value relative to the other short-term insurers but not necessarily relative to the rest of the market.

*David Carte*

# Barclays final jumps to 17c

(58)

R.D.M

4/1/78

By HOWARD PREECE

**BARCLAYS NATIONAL BANK has increased its final dividend from 13c to 17c to give a total of 30c (23c) for the year to September 30.**

This large increase in the dividend was on a comparatively small rise in earnings a share from 63,3c to 69,1.

Earnings, however, would have been 7c higher if Barclays had stuck to its previous accounting policy regarding taxation benfits from investment allowances.

The rise in operating profit was from R55 100 000 to R68 300 000.

Taxed profit was up from R36 500 000 to R41 500 000.

But a rise in additional transfer to reserve provisions from R2 700 000 to R4 700 000 resulted in the increase in net profit being limited to a rise from R33 800 000 to R36 800 000.

The directors say: "Group operating profit for the year increased by R13 200 000 or 24%.

"The net profit has been affected by a change in the treatment of taxation and by an additional transfer to provision for doubtful debts.

"In previous years taxation benefits accruing from investment allowances arising from leasing contracts were allocated to income for the year in which they arose.

"A new policy has been adopted whereby these benefits are allocated to income over the period in which repayments are due in proportion to the capital balances outstanding."

Barclays had excess capital requirements of R23 600 000 at the end of the financial year in terms of the Banks Act requirements.

That means that the bank has the ability to increase its lending by up to about R400-million if the demand materialises.

At the interim stage one commentator drew attention — fairly enough — to the fact that Barclays figures were down on the previous half-year if account was taken of a special R7 500 000 provision for bad debts in the earlier period.

Bank figures are, however, subject to many unknowns — in spite of the theoretical policy of fairly full disclosure by Barclays, among others — so the long-term dividend policy is perhaps the best guide to the long-term profit trend.

Barclays has increased its total annual divideneds from 15,5c in 1974 to 17,5c in 1975, 19c in 1976, 23c in 1977 and 30c last year.

That is an impressively solid record.

On yesterday's price of 460c Barclays yields 15% on earnings and 6,5% on dividend.

The dividend cover has been reduced technically from 2,75 to 2,3, but given the huge undisclosed reserves, that is not particularly important.

The share seems reasonably priced.

SUNDAY TRIBUNE, NOVEMBER 5, 1978

# IT'S JUST NOT ON, CONNIE

### Building societies say housing loans for homeland blacks are too risky

By Ticks Chetty

DR CONNIE MULDER was out of step in announcing last week that building societies would be allowed to give housing loans to homelands blacks.

The building societies say it is not on. They were not consulted by the Minister of Plural Relations and Development before his out-of-the-blue announcement.

Because of this, says a statement on behalf of the president of the Association of Building Societies, Mr Roy Canning, they are not committed to the Minister's promise.

The news will come as a shock to blacks living in the Durban area because the townships of KwaMashu and Umlazi are part of the fragmented homeland of KwaZulu.

The general manager of a Natal building society, Mr John Bennett, said this week his society would not lend money to people in homelands because of the risk.

Speaking at a handing-over ceremony of 30 houses for workers of the Phosphate Development Corporation at Lebowa's Nakgale township last week, Dr Mulder said black site owners could now borrow money for homes from building societies and banks.

## Extended

Previously, provision was made only for the balance of the purchase price to be registered as a charge against the title recoverable by the South African Development Trust.

"This provision has now been extended to advances made for housing purposes to site owners by the State or other body constituted by law, or any building society, commercial bank, insurance company, or other registered financial institutions, or corporative authorities approved by the Secretary for Plural Relations and Development, provided the secretary approves," Dr Mulder was quoted as saying at the ceremony.

Mr Bennet said his building society would lend money to the KwaZulu Development Corporation, if the Government approved, and to blacks in urban areas, but not to people in homelands because it was not sure what would happen if the homeland became independent.

The regional manager of another building society said: "There is strong reluctance to lend money to people in homelands because of what happened in Transkei. The bottom fell off the property market there. Then there are also fears about the new laws that may be passed when a homeland becomes independent."

Dr Mulder was not available for comment.

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Table 15. veys.

| TYPE OF T |
|---|
| Telecommun |
| Engineerin |
| Agricultur |
| Medical an |
| Draughtsme |
| Chemical |
| Other |
| T O T A |

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The total of the number
employed to exist. Tables
15 and 16 to determine the
total dom

Table 16. urveys.

| TYPE OF | 1975 |
|---|---|
| Telecomm | 114 |
| Engineer | 784 |
| Agricult | 333 |
| Medical | 197 |
| Draughts | 317 |
| Chemical | 93 |
| Other | 355 |
| T O T A | 2 193 |

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Although engineering tech-
nic of comparability and
cor as one. However,
th

(58) FM 10|11|78

**BARCLAYS**

# Wesbank takes off

**Wesbank, for** years a drag on Barclays, recovered spectacularly in the year to end-September, to contribute R11m of the R13,2m improvement in Barclays' operating profit. While Barclays' operating profit improved 17% to R68,3m (R55,1m), Wesbank's were 650% better at R12,7m (R1,7m).

The commercial bank's pre-tax profits level-pegged but, because of a change in accounting policy and increased additional bad debt provisions, its taxed profits actually declined by R5m. The merchant bank doubled taxed profits to R2,8m (R1,4m) and the insurance broking arm improved profits from R240 000 to R1m. Wesbank's taxed profits improved by R6m to R7,2m, putting group taxed profits 9% ahead at R36,8m.

Main reason for Wesbank's take-off and stagnation in Barclays National was that Barclays has recently channelled nearly all its additional lending capacity in terms of the Reserve Bank's ceiling directly into Wesbank, where HP rates, at an effective 21%, are much higher than overdrafts at 13,5%.

In addition, demand for HP finance by individuals has surged, mainly for new cars and, to a lesser extent, for home improvement. The upshot was that in addition to the profit jump, Wesbank's total assets grew 21% from R397m to R480m. Wesbank has assessed losses, so there also were tax advantages in channelling business its way, though the losses have now been fully utilised.

Due mainly to the change in accounting for tax benefits from leasing, the group tax rate rose to 39% (34%). "Additional" doubtful debt provisions of R4,7m (R2,7m) were made, with the result that taxed attributable profits rose only 9% to R36,8m or 69,1c (63,3c) per share.

Had the accounting change not been made, taxed profits would have been 20% ahead at R40,6m and earnings 75c per share. The dividend was lifted 30% to 30c (23c). Barclays' present cover at 2,3 (2,75) remains apparently better than most banks. However, Barclays is on full disclosure, while the others, apart from Stanbic, are adding in hidden reserves and are therefore understating earnings and cover.

But Barclays is still not disclosing the full extent of its doubtful debt provisions, which could also be equated to transfers to hidden reserves. The *FM* understands that Barclays has set aside as much as R45m in the past two years. This is 37% of operating profit before such provisions. Barclays' exposure to Glen Anil, Corlett Drive, Hofman and the rest have now been fully provided for. Future recoveries will be pure profit.

Aldworth says Barclays UK is considering revealing doubtful debt provisions more fully from next year, in which case Barclays National will, in all probability, follow suit. Then the published figures will fully reflect the true financial position. This year's report will provide a complete breakdown of all the bank's divisions.

Barclays had a R23,6m capital surplus at the year-end, which means it has the capacity to accept another R400m in deposits and lend a further R240m. Aldworth says this capacity is quite adequate to cope with an upturn. The capital surplus, as much as optimism about the near future, enabled such generosity with the dividend, he adds.

While deposit rates have weakened appreciably, bank's lending rates are down by only 0,5%. Today's wider gap bodes well for profits, especially if Barclays can lend its extra capacity. Aldworth says overdrafts were at record levels during August and September but have declined since the cut in the bank rate. Grey market operators, frightened off by the prospect of capital losses before the cut, have resumed their lending operations.

The second half is normally better than the first, but the second half to end-September was particularly profitable. Operating profits were 28% ahead of the equivalent period in 1977, another bull indicator for the immediate future.

At 460c, the shares yield 6,5% on the present dividend, compared to the Big Five's average yield of 6,7%. Good results have already been discounted by the entire sector. The fact that Barclays' huge provisions are behind it, the possibility of profit write-backs on the provisions it has made and the generally bright scenario for banks make the shares good value at the current price.

*David Carte*

## B. Durban

The greater Durban region consi
Durban, Pinetown and Inanda.
all of which employed at least
basis of a random sample chos
establishments obtained from the
University of South Africa.

The total employment of these fi
(17,7%) were White, 7 580 (17,7%
Asian), and 27 633 (64,6%), were

Of the more than 1 300 manufactu
only 126 have a total workforce
table shows the distribution of
of employment and manufacturing

Table 19. Manufacturing establishment
the Durban region by manufa

| No. of employees: | No. of firms ir | | | |
|---|---|---|---|---|
| | 31. | 32. | 33. | 34. |
| 301 - 400 | 4 | 7 | 1 | 4 |
| 401 - 500 | 5 | 12 | 1 | 1 |
| 501 - 600 | 1 | 6 | - | 1 |
| 601 - 800 | 3 | 10 | 1 | 1 |
| 801 -1000 | 2 | 1 | - | - |
| 1001 -1500 | 3 | 5 | - | - |
| 1501 -2000 | - | | | |

the divisions is as follows:

acture of food, beverages and tobacco.
le, wearing apparel and leather industries.
acture of wood and wood products, including
ture.

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RAPPORT 12/11/78

(58)

# Banke herstel pragtig

**DRIE van Suid-Afrika se groot handelsbanke, Barclays, Nedbank en die Standard Bank-groep, het 'n gesamentlike nabelaste wins van net meer as R60 miljoen gehad vir die ses maande tot 30 September vanjaar.**

Dit is 'n styging van 20 persent op hul gesamentlike wins van R50 miljoen vir dieselfde tydperk verlede jaar en weerspieël die huidige gesonde stand van sake in Suid-Afrika se banksektor.

Volkskas, die ander groot handelsbank, sal binnekort sy winssyfers vir dieselfde tydperk verklaar en die behoort ook 'n handige groei te toon.

Maar moet nie heeltemal van die klein bankies vergeet nie. Boland het reeds 'n prag-winsstyging verklaar en sommer terselfdertyd getoon dat hy 'n baie duidelike plek in die Suid-Afrikaanse bankwese het.

Die Bank van die Oranje-Vrystaat is besig om baie van sy probleme af te skud en vir die ses maande tot 30 September het hy 'n klein winsstyging van byna 5 persent verklaar en sy nabelaste wins opgestoot tot R350 000.

Selfs Hill Samuel wat 'n paar ongemaklike eindomsbeleggings het kon 'n winsstyging van 20 persent vir die ses maande aankondig.

Die drie grotes het die volgende nabelaste winste vir die ses maande verklaar, vergeleke hy dieselfde tydperk verlede jaar:

| | 1978 | 1977 |
|---|---|---|
| Barclays | R20,8 milj. | R19,1 milj. |
| Nedbank | R20,1 milj. | R16,6 milj. |
| Stanbic | R19,95 milj. | R14,3 milj. |

Stanbic het die beste winsstyging gehad oor die tydperk maar daar is veral twee faktore wat baie gehelp het. Die bank se belastingkoers vir die pas afgelope ses maande het skerp gedaal tot 33,7 persent vanweë sy besondere sterkte in die verhuringsmark en die belastingtoegewings wat daarmee gepaard gaan. Die bank het verlede jaar ook skoongemaak en groot afskrywings gedoen wat die noodsaaklikheid van verdere afskrywings baie verminder.

Die Nedbank-Groep het baie minder deposito's as die ander twee banke maar hy is besonder winsgewend. Gemeet aan die standaard van deposito's is hy maar byna net 'n middelklas-bank teenoor Barclays, maar daar is min twyfel dat hy in terme van wins bý hulle is.

Verder maak hy nog net 'n beperkte deel van sy bedrywighede bekend terwyl die ander twee al byna op volledige bekendmaking is. Dit mag dus wees dat Nedbank nog 'n deel van sy winste wegsteek en dat hy vir die ses maande dalk in terme van nabelaste wins die grootste in die land was.

Barclays het in die ses maande 'n verdere voorsiening van R4,7 miljoen gemaak vir moontlike oninvorderbare skulde en as dit teruggetel word by sy wins, het hy inderdaad R25,5 miljoen gemaak. Maar aan die ander kant sê Nedbank weer dat hy alle voorsienings maak voor hy wins verklaar.

Barclays het in onlangse jaar of twee en baie groter deel van sy wins begin uitverklaar en vir die jaar tot 30 September 1978 was dit 30c per aandeel van die verdienste van 69c per aandeel. Dit is nog nie die vol 50 persent van Stanbic nie maar hy is vinnig op pad soontoe.

Die Nedbank-Groep verklaar ook ongeveer 50 persent van sy jaarlikse wins as 'n dividend en vir sy jongste boekjaar was die dividend 21c per aandeel uit 'n verdienste van 42,7c per aandeel.

...die enigste van
OR (EDMS) BEPERK SIEMENS
lfslaers:
nadere besonderhede skakel

BUSINESS

13/11/78 AD

(55)

# Building society deposits up 114 pc

JOHANNESBURG — The Association of Building Societies has reported an inflow of money in the July-September quarter of R406 300 000, an increase of 114,5 per cent on the R189 400 000 in the corresponding quarter last year.

Capital repayments on bonds during the quarter were R195 300 000 (1977: R157 300 000) and the gross amount lent was R471 300.000 (1977: R207 500 000).

The association's quarterly newsletter said "the exceptionally heavy inflow of investment monies is due to the continued high level of liquidity in the economy generally, the public's tendency to save rather than spend and the fact that investors took advantage of the higher rates which were on offer up to October 1, following the announcement of investment rate reductions on September 15.

"In addition, the increase in savings is inflated by the half-yearly transfers of share dividends paid by building societies in September.

"The inflow for the quarter ending December 31 is likely to be reduced considerably, but at the present time societies are still very well placed to meet all reasonable loan demands." — SAPA.

NM 15/11/78

2. METHODOLOGY

A. General

58

# Nedbank's profit up

**JOHANNESBURG — With five years of consistent growth behind it, since the merger of Nedbank and Syfrets — UAL, the Nedbank group is poised to take advantage of an upturn in the national economy.**

This emerges from the details disclosed in the 1978 annual report, which for the first time shows a comparative review for five years.

The report shows group profits have increased from R25,9 million in 1974 to R38,2 million for the current year. Taxed income available to group shareholders is up 16,2 per cent at R36,7 million (R31,5 million).

In his chairman's statement, Dr. Frans Cronje said: "It's almost exactly five years since the various South African financial institutions, each a major enterprise in its own right, which make up the Nedbank group, came together.

**Five-year span**

"Challenges, the problems of adaptation to change always characterise dynamic societies, but in few periods could they have been as intense as in this five-year span.

"The record shows that the Nedbank group coped ably in this trying environment. It firmly positioned itself for substantial further growth."

Dr. Cronje said that over the five years the group had become more banking-centred with banking operation, by 1978 contributing 85 percent of group earnings (80 percent in 1974).

The group has consistently improved its after-tax return on shareholders' funds which have risen to 18,6 percent in 1978. A significant proportion has been ploughed back and this ability to increase reserves in relation to liabilities had provided a strong base for further expansion. — (Sapa.)

Two meth to decide how to
go abou es of African
technic mber of employers.

The fi loyers to be inter-
viewed ce required us to
look a as in the hope of
detect in any regional differences which
might r African technicians.

The se ecide what questions to ask in the inter-
views e required information as accurately as
possi res used were drawn up after discussion
with oth the Universities of Cape Town and
Natal the questionnaires are included as
Appen

Empl ajor divisions 1/ of the economy were
inte visions 3, 5 and 8 (Manufacturing, Con-
stru insurance, real estate and business services).
Majo ommunity, social and personal services,
and water) were covered to some extent by a
ques e Provincial hospital services departments,
Ban tion Boards and Municipalities and Local
Aut isions 1 and 2 (Agriculture, hunting, forestry
and and quarrying) were expressly excluded from
the of reference.

The ards Manufacturing and Construction, and
rel main reason for this is that it was easier
to tions of employment in the economy by inter-
vi sectors than by spending time on the other
se relatively fewer large firms. Also, in the
ca t proved possible to obtain a list from the
Bu ch at the University of South Africa of all
th in each of the geographical areas we were
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1/ S Classification (SIC), Department of
S 74, for breakdown of economy into Major

16% by priva state in the
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employees st as technicians. 1/

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cations for 1975, the Rand Daily
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mining n about the present
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The inf be taken into
account he Assembly on 7 September 1970, the
then Mi ation and Development said that 'Bantu
must be employed in the white areas in a controlled and systematic manner and must not be allowed to enter the top strata of labour in order to meet shortages, for this would lead to labour equality and to integration in residential areas, social matters, and political authority in Parliament'. 2/

58 15/11/78 RDM

# Nedbank awash with cash

By HOWARD PREECE
Financial Editor

**THE PRECARIOUS** nature of the economic upturn is highlighted by Nedbank's excellent annual report for the year to September 30, 1978.

What the report shows is a strong banking group with potential extra lending abilities of as much as R1 000-million but which it cannot use.

Mr Gerry Muller, deputy chairman of the Nedbank group, told a Johannesburg Press conference yesterday the bank was "the most underlent it has ever been."

What emerged from this conference and from the statement in the annual report by the chairman, Dr Frans Cronje, is that Nedbank is restricted by the liquid asset and ceiling controls and also by a lack of borrowing demand from businessmen.

Other banks are closer to their lending controls, but all the banks report a similar shortfall of demand for funds from manufacturers and others.

All this indicates that even the present small but welcome upturn in the economy could peter out by the middle of next year or so unless there is a further impetus given to growth.

Mr Muller stressed yesterday his desire for a continuing easier pattern of interest rates as a necessary but far from sufficient condition for such an impetus.

Nedbank shareholders can take comfort in how well prepared their bank is for any further advance in the economy.

They can also rest assured, according to Mr Muller, that the bank believes the worst is over on the bad debt side — particularly from property, although there have been plenty of other less spectacular areas of grief — and that the general outlook is highly satisfactory.

There are certainly some solid financial factors.

The annual dividend totalled 21c a share last year against 18c in 1977 and 14c in 1974.

The return on shareholders' funds has risen steadily from 16,4% in 1974 to 17,1% in 1975; 17,4% in 1976; 17,7% in 1977; and 18,6% for the year to this September.

Over the same five years, earnings a share have risen from 27,2c to 30,5c to 33c to 36,8c to 42,6c.

However, as Dr Cronje points out, this is barely keeping pace with inflation and is an indication of the tough economic climate of the past five years.

Mr Muller is openly enthusiastic about Nedbank's exposure to Triomf and highly bullish about the phosphoric acid market and the outlook.

Nedbank is yielding nearly 15% on earnings and about 7,2% on dividend.

Those are a little higher than the figures for Stanbic and Barclays, with whom comparisons are traditionally made, and suggest that Nedbank is at least fairly priced.

How much upward scope there is must depend to a large extent on how the overall economic pattern moves.

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1/ S.S. Terblanche, Tegnici in die R.S.A., (Human Sciences Research Council, Pretoria 1973).

2/ South African Institute of Race Relations, Survey of Race Relations, 1970, p. 100.

(58) FM 17/11/78

**NEDBANK GROUP**

# Breaking into new ground

**Activities:** *Holding company for a banking and financial services group. Principal subsidiaries are Nedbank, UAL, Nefic, Nedfin, Syfrets Bank and Syfrets Trust Companies. Rhobank is 62% owned and Nedsual Insurance Brokers 75% owned. Associates include Sage Holdings, Anglo-African Factors and Anglo-African Shipping.*

**Chairman:** *Dr F J C Cronje; chief executive and deputy chairman: G S Muller; executive deputy chairman: L G A Abrahamse.*

**Capital structure:** *86,1m ordinaries of R1. Market capitalisation: R245,4m.*

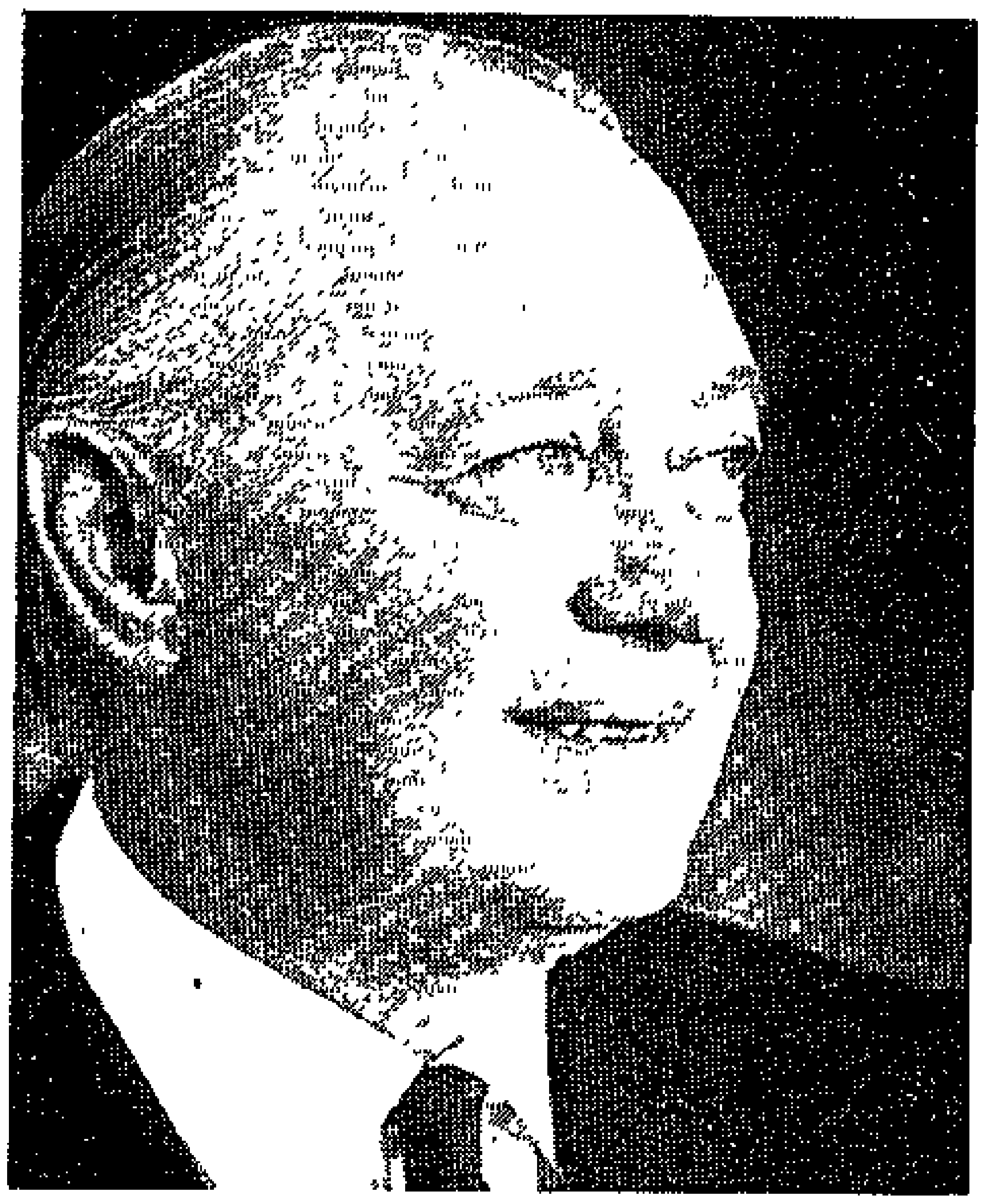
**Financial:** *Year to September 30 1978. Total assets: R3 287m. Ratio of deposits to total shareholders' funds: 11,3:1. Capital commitments: R7,5m.*

**Share market:** *Price: 285c (1977-78: high, 302c; low, 155c; trading volume last quarter, 2,4m shares). Yields: 14,9% on earnings; 7,4% on dividend. Cover: 2,0. PE ratio: 6,7.*

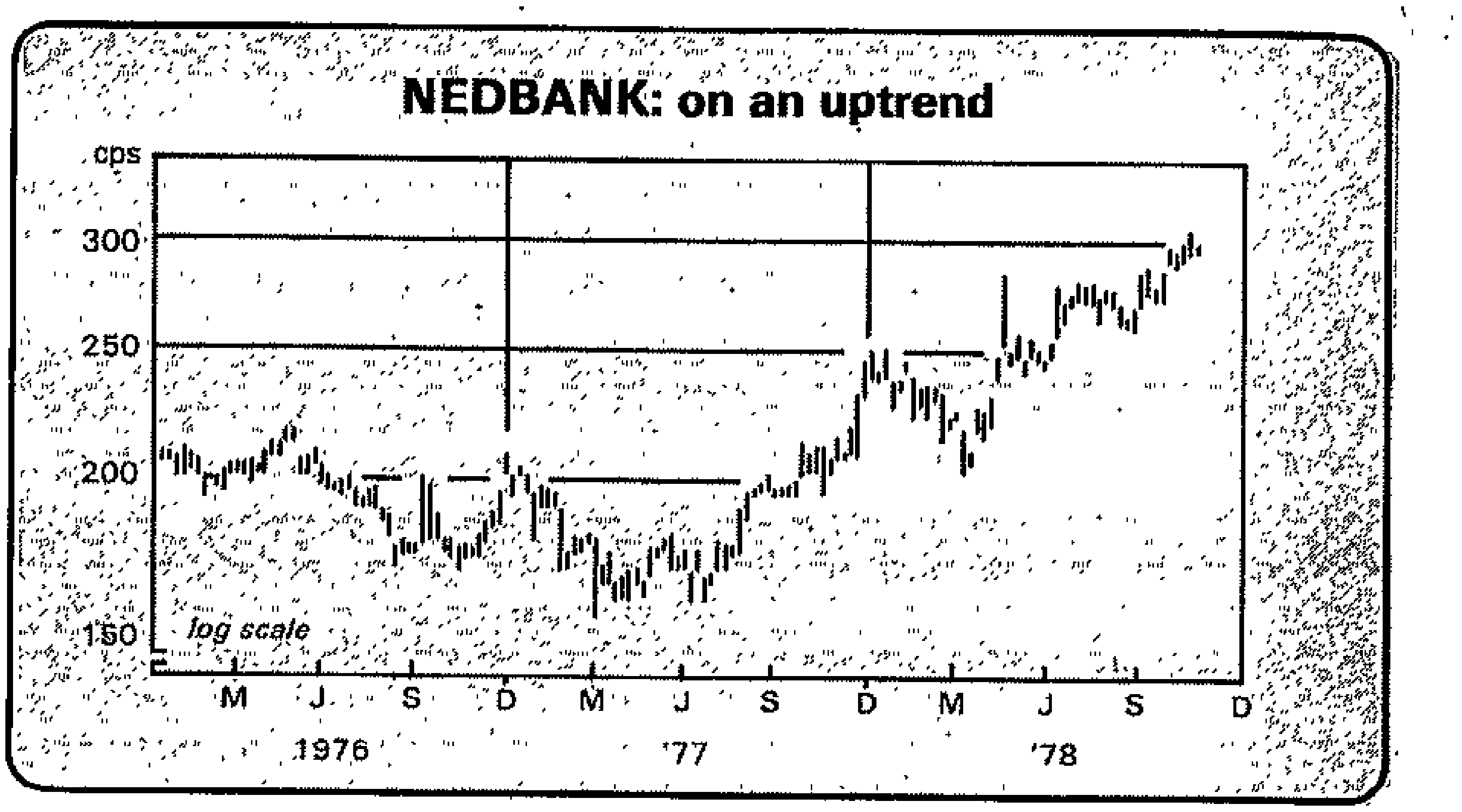
**The expected profit** advance materialised and there are growing indications that the growth rate will at least be maintained this year.

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| Deposits (Rm)....... | 1 564 | 1 796 | 2 033 | 2 328 |
| Advances (Rm)........ | 1 008 | 1 084 | 1 172 | 1 320 |
| Net profit (Rm)........ | 26,2 | 28,4 | 31,6 | 36,7 |
| Return %*................ | 17,1 | 17,4 | 17,7 | 18,6 |
| Earnings (c).............. | 30,5 | 33,0 | 36,8 | 42,6 |
| Dividends (c)............ | 15,5 | 16,5 | 18 | 21 |
| Net asset value (c).. | 179 | 190 | 208 | 230 |

** On group shareholders' funds.*



**Nedbank's Cronje . . . great interest in lower interest**



**NEDBANK: on an uptrend**

Last year Nedbank's profits were helped by the previous year's R8,5m Glen Anil write-off and retarded by covering of the Hofman exposure. This year, unless prudence dictates provision against the Triomf exposure, there should be no major write-offs.

There is no mention in the annual report of possible problems with Triomf. But the bank's approach has been that the Triomf shareholders should provide additional necessary funds for their company, so exposure risk has presumably been declining.

As far as this year's banking profits are concerned, the major boost will come from declining interest rates. The group is relatively more dependent on borrowed funds than their main competitors. And in a period of declining interest rates, this works in Nedbank's favour.

Last year interest margins were relatively constant. The cost of borrowed funds only started to fall a few months ahead of the year-end and the impact on the year's profit was relatively small. This year, the bank should reap the full benefit.

As the economy pulls itself out of recession, the scope for writing further business will expand. With cash and short-term funds of R244m (R258m), representing 11,5% (15%) of total funds, there will be no difficulty in writing new business from existing resources. But perhaps more important as an economic recovery gets into full swing, is the margin for increasing deposits and loans.

The ratio of deposits to shareholders' funds for the group at 11,3:1 is well below the statutory 16,6:1, pointing to substantial unutilised leverage in the financial structure. In Nedbank itself the ratio is somewhat higher 13,2:1. Even so, this means that on the year-end capital structure an additional R387m in deposits could be accepted before the ceiling is reached.

## COMPARING THE BANKING SUBSIDIARIES

| | Total equity | Taxed profits | Return | Deposit |
|---|---|---|---|---|
| | ——Rm—— | | %* | ratio† |
| Nedbank...... | 111,5 | 21,8 | 19,5 | 13,2:1 |
| UAL.............. | 27,0 | 3,5 | 12,8 | 5,5:1 |
| Nefic............ | 15,0 | 3,5 | 23,1 | 11,9:1 |
| Nedfin.......... | 23,6 | 2,8 | 11,9 | 9,4:1 |

** On total shareholders' funds.*
*† Ratio of deposits to total shareholders' funds.*

UAL continued to be affected by the low return on the Summit property investment. Private sector demand remained under restraint, with advances lower at R45,9m (R52,6m). At the same time private sector utilisation of acceptance credits was low, while short-term lending to the public sector was stepped up. Again, as the economy picks up, private sector utilisation should increase. Though a further improvement in return on shareholders' funds seem likely, an improvement to bring it in line with Nedbank's and Nefic's returns will depend on disposing of the low-return Summit investment.

Nedfin reported a 95% profit improvement, largely on the back of a reduction in bad debts. Demand for lease and instalment credit has been recovering slowly, but the scope for growth in leveraged lease contracts has been cut with tax law changes last year.

After a 50% profit improvement in

last year saw acceptable loan demand decline. It improved in the latter part of the year, but the poor start meant that reported profit only grew by 15,7% to R486 000.

Syfrets Trust, which provides the major part of trust, participation bond and other personal financial services income, increased its profit contribution by 11,6% to R2,3m. Stockbroking activity has been terminated, and this year lower interest rates will reduce commissions of participation bond companies. However, this should be offset by greater fee income with greater demand for bonds.

Until last year, on limited disclosure, the group had been reporting annual earnings growth of about 10%. So last year's 16,2% net profit increase could establish a new trend.

It seems unlikely that if management is expecting any major losses on the Triomf exposure, it would have reported a disclosed earnings improvement of this size. So it appears safe to ignore any Triomf losses in estimating likely earnings this year.

On year-end shareholders' funds the group recorded an attributable return of 18,6% and has maintained the normal 50% dividend payout.

Extrapolating these figures alone, 10% earnings growth is possible. But this ignores the potential for improved profitability with lower cost of borrowings and increased activity as the economy picks up. On this basis, a 20% earnings improvement seems easily attainable, with potential for a dividend hike to 25c. On a prospective 8,8% yield the shares should be bought.

*Jim Jones*

## AFRIKAANSE PERS

195

# Credibility gap

FM 17/11/78

**Activities:** *Holding company with subsidiaries printing, publishing and distributing newspapers, magazines and books. Publications include* Die Transvaler, Vaderland, Hoofstad, Oggendblad, SA Financial Gazette, *and* Scope. *Vaderland-Beleggings owns 44,4% of Afrikaanse Pers, which in turn owns 85% of Perskor. Dagbreektrust has a 14,7% interest in Afrikaanse Pers.*

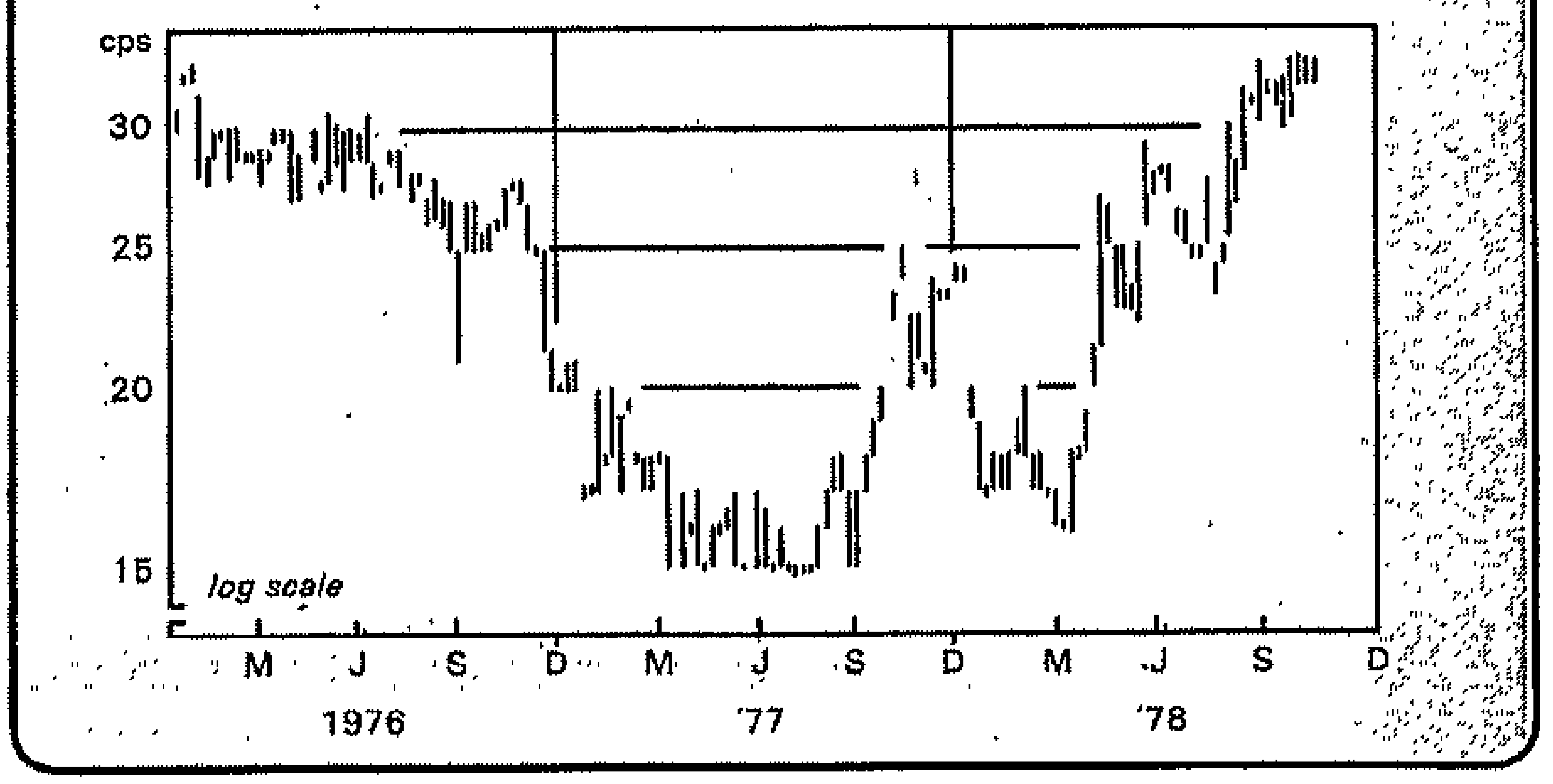
**Chairman:** *M V Jooste.*

**Capital structure:** *5,5m ordinaries of 50c. Market capitalisation: R6,3m.*

**Financial:** *Year to June 30 1978. Borrowings: long and medium term, R2,1m; net short term, R654 000. Debt:equity ratio: 27,6%. Current ratio: 1,4. Group cash flow: R7,2m. Capital commitments: R246 000.*

**Share market:** *Price: 115c (1977-78: high, 120c; low, 45c; trading volume last quarter, 188 000 shares). Yields: 62,5% on earnings; 9,6% on dividend. Cover: 6,5. PE ratio: 1,6.*

VADERLAND: looking for direction



**Evaluation of the** annual report is made difficult by apparent inaccuracies or, at least, wishful thinking and a not altogether helpful presentation of accounts.

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| Return on cap % | 21,5 | 16,6 | 15,4 | 15,5 |
| Turnover (Rm) | 85 | 109 | 114 | 134 |
| Gross profit (Rm) | 4,7 | 3,6 | 4,7 | 5,0 |
| Gross margin % | 7,1 | 3,3 | 4,1 | 3,7 |
| Earnings (c) | 33,9 | 34,6 | 52,3 | 71,9 |
| Dividends (c) | 14 | 10 | 10 | 11 |
| Net asset value (c) | 263 | 282 | 395 | 417 |

Chairman Marius Jooste claims that "with the co-operation of well-known ink manufacturers, Coates, your group obtained a majority holding in factories at Johannesburg and Durban." This has been refuted by Coates. He also says: "A clash of interest between Nasionale Pers and Perskor arose. I feel that the battle is drawing to a close and it can be expected that an agreement will be reached in the foreseeable future." Nasionale Pers has issued a statement saying that it is unaware of any such pending agreement. To an outsider the battle lines have never been so clearly drawn.

Be that as it may, even less helpful in analysing the group's performance is the practice of quoting turnover figures which include inter-group transactions. There is also no divisional breakdown of profit contributions, though the bulk of profits come from magazine and commercial printing operations.

Pre-tax profit before abnormal and extraordinary items increased from R4,5m to R6,5m, split almost evenly over both halves of the year. So, with the inroads being made into advertising revenues by TV, it could be deduced that commercial printing increased its contribution in the second half. The book division showed "a substantial increase in profits." Finished goods on hand declined from 3,4% to 1,9% of turnover, so it appears that the 1977 downturn has been overcome. On the other hand, the gross margin has deteriorated, presumably as newspaper profits were knocked by commercial TV.

Management's conservatism extends to financing, and the group continues to rely mainly on retained income for capex. Consequently gearing, as measured by debt:equity, is low at 27,5%. Following Saan, the move is towards electronic editing. It will be an expensive shift, but the balance sheet is strong enough to carry additional debt if necessary, and there has been a steady cash build-up, partly in anticipation of the need to provide the new equipment.

This year the printing arm and the two TV magazines should ensure that the group weighs in with improved profits.

## DATES TO REMEMBER

**Last day to register for dividends:**

**Friday November 24:** Barclays 17c; Barlow Rand 21c; CNA 5c; Eriksen 5c; General Optical 8,5c; Goodhope 5c; Hesperus 12,5c; Hill Samuel 3,5c; LHM 6,5c; RM Props 15c; SA Brews 3c; SA Drug 6,5c; Standard Bank 10c; TC Land 75c.

**Meetings:**

**Monday November 20:** Barlow Rand; Charmfit (O&S, Cape Town); Clydesdale; Gubb & Inggs (Uitenhage); Seardel (O&S, Cape Town).

**Tuesday November 21:** African Gate; Gallo.

**Wednesday November 22:** Bonuskor; General Mining (S); M&F.

**Thursday November 23:** ATI; South Atlantic.

**Friday November 24:** AT Cons; Anglovaal; Cullinan (Olifantsfontein); Zaaiplaats (Pretoria).

All meetings are in Johannesburg unless otherwise stated. O&S = Ordinary and Special meetings. S = Special meeting.

✓

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*Jon Jones*

## AFRICAN BANK

558

## Steady as she goes

FM 17/6/78

Is the African Bank ailing? That is the question blacks are asking since learning that the black owned bank, together with the National African Chamber of Commerce (Nafcoc), has launched an investment competition aimed at boosting the flow of deposits to the bank.

Albank's Wentzel . . . your money, please

Not true, says Allan Wentzel, general manager. Explaining the investment competition to the *FM*, Wentzel says that a trophy donated by Old Mutual will be awarded to the Nafcoc region with the highest average investment per member. The average will be determined by dividing the total submitted investment on the closing date by the total subscribed membership at the start of the competition. Each region will receive ½% commission from the bank on all investments placed by its members.

The idea of the investment competition was born out of last year's Nafcoc conference. Says Wentzel: "Old Mutual has all along showed interest. It was the first organisation to make a sizeable deposit with us." The *FM* also learns that the bank has already collected R10 000 in the competition.

Business at the bank is improving — deposits climbed to R5,3m at the end of April from R3,7m at the end of October. Break even is R8m.

With branches at Ga-Rankuwa, Umtata, and Soweto's Diepkloof, the bank has not had an easy start. Last year chairman Sam Motsuenyane pleaded for better support from blacks.

The loss for the six months to April this year was R38 000 compared with the loss of R55 000 in the 1977 half-year and R190 000 in the previous full year.

Ever onwards.

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S/EC 102

**QUESTION 2 - SUGGESTED SOLUTION**

Interim audit procedures

1. Review internal control over consignment transactions documenting strengths and weaknesses in audit working papers and conduct tests of compliance for application thereof.

1.1 For identified weaknesses - report to client
- design specific audit steps to dispose of weaknesses.

2. Conduct substantive tests (for accuracy of recording of transactions) as follows:

2.1 Contracts

Examine contracts with consignors n

(i) Properly drawn up and signed
(ii) Rates of commission payable.
(iii) Procedures for rendering acc
for products sold.
(iv) Definition of expenses to be
(v) Nature, sales prices and del
supplied.

2.2 Sales

(a) Select invoices and vouch as

(i) Check correct coding enter
and consignor.
(ii) Trace entries correctly re
consignor.
(iii) Check quantities and desc
(iv) Check prices to consignor
evidence.

(b)

(c)

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# Nedbank Group

Nedbank and Syfrets-UAL Holdings Limited

(58) FM 17/11/78

# Chairman's statement 1978

It is almost exactly five years since the various South African financial institutions – each a major enterprise in its own right – which now make up the Nedbank Group came together. Challenges, the problems of adaptation to change, always characterise dynamic societies; but in few periods could they have been as intense as in this five year span.

The post oil crisis experience – with its degree and pace of change – brought serious repercussions in South Africa as elsewhere. We suffered from the worldwide inflation and poor economic performance; and, in addition from particular political difficulties. These had a marked impact on all the markets in which the Group operates. The facts – the financial numbers in this annual report – tell the story. The record shows that the Nedbank Group coped ably in this trying environment. As important, it firmly positioned itself for substantial further growth.

**Objective and structure**

The primary objective of the Group remained constant over the five years: to earn a satisfactory return on assets employed and on shareholders' funds by providing quality service to clients in the financial markets in which the Group operates. Thus we have not built an administrative superstructure. The operating units have retained a great deal of independence within the overall guidelines. Decision making remains decentralised, sensitive to conditions in each market yet not at cross purposes with the actions of others in the Group. This organisational structure, by placing responsibility on line executives, seeks to increase both their market service orientation and personal job satisfaction.

**Computers and people**

The Nedbank Group is leaner than it was five years ago. Rationalisation of activities among the companies and a determination to conserve resources are only two of the reasons why the number of people employed per million rand of total assets declined from 4,1 in 1974 to 2,2 in 1978. Productivity was raised by the Group being the first South African financial service organisation to implement advanced computer technology – in a sense to make itself more capital intensive. The machines do more than keep the records. The system has improved the ability of staff to meet requests for information and assistance, and of the management to monitor the banks' positions. But greater reliance on computers has not dehumanised the operation for, in the process, it must be stressed, people have become more rather than less important. The investment in computers was matched by aggressive staff development programmes. The service to clients depends, ultimately, on the people who provide it. Part of the progress in the five years is to be measured by the improved ability of employees to meet the demands made on them.

**Markets and balance**

During the period the Group's geographical penetration of its markets has been broadened selectively. The number of outlets open to the public in South Africa was increased from 180 in 1974 to 239 in 1978. The different market niches and regional strengths of the several financial service companies were better integrated. On balance the Group became more banking centred with the banking operations, by 1978, contributing 85 per cent to Group earnings (80 per cent in 1974). Of the 1978 banking sum, the main contributors, Nedbank Limited, Union Acceptances Limited, Nefic Limited and Nedfin Bank Limited made up 92 per cent.

**Assets and capital**

Nedbank Group banking operations differ from others, perhaps, in the emphasis placed on three of the facets of the art of banking. I touched on the first and second of these earlier. Our banks are managed to be outward looking and client or service directed; the approach is not restrictive – controls, obviously, are essential but an attempt is made not to allow them to shape the structure of effort. The second is the determination to use advanced technology as sensibly as we can. This, of course, depends upon our people being of the appropriate calibre. The third is the consideration given to managing both sides of each bank's balance sheet. Senior management pays continuous attention to all aspects of the structure of both liabilities and assets, as well as to the relationship between them.

Over the five years the Nedbank Group banks' average return on total assets employed was 1,24 per cent. A significant proportion has been ploughed back. This ability to increase reserves in relation to liabilities has provided a stronger base for further expansion.

The merger enabled the Nedbank Group to operate from a substantial capital base. Augmented by retentions this is now large enough to support the increase in the volume of deposits which can reasonably be expected during the next three to four years. In a sense the Group's banks are overcapitalised at present. This I think, shareholders and clients alike will agree, is a sensible luxury: banks should be financially conservative and the more so in times of stressful change. The reserve for future growth, however, is not held at the expense of returns on capital in the present.

**The economy and banking**

The burden of economic adjustment of the past five years was shared by all in South Africa. At a human level the biggest share, of course, was taken by the people who could not find work. Looked at analytically, the greatest degree of cutback was suffered by those sectors of the economy which had been more overstretched than others. Many do not appreciate, however, that for a different reason, the demands made on the financial sector – and on the banks particularly – were also considerable. In a pattern similar to that of the other major banking groups this is fairly reflected in the fact that the Nedbank Group's operating profit after tax increased at an average annual rate of 10,2 per cent during the five years in which the economy as a whole, in money terms, grew by approximately 14,0 per cent a year.

The reasons for this are complex and important. It is valid to state as a broad generalisation, I think, that both during the commodity price boom days of 1973 and 1974 and also in the period of much slower growth from 1975 to 1978, the emphasis of South Africa's economic activity shifted away from the manufacturing and trading sectors towards mining and agriculture. The activity of the private sector banks is influenced to a greater extent by what happens in trade and industry than in the primary sectors. In a similar way throughout the five years (but again for different underlying reasons in the earlier and later phases) the emphasis of activity in South Africa changed towards a greater reliance on the public sector as compared with the private sector. It shifted away from the banks' traditional areas of involvement. At first this alteration in the balance was caused by burgeoning financial demands of the public sector and later came about because private enterprise activity became slack even in relation to a reduced level of public sector activity.

### The balance of payments and inflation

Inflation was a serious problem through these years, as was the balance of payments. But the nature of the inflationary forces changed with time and so did the point of impact of the balance of payments constraint. In the immediate aftermath of the oil crisis South Africa's inflation was largely imported and its looming external account difficulties centred round too large an import bill. Later the inflation was a cost push and excess money supply phenomenon, and the capital account of the balance of payments was the cause for concern.

The authorities responded in an orthodox manner. They resolutely kept a tight money policy as the centrepiece of control – even beyond the point at which some feared an overkill – and so made a significant contribution towards putting the economy right again. But monetary discipline, while diffuse and so, in a sense, impartial, is a very harsh remedy. When the discipline was pitted against the demands of the growing economy – and against the expansion of the money base over which the central bank had no direct influence – the very steep liquid asset and prescribed asset ratios which were imposed proved largely ineffective in controlling money supply. They were supplemented by direct credit control measures and interest rate controls. As price and quantity can seldom be influenced at the same time, the system fell out of balance. The result was an increase in non-bank financial activity and a steep rise in the effective interest rates facing the banks which was not matched by a similar rise in ultimate lending rates. When liquidity became less free this environment was conducive to failures in the financial sector. The impact of many of these was softened for the public at large by the larger and sounder banks. Long-term interest rates were then allowed to rise steeply in response to market forces, the involuntary holders of big portfolios were faced with capital losses and some marginal ventures faced negative gearing. Later an austere fiscal policy supported the tight money policy defending the capital account of the balance of payments. As the liquid asset base of the system was drained, interest rates hardened further and some had to pay the penalty of not being able to obtain credit at any acceptable cost. The economy needed this stern correction – but the price had to be a severe recession which exposed and broke a further group of business enterprises. Others had contracted their levels of operation. By trading at lower levels they had built up cash buffers and by 1978 they were net lenders to, rather than borrowers from, the financial markets.

### Discipline and responsibility

Bankers, I believe, have always accepted the responsibilities which their pivotal role in the economy places on them. They accepted too, during these years, that a monetary discipline was the appropriate remedy for South Africa's economic difficulties. The lesson which had to be relearned for the first time in a generation was that they are the first line of defence – the 'takers' of the capital losses that are the penalty in a free market system of mistakes in business judgement. In the main the banks could absorb these capital losses, and usually out of current earnings. This experience has shown, I believe, that the financial system is basically sound. It is the sounder, perhaps, for having had to realise the necessity of old virtues. Lending losses cannot be avoided. However careful the judgement of bankers in a world of rapid change they cannot be assumed never to happen again. The balance of probability suggests, however, that as the economy recovers the incidence of bad debts in the system should reduce. In this regard, too, the banks are better structured than they were three or four years ago. Their ratio of loans to deposits has fallen and the quality of their lending has improved – in part because they have become relatively greater providers of funds to the public sector.

### Profits and distributions

The profit attributable to shareholders in the financial year on which these accounts report exceed my expectations of twelve months ago. Profits increased by 16,2 per cent to R36 709 000 (R31 591 000 in 1977) All Group companies maintained their traditional policy of absorbing losses, as they occur, out of current profits and in the banking companies of making transfers to internal reserves. The Directors have maintained the dividend policy of the past and have decided to distribute approximately 50 per cent of profits. Because I have concentrated on the five year span, shareholders interested in the contribution which the operating units have made to the total in this year especially are invited to read the "review of operations" elsewhere in this report.

### The banks and authorities

A welcome and constructive feature of the year was the greater understanding which developed between the banks and the authorities. United in their desire to protect the country's balance of payments yet not to inhibit the needed economic upswing unnecessarily, a much closer appreciation developed of each other's positions. I am confident that this rapport will prove of general benefit in the months to come. The economy remains hesitant and will require further stimulation to establish itself firmly on an upward tack. One would isolate specifically the need to reduce the level of taxation on companies and people generally. I hold firmly, too, that non-white housing should receive the greatest possible attention. A fine balance will have to be struck as the inflation rate and interest rates in the main are still too high to foster real growth and the balance of payments leaves little room for error. I believe, however, that it can be done.

### Directorate and staff

Three senior executives retired during the year: Mr. G. H. M. Beak, Managing Director of Rhobank Limited; Mr. D. D. Preston, Managing Director of Nefic Limited and Mr. P. G. T. Watson, Deputy Chairman of the Syfrets Trust companies. I record our gratitude to these gentlemen for their contribution over many years and wish them a long, healthy and happy retirement. Over the past twelve months the Board of Nedbank Limited was strengthened by the appointment of Mr. G. W. G. Browne, former Secretary for Finance, and Mr. C. Cilliers, a prominent attorney. Union Acceptances Limited welcomed to its Board Dr. J. P. Kearney, Managing Director of S.A. Manganese Amcor Limited and Mr. D. N. Marvin, Managing Director of AECI Limited. It is a pleasure to welcome these four gentlemen as colleagues.

Shareholders, I know, will join me in stating appreciation to the Chief Executive, Mr. G. S. Muller and his executive colleagues Mr. L. G. Abrahamse, Mr. R. J. N. Abrahamsen and Mr. J. L. Nel – who were strongly supported by able executives throughout the Group – for the manner in which they have looked after our investment. The results on which these accounts report could not have been produced, however, had this team not enjoyed the support of some seven thousand people. Without the purposeful effort employees made the Nedbank Group would not have adapted and thrived in the manner in which it has.

F. J. C. Cronjé
*Chairman*

24th October 1978

**MERCHANT BANKS** (58)

# Lending is lovely

FM 17/11/78

**The banks'** September quarterly returns (the BA9s) are in. The September quarter was generally one of sound, though by no means spectacular, growth for merchant banks. Capital demand from the public sector was lower than that for the same period last year, although a spate of private sector debenture issues (the biggest being Rembrandt's R40m loan) kept bankers busy. The continuing easiness in long-term interest rates also encouraged a measure of adventurousness (a rare quality in SA bankers today).

Total deposits of merchant banks grew by nearly 5% during the quarter, although there was little change in the overall deposit mix. During the full year to December, however, most banks experienced a shift into longer-term deposits. Against a background of falling interest rates, this is not surprising. Standard Merchant's 15% growth in deposits is largely explained by UDC's incorporation into the group. Volkskas Merchant also saw a big jump in deposits, but this was off a substantially lower base. Nevertheless, Volkskas's all round performance is indicative of management's aggressive policies in this field.

### Overseas lines

The quarter saw little change in merchant banks' funding operations in the money market: NCDs issued grew only marginally. Senbank continues to rely heavily on long-term money (53% of total deposits), while UAL holds nearly 60% of its deposits in the short-term category. The remaining banks maintain the bulk of their deposits in the medium-term category. Reflecting the decline in local rates, total foreign deposits, mostly from Botswana, Lesotho, and Swaziland, fell marginally.

In assets, all but one bank, Mercabank, increased acceptance facilities. Volkskas raised facilities by 21%, while UAL's jumped by roughly the same amount. Senbank, however, is still way out in front in terms of absolute acceptances granted (R164m) and, apart from the tiny Rand Merchant, maintains the highest proportion of acceptance facilities in relation to total assets (46%). Indeed, bankers report a sharp hike in facilities since September.

Most banks also confirm higher utilisation of these facilities, chiefly due to the increased attractiveness of local credit relative to overseas lines. And some banks reckon utilisation figures would have been considerably higher had they cancelled offshore credit lines.

Apparently it is still worthwhile keepi your options open despite the wideni interest rate gap.

Other forms of lending declined m ginally during the quarter. A notable f ture is Hill Samuel's and Finansban diversification into the HP and leasi fields. Finansbank has a R10,5m I book (all industrial business) and R9m leasing receivables. Together these t represent over 22% of the bank's total assets and originates from the consolidation of Finanskrediet into the bank itself. Hill Samuel has a R9m leasing

largely represents banks' own holdings of preference shares, debentures, and other loan stock. Pref shares are particularly attractive because of their high after tax yield. And in a period of slack credit demand, this type of investment is the ideal way for banks to use up their remaining lending facilities under their ceiling.

Since a number of debenture and pref share issues are expected over the next couple of months, banks can be expected to increase these investments. Moreover, there appear to be plenty of room within present lending ceilings to accommodate such investment.

least until the next property boom." A sharp 27% rise in merchant banks' investments is another feature attributable to easy capital market conditions and

## DEPOSITS*

| Bank | | Short | Medium | Long | Total | NCDs issued | Foreign |
|---|---|---|---|---|---|---|---|
| Senbank | R mill | 20,0 | 51,4 | 79,1 | 150,4 | 40,7 | 27,5 |
| | % | 13,3 | 34,2 | 52,5 | | 27,1 | 18,3 |
| UAL | R mill | 87,2 | 39,8 | 20,6 | 147,6 | 33,5 | 12,3 |
| | % | 59,1 | 27,0 | 13,9 | | 22,7 | 8,3 |
| Standard Merchant | R mill | 50,5 | 94,5 | 21,9 | 167,0 | 5,4 | 5,2 |
| | % | 30,3 | 56,6 | 13,1 | | 3,2 | 3,1 |
| Barclays Merchant | R mill | 47,4 | 44,9 | 46,4 | 138,4 | 11,5 | 0,7 |
| | % | 34,2 | 32,4 | 33,4 | | 8,3 | 0,5 |
| Hill Samuel | R mill | 15,4 | 44,8 | 16,7 | 77,0 | 16,8 | 4,5 |
| | % | 20,0 | 58,3 | 21,7 | | 21,8 | 5,8 |
| Mercabank | R mill | 6,7 | 58,5 | 47,3 | 112,4 | 6,1 | — |
| | % | 6,0 | 52,0 | 42,0 | | 5,4 | |
| Finansbank | R mill | 12,9 | 23,0 | 13,4 | 49,3 | 4,6 | 0,6 |
| | % | 26,1 | 46,8 | 27,1 | | 9,3 | 1,2 |
| Volkskas Merchant | R mill | 12,4 | 14,2 | 9,2 | 35,8 | 4,8 | 0,7 |
| | % | 34,6 | 39,6 | 25,8 | | 13,4 | 2,0 |
| Rand Merchant | R mill | 0,1 | 2,0 | — | 2,1 | — | — |
| | % | 5,1 | 94,9 | | | | |

**% of total deposits.*

## ASSETS†

| Bank | | Total assets | Acceptances created | Lendings* at risk | Investment in shares | Overdue loans & advances |
|---|---|---|---|---|---|---|
| Senbank | R mill | 359,6 | 164,4 | 69,0 | 42,5 | 4,2 |
| | % | | 45,7 | 19,2 | 11,8 | |
| UAL | R mill | 288,6 | 105,7 | 29,0 | 9,1 | 0,4 |
| | % | | 36,6 | 10,0 | 3,2 | |
| Standard Merchant | R mill | 285,2 | 89,4 | 91,7 | 14,1 | — |
| | % | | 31,3 | 32,2 | 5,0 | |
| Barclays Merchant | R mill | 207,6 | 53,1 | 35,1 | 23,8 | — |
| | % | | 25,6 | 16,9 | 11,5 | |
| Hill Samuel | R mill | 140,9 | 39,0 | 50,8 | 0,5 | 4,0 |
| | % | | 27,7 | 36,1 | 0,4 | |
| Mercabank | R mill | 140,1 | 18,3 | 73,2 | 11,4 | — |
| | % | | 13,1 | 52,2 | 8,1 | |
| Volkskas Merchant | R mill | 75,8 | 32,9 | 14,1 | 1,7 | — |
| | % | | 43,4 | 18,6 | 2,3 | |
| Finansbank | R mill | 75,8 | 12,6 | 32,7 | 4,8 | 0,1 |
| | % | | 16,6 | 43,1 | 6,4 | |
| Rand Merchant | R mill | 14,5 | 10,9 | 1,0 | — | — |
| | % | | 75,1 | 6,9 | — | |

**Includes bills discounted or purchased, HP discounts and advances, leases, deeds of sale discounted and other loans and advances.*

*†% of total assets.*

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Sunday EXPRESS **Business**

EDITED BY PENELOPE GRACIE

# Sanlam–Mutual 'race' continues

**THE battle between the two Cape mutual companies, Sanlam and Old Mutual, continues to rage — and unless Sanlam does something dramatic it's not going to catch the giant Old Mutual in the foreseeable future.**

Sanlam's figures for its financial year to September 30, released this weekend, show an 19,2% improvement in the company's total assets to R1 596-m.

This means that Sanlam's assets lag R627-m behind the Old Mutual's figure.

The latter's asset figure for its year, to the end of June, was R2 223-m.

A year ago the gap between the two companies was only R448-m confirming the adage that money begets money

In the course of the past financial year. Sanlam earned R425-m income, R296,3-m of which was premium income.

This reflected a 16% improvement on the previous year.

Old Mutual's total income last year topped the R600-m mark of which 69% was premium income.

The premium income figure for Sanlam was marginally higher at 69,65%.

Looking at the investment income which both companies earn on their assets, Mutual seems to perform marginally better than Sanlam.

It earned around 8,3% on its R2 223-m assets as against Sanlam's 8.1% on its assets of R1 596-m.

In his annual review Sanlam's managing director, Dr Fred du Plessis, vigorously defended his group's R65-m investment in Defence Bonds

It is thought that Sanlam is the biggest single investor in Defence Bonds.

He said this week:

"In certain circles this investment is queried, criticised or even slated as being of inferior importance.

"The salient feature of Defence Bonds is that redemption after one year is guaranteed and entails no loss of capital.

"Normally an investment in such securities has the disadvantage that a capital loss is sustained when sold after rates of interest have increased since purchase.

"The acquisition of Defence Bonds therefore enables us to maintain a more flexible investment portfolio without of capital loss."

He continued: "Our money therefore yields an excellent income and should rates of interest increase, we could sell without loss of capital and invest at the better rates."

# Sanlam klop R400 milj.

Rapport 19/11/78

**SANLAM se totale inkomste bedra R425 miljoen in sy finansiële jaar tot 30 September 1978. Dit is een van die hoogtepunte in 'n jaar van bestendige en volgehoue groei wat die besturende direkteur van die maatskappy, dr. Fred du Plessis, aangekondig het.**

Van hierdie R425 miljoen is R296,3 miljoen premie-inkomste, wat 16 persent hoër as die vorige jaar is.

Sanlam het die afgelope boekjaar R122,9 miljoen, dus gemiddeld meer as R10 miljoen per maand, aan sy polishouers en hulle afhanklikes uitbetaal.

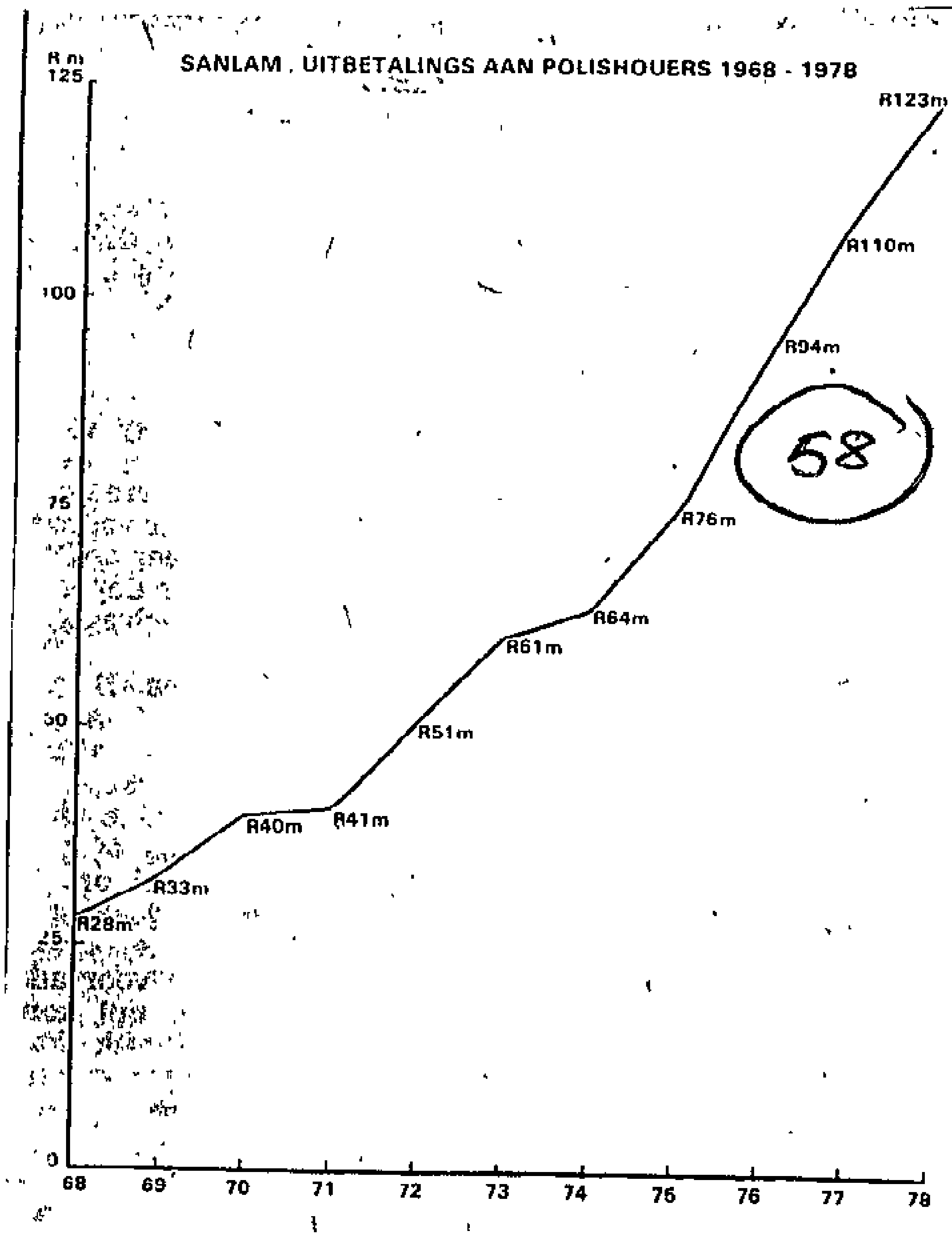
Die maatskappy se totale bates het op 30 September 1978 R1 596 miljoen bedra, wat 'n vermeerdering van R246 miljoen op die vorige jaar is. Die belegging in Regeringseffekte en openbare liggame is met 'n bedrag van R71 miljoen vermeerder tot R491 miljoen.

Daar is R67 miljoen addisioneel belê in rentebeleggings en die totaal daarvan bedra nou R380 miljoen. Die totale beleggings in vaste eiendom en gewone aandele het met R46 miljoen en R48 miljoen toegeneem tot R308 miljoen en R312 miljoen onderskeidelik.

„'n Belegging waarna ek spesiaal wil verwys is dié van R65 miljoen in Nasionale Verdedigingsobligasies wat sover ons kennis strek, Sanlam die grootste enkele belegger in hierdie rigting maak", het dr. Du Plessis gesê.

„Ons is oortuig dat Sanlam sy bydrae tot die voortbestaan van ons land, in die tyd waarin ons leef, moet lewer en dit onder meer deur hierdie soort belegging kan doen sonder om skade aan ons polishouers te berokken.

„Daar is die afgelope jaar ook op vele gebiede en veral met ons bankbelange rasionalisasie toegepas. Ek glo dat dit, tesame met die vernuwing in ons bestuur, sal dien om 'n nuwe fase van groei vir die Maatskappy in te lui."


SANLAM . UITBETALINGS AAN POLISHOUERS 1968 - 1978

# Finansbank stoot wins ook mooi

(58)

Rapport 26/11/78

**OOK Finansbank kan hom by die banke skaar wat die laaste tyd sulke mooi winsstygings bekend gemaak het. Hierdie onafhanklike sakebank van mnr. Piet Liebenberg kon daarin slaag om sy wins ná belasting in die ses maande tot 30 September met 16,7 persent van R300 000 tot R350 000 op te stoot.**

Die verdienste per aandeel het insgelyks van 11,4c tot 13,2c gestyg n die dividend is van 3,5c tot 4c per aandeel verhoog.

Die aantal uitgereikte gewone aandele het onveranderd op 2 644 000 gebly.

In die winsverklaring sê die direksie dat die bank se toenemende sakebedrywighede en die toenemende vraag na die bank se dienste as 'n depositonemende en finansiële instelling sowel as Finansbank se aansienlike uitbreiding van sy internasionale handel, veroorsaak het dat hy bykomende kapitaal moes kry.

Dit is dan gedoen en wel deur R2,5 miljoen se kumulatiewe aflosbare voorkeuraandele van 11 persent uit te reik.

Volgens die direksie kan die winsstyging toegeskryf word aan 'n algemene verbetering in saketoestande, die daling in depositokoerse en die steeds toenemende volume sake wat die bank hanteer.

Finansbank het afgelope ses maande sy sake en bedrywighede as 'n onafhanklike sakebank bevredigend voortgesit en uitgebou.

Hierdie bank tree op as bankier sowel as 'n finansiële raadgewer vir 'n aantal private en openbare ondernemings.

In albei hoedanighede is dit volgens die direksie sy strewe om sy steeds groeiende getal klante met die kundigheid en innovasie te bedien wat die toenemende „kompleksiteit" van die sakewêreld, plaaslik en internasionaal, vereis.

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UNIVERSITY OF CAPE TOWN

**Memorandum**

8th August, 1978.

FROM Professor A.H.R.E. Paap,
Dean,
Faculty of Arts.

TO

Dear Colleague,

The sheet (Circular N

circular re continuat

posts (dated 1st Aug

of undertakings and

in the original.

This is most unfortu

Yours sincerely,

A.H.R.E. PAAP.

Rapport 26/11/78

(58)

# Sanlam wil vlerke weer span

**TOE dit 'n jaar of twee gelede vir Sanlam duidelik was dat moeilike tye voorlê, was daar 'n doelbewuste aksie om sy vlerke 'n bietjie in te trek met gedempte organisasiebou.**

Nou is dit egter sy siening dat beter tye aan die kom is en Sanlam is besig om vir kapitaalvorming te mobiliseer, het mnr. Jack van Wyk, senior hoofbestuurder van Sanlam, vandeesweek in 'n onderhoud aan Sake-Rapport gesê.

Met die bekendmaking van Sanlam se jongste jaarsyfers verlede week, wou Sake-Rapport meer weet oor die groep se bemarkingsyfers en hoe dit in die algemeen met die versekeringsbedryf gaan.

Die gesprek het soos volg verloop:

**RAPPORT:** Hoe sou u sê het Sanlam die afgelope jaar gevaar op bemarkingsgebied?

**AJVW:** In sy pas afgelope 60ste boekjaar het Sanlam se premieinkomste met R41 miljoen gestyg tot R296 miljoen. Die styging is R5 miljoen beter as die vorige beste van enige jaar.

**RAPPORT:** Het die moeilike ekonomiese toestande nie baie mense weerhou om gewone versekering uit te neem nie?

**AJVW:** Dit is so dat die jaar minder goed bedeeld was met koopkrag. Die ekonomiese toestande verwyder egter nie versekeringsbehoeftes nie en skep dikwels nuwes. Vir Sanlam was die jaar juis veral uitstaande deurdat premie-inkomste uit individuele besigheid, net binnelands, met R21,2 miljoen toegeneem het.

**RAPPORT:** Ons lei dus af dat nagenoeg die helfte van die toename in u premies van R41 miljoen uit pensioen- en ander groepsake spruit. Is dit so?

**AJVW:** Ja, in hierdie veld was Sanlam nog altyd die leier en dit is een van sy trotse prestasies as Afrikanermaatskappy, want dit is 'n mark wat nie net die hoogste eise stel aan vernuf en doeltreffendheid nie, maar waarvan die bestuur boonop driekwart Engels-sprekend is.

**RAPPORT:** Ons verneem dat die aantal Sanlam-verteenwoordigers in die jongste tyd afgeneem het. Sou u sê dit is die ekonomiese toestande wat hiervoor verantwoordelik is, of skryf u dit toe aan die optrede van u mededingers of makelaars?

**AJVW:** Die redes wat u aandui kan wel in 'n mindere mate geld, maar eintlik was dit 'n doelbewuste aksie van Sanlam se kant om sy vlerke 'n bietjie in te trek met gedempte organisasiebou, toe dit 'n jaar of twee gelede vir ons duidelik was dat ons moeilike tye kan verwag. Nou is ons siening dat beter tye voorlê en mobiliseer ons vir kapitaal-vorming wat in landsbelang vorentoe so broodnodig sal wees. Dit alles geskied egter sonder prysgawe van gehalte sodat ons produk hom weer in die knellende inflasiedruk kan laat geld.

**RAPPORT:** Dink u dat die gewone polishouer in vandag se hoë inflasie-tye goeie waarde vir sy premies ontvang?

**AJVW:** Die bedryf bied vandag waarde vir geld soos nooit tevore nie. Die mededinging onder die meer as 40 versekeraars in die land dwing versekeraars om gedurig te let op nuwe produkontwikkeling, die opleiding van personeel, die maak van goeie beleggings en die aanwending van die beste middele om 'n goeie opbrengs vir die polishouers se geld te verseker. In Sanlam geskied dit met personeel wat deeglik opgelei word, asook volle aanwending van tegnologie ter besparing van koste en verbetering van diens. Die opbrengste op 'n polis soos die publiek dit tradisioneel gewoond was, is male verbeter in die proses.

# Kommer oor algemene banke

RAPPORT 26/11/78

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**'N STERK pleidooi dat algemene banke in 'n posisie gestel moet word om 'n geskikter beleggingsinstrument te kan aanbied waardeur hulle geld vir langer tydperke kan hou, is deur die besturende direkteur van een van die min oorblywende kleiner banke gelewer.**

Hy is mnr. Eugene van Rensburg van Bankovs, wat in 'n onderhoud met Sake-Rapport gesê het dat hy bekommerd is oor die wyse waarop algemene banke gefundeer is. Dit was toe hy 'n nuwe reeks dienste by Bankovs (sien berig op bl. 3) bekend gemaak het.

Mnr. Van Rensburg sê dat dit in die bankwese algemeen as die ideale posisie aanvaar word dat die gemiddelde tydperk van die fondse wat getrek word, min of meer gelyk moet wees aan die gemiddelde tydperk van die fondse wat uitgeplaas word.

## Huurkoop

Omdat die grootste deel van algemene banke se fondse in die vorm van huurkoop en bruikhuur uitgeplaas word, beteken dit volgens mnr. Van Rensburg dat die gemiddelde tydperk waarteen fondse uitgeplaas word, tussen drie en vyf jaar kan wissel.

Daarteenoor is die gemiddelde lengte van die deposito-boek weens die afwesigheid van 'n geskikte beleggingsinstrument baie korter. Die faktor het nie net tot gevolg dat banke onder druk geplaas kan word as die likwiditeitsposisie of die geldvoorraad in die land sou verander nie, maar ook dat die winste van die banke aansienlik kan skommel. Dit is omdat fondse teen 'n vaste koers uitgeplaas word vir 'n tydperk van vyf jaar, terwyl fondse vir korter tydperke teen 'n veranderlike koers in hierdie tydperk opgeneem word.

## Nadeel

Die algemene banke het verder die nadeel dat hulle nie oor 'n verspreide taknetwerk beskik soos byvoorbeeld die handelsbanke nie. Hulle word dus in 'n swakker posisie geplaas as hulle op dieselfde koersvoorwaardes moet meeding, sê mnr. Van Rensburg.

Aan die ander kant is die weer aansienlik laer en kan hulle dit dus bekostig om meer vir hul geld te betaal en nogtans dieselfde winsgewendheid te handhaaf.

Met die oog hierop meen mnr. Van Rensburg dat 'n beleggingsinstrument geskep moet word vir 'n tydperk van byvoorbeeld vyf jaar of langer wat aan die belegger 'n hoër rentekoers sal besorg en aan die algemene bank die geleentheid om fondse vir langer tydperke te trek.

Hierdie beleggingsinstrument moet hoofsaaklik gerig wees tot die man in die straat, wat nie net 'n beter verspreiding vir die banke tot gevolg sal hê nie, maar ook vir die werklike belegger die nodige aansporing sal bied om sy fondse vir langer tydperke as die huidige twee jaar, wat tans die maksimumkoers kan verdien, te belê.

# Who's scaring SWA's savers?

Sun. Times 26/11/78

(58)

Deputy editor Nigel Bruce, just back from Windhoek, looks at reasons for the South West African capital flight and the conditions in which they have their roots.

**THE absolute refusal of South African Government authorities to release basic economic data on South West Africa is one of the main reasons for the capital flight from the territory.**

It has contributed in no small measure to the general uncertainty about the future of the territory, which is currently being heightened as campaigns intensify ahead of the forthcoming election.

Of that there is little doubt among businessmen, bankers and some academics to whom I spoke in Windhoek this week.

It has resulted not only in growing suspicion and despondency, but also fears, however groundless, that the Government's real motives in deliberately obscuring the considerable economic potential of the territory is to perpetrate the controversial belief that economic ties with South Africa are vital.

Certainly, this recalcitrance is not because meaningful economic data is unavailable. At least four independent studies have been made, I believe all at the behest of the authorities.

Against this background of suspicion, various haphazard and clumsy measures taken by the authorities to create domestic business and financial concerns ahead of independence have also been seen by some Namibians as being intended to afford some South African enterprises a privileged and easy way of getting assets out quickly.

One of the first of these was an ill-conceived plan by the AG's erstwhile deputy, Judge Apie Steenkamp, to nationalise the meat packing industry in a way that would enable South African co-op Vleissentraal to withdraw its interest advantageously.

The fact that one of the men who undertook the study on which the scheme was based, Dr J D J Steenkamp, subsequently joined Vleissentraal, did nothing to dampen these fears

## Minority

The scheme has now been scrapped, Vleissentraal will retain its interest but it will be turned into a minority one through the further injection of government capital.

Next came the formation of the National Building and Investment Corporation of SWA (NBIC), which was seen as a State-run building society deliberately created to enable the more stable South African societies to escape their obligations after independence.

Again the final arrangement belies that. A new SWA Building Society has been created into which seven South African building societies have pooled their assets in return for 12-year 9 per cent debentures in NBIC secured against existing mortgage bonds.

The NBIC, which will underwrite the new building society and provide working capital for it, will have a diminishing interest as public deposits and share purchases increase.

In fact, South African savers will for 12 years be subsidising SWA borrowers by accepting a 9 per cent return on debentures that could be invested in higher-yielding housing bonds in the Republic.

At present there are fears that along with the new Banks Act will go the creation of a central bank that will buy out the assets of those South African banks wishing to withdraw.

This does not appear to be the case at all. As far as I can assertain, a central bank is not planned, certainly it is not needed, nor would its function be likely to be to acquire flight assets.

A companies register has also been set up and by December 1 all existing companies must decide to re-register locally as a domestic or external company.

This, too, is seen by relatively financially unsophisticated savers as a device to help out the faint-hearted businessman, and registrations are being watched closely.

By November 16, according to an official gazette, only about 130 companies out of about 3 000 that are active locally had registered.

In the medium to long-term, the outflow of savings is likely to be more than abundantly replaced by foreign investment in mining, especially as the AG has opened up at attractive terms vast areas of Damaraland for prospecting, and because uranium earnings will most likely shortly rise sharply.

But in the short run there are going to be financing problems. Judge Steyn's request to the banks to provide overdraft finance for the First National Development Corporation (a very necessary type of IDC) has been declined on the grounds that the banks may not have enough money if the deposit flight continues.

Similarly, the stock issues that the AG's office are said to be planning for the FNDC might be declined by the banks even if they be given prescribed status.

## Reduced

Of course, the outflow could be reduced by the new building society and the banks being able to offer higher interest rates. And some bankers believe this to be vital.

As the AG is soon to exempt the new building society from deposit rate control, he could presumably do the same for the banks. But if interest rates were to rise that, in turn, would be detrimental to a revival of business activity.

What is vitally needed from the AG's office is not only a clearer conception of what in the business and financial sphere it is about. For events suggest that in these matters it is amateur. But also greater candidness over the economic potential of the territory and its ability to stand alone without props from Pretoria.

# R50m SWA savings join chicken run

Sun. Times 26/11/78

(58)

### By NIGEL BRUCE

**SOUTH West Africa's domestic funding plans could be seriously affected — at least in the short term — by the "funk" withdrawal this year of at least R50-million of identifiable bank and building society deposits.**

The total amount of unrecorded capital moved from the territory into South Africa over the past 12 months is likely to have been very much higher — and bankers think that at least another R20-million will follow within the next four months.

The bulk of this latter amount is likely to go when SWA depositors at all but one building society in the territory are given the choice in March of moving their savings to the new SWA Building Society, having them transferred to South Africa or withdrawing them.

There could be a further outflow if all the South African banks operating in the territory are forced to domesticate in terms of a new, special Banks Act now being drafted by the South African authorities for an independent Namibia.

In relative terms — as a percentage of Gross Domestic Product — SWA suffered an identifiable capital outflow at least twice that of South Africa in the year to June.

South Africa's outflow at that stage was three per cent of GDP at current prices. In SWA it was six per cent of GDP, which has been estimated at R830-million but could be higher.

In the absence of official figures, I have calculated the R50-million outflow from statistics contained in the quarterly returns from the two banks already registered in the territory and from confidential information given me by others.

I have established total SWA bank deposits at R230-million, about 70 per cent of which are with Barclays, the largest bank in the territory, and Standard, which has just domesticated and is the second largest.

On average, the banks have established from their branch managers that about 15 per cent of their deposits were transferred to South Africa during the year. That amounts to R34,5-million.

Like the banks, the building societies in the territory have so far refused to publish either individually or collectively their total assets and liabilities in SWA.

However, with the registration this week of the SWA Building Society, to which seven building societies are transferring their assets and liabilities in the territory — Saambou National is the exception — it was revealed that total building society deposits (including shares) were about R50-million.

Of this amount, I was able to establish from building society sources that at least R16-million — but possibly much more — had been moved out of the territory by the larger societies.

The Administrator-General of SWA, Judge M T Steyn, is known to be concerned at this outflow. But, because of the lack of statistics, his department has been unable to determine exactly how much is involved.

Official banking and building society statistics for SWA have not been kept in Pretoria since 1965, when for what were probably political reasons they were incorporated into overall totals for South Africa.

Individual banks, of course, have kept their own figures, but attempts by a recently formed interbank committee in Windhoek to persuade all banks to pool these figures voluntarily came to nothing.

Consequently, the banks have been told that the AG's officials are drafting a strongly-worded instruction ordering that this information be provided for official purposes.

Certain of the banks are wary about revealing this information, especially if they have only one or two branches in SWA, for it will give competitors a considerable insight into their business. For one thing, accurate market shares will immediately become known.

Whether the AG's office will subsequently release these figures has not been disclosed. If past experience is anything to go by, it will not. And therein lies one of the prime reasons for the flight of white savings: the uncertainty created by unnecessary official reticence.

**See also Page 15.**

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MNR. CAREL VAN ASWEGEN... Rede om te lag.

# ASSURA LAAT WAAI

RAPPORT 26/11/78

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Deur DAVID MEADES

**MET sy bankbelange nou in die Bankorp-groep, het die „nuwe" Assura Beperk pas sy eerste jaarverslag beskikbaar gestel wat net oor sy versekeringsbelange en sy beleggings verslag doen. En die beeld wat daar vir die aandeelhouers is, kan nie anders as om groot vertroue te wek nie.**

Assura is natuurlik die beheermaatskappy van Santam-Versekering, wat voorheen 'n lid van die Santam-Bank-groep was. Die bankbelange met R340,2 miljoen se bates is op 30 Junie aan Bankorp oorgedra en in ruil daarvoor het Assura 3,5 miljoen aandele in Bankorp gekry.

Dit is dus nou die eerste keer moontlik om wel 'n betekenisvolle vergelyking tussen Assura/Santam en ander korttermynversekeraars te tref. Assura is so ver voor sy naaste mededinger in alle opsigte dat 'n miljoen.

Santam kon sy bestuurskoste as 'n persentasie van sy netto premies die afgelope jaar van 14,5 tot 13,3 persent verminder, teenoor Mutual en Federale se syfer van 16,1 persent vir die afgelope jaar.

Wat die gekonsolideerde Assura-groep betref, kon hy sy wins ná belasting met 43 persent tot byna R6 miljoen verhoog en het die verdienste per aandeel van 11c tot 17c gestyg. Die dividend is tot 5,5c per aandeel verhoog, wat teen die huidige prys van sowat 55c vir Assura 'n dividendopbrengs van 10 persent lewer.

Weens die suinige dividendbeleid — die dividenddekking het van 2,2 tot 3,1 keer gestyg — staan die verdienste-opbrengs nou op 30,9 persent, wat met die 21,9 persent van Mutual en Federale vergelyk.

As Assura op 'n soortgelyke verdienste-opbrengs aangeslaan word, behoort die aandeel op byna 78c te staan, maar sal dan 'n dividendopbrengs van net 7,1 persent lewer, teenoor die 9,2 persent wat Mutual en Federale teen sowat 110c lewer.

Vervolg op bl. 3, kol. 1

## ASSURA

Vervolg van bl. 1

**DIE tweede artikel deur die Nagraadse Bestuurskool van Stellebosch oor die SA riglyn 4-003 (inflasieboekhouding) verskyn**

doet kan dien nie

Uit mnr. Carel van Aswegen, voorsitter, se jaarverslag blyk dit dat Santam se bruto premie-inkomste die afgelope jaar met 10 persent tot R113,9 miljoen gestyg het. As die inkomste uit verpligte derdepartyversekering afgetrek word, was daar 'n styging van 11,5 persent tot R96 miljoen. En ná die uitgaande herversekeringspremies, het die netto premie-inkomste R83,6 miljoen beloop — 'n styging van 11,2 persent.

## Bevredigend

Die voorsiening vir onverstreke risiko's is bevredigend verhoog van R30,5 miljoen tot R32,2 miljoen, wat volgens mnr. Van Aswegen aansienlik meer is as die minimum-vereiste van die Registrateur van Versekeringswese.

Santam het die afgelope jaar gelukkig geen rampe belewe nie en sy onderskrywingswins van R8,6 miljoen verteenwoordig 'n syfer van 10,4 persent van die verdiende premies. Mnr. Van Aswegen wys egter daarop dat onderskrywingsresultate oor 'n tydperk van drie jaar beskou behoort te word en voeg by dat Santam se onderskrywingswins dan 5,4 persent van die verdiende premies verteenwoordig.

Santam se grootste mededinger, Mutual en Federale, se onderskrywingswins het die afgelope jaar 4,3 persent van sy verdiende premies verteenwoordig.

En wanneer 'n mens hierdie twee versekeraars verder met mekaar vergelyk, raak die gaping baie groot wanneer dit by premies kom. Santam se bruto premie-inkomste het R113,9 miljoen beloop, teenoor Mutual en Federale se R62,5 miljoen.

In die geval van verdiende premies was die syfer R81,8 miljoen teenoor R47,5 miljoen en Santam se premie-inkomste uit verpligte derdepartyversekering het R17,9 miljoen beloop teenoor Mutual en Federale se R5,8

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## FEDVOLKS

# Concentrating on control

**Has Federale** Volksbeleggings been biting off more than it can chew with its spate of acquisitions in the last year? This week's announcement that Fedvolks is negotiating with an unnamed party to divest itself of its entire (and once strategic) 11,9% stake in Federale Mynbou and proposed sale of its FVB Centre in Bloemfontein would suggest it has.

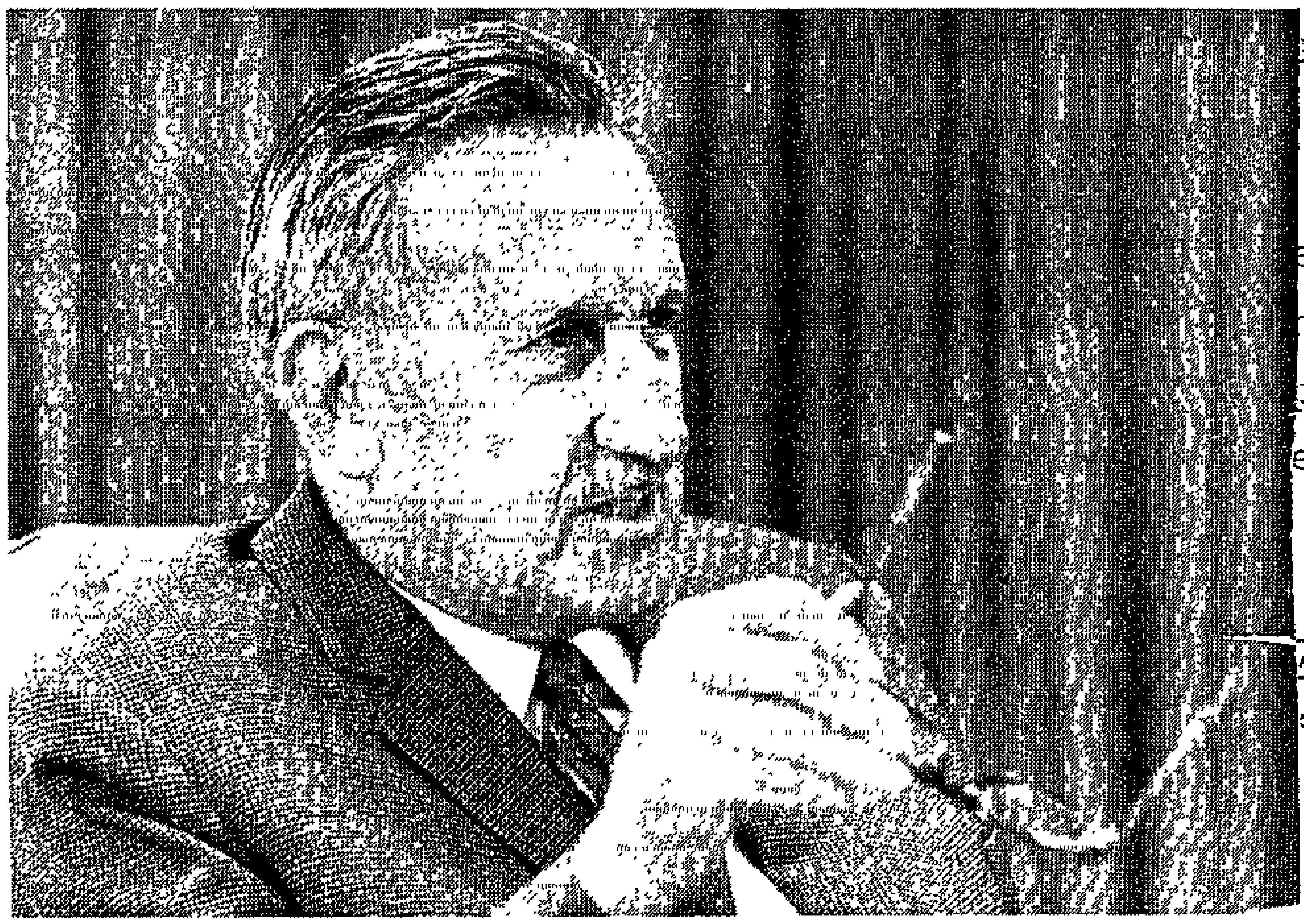
At Fedmyn's current price of 590c, Fedvolks' stake could realise R20,5m. But negotiations are taking place with one buyer, so a slightly lower price could result. The proposed leaseback sale of FVB Centre to Sanlam is expected to yield close to its R11m erection cost. Realisation of these assets, together with the R1m sale of the Edward Hotel, should provide a cash injection of over R30m.

The announcement says that the sales are aimed at providing funds to take up majority holdings in strategic investments.

Already the group's aggressive takeover policy has given Fedchem 51% control of SA Druggists and Fedfood 100% of Simba-Quix and 51% of Ruto. The importance of these takeovers is that the companies have been consolidated in the accounts of the group. According to chairman Etienne Rousseau, the gearing of certain of the acquired companies is high and, on consolidation, gearing increases more than proportionately. Consequently, the group has exceeded its authorised borrowing powers.

SA Drug had a 109% debt:equity ratio at the time of its takeover. The takeover was achieved through a R10m pref issue and the issue of 1,2m Fedchem ords to the previous owners, increasing Fedchem's share capital by R10,2m, but also adding R27,2m to interest-bearing debt.

The Simba and Ruto acquisitions by Fedfoods added a total of R18m in interest-bearing debt. The combined gearing of these two companies was around 100%, whereas Fedvolks had a debt:equity ratio of 37% before the acquisitions took place. So it may be correct to assume that the Fedvolks group is not embarking on an aggressive acquisition spree. Cleaning up the balance sheet is more important in the near term.



Fedvolk's Rousseau . . . taking a different view

Even so, the possibility exists that it will increase its stake in existing subsidiaries. It already has an option to purchase 5m more SA Drug ords, at an undisclosed price. At around 150c, against SA Drug's current 162c, cash of R7,5m would be needed.

A further R4m could be needed for a mooted Fedfoods rights issue. It seems that the Rutowitz family is prepared to plough back into Fedfood the R3,6m cash it received when Fedfood took control of Ruto (*Fox* June 30).

In the final analysis, Fedvolks' moves do not detract from the fact that the share at 180c is trading at a third of current nav. The recently-declared 4c extraordinary dividend could be followed by a 9c final to bring the total payout for the 15 months to 20c putting the share on a yield of 8,9%.

*Peter Pittendrigh*

Financial Mail December 1 1978

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ded in: Muriel Horrell
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Liaison and Works Committees

Instead of simply providing for the in-plant w
of the pyramid, a dual system of works and lia
A liaison committee in any establishment consi
the employer and others elected from the ranks
least half the members of a liaison committee ı
employees but the chairman may be designated b
a member of the liaison committee, or may be
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committee in the Act. The functions of a li
defined. Its task is "to consider matters wi
employer and his employees and to make to the
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affecting their interests ..." The law does ı
of a liaison committee which would presumably b
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The works committee, on the other hand, is a whc
establishment employing more than twenty African
committee exists, such workers may elect a works
fewer than three or more than twenty persons. H
limited to a quarter of the total number of Afric
or section of the establishment at the time of th
representation in the sense that it allowed for m
in an establishment and in larger firms, therefore
labour force can now elect their own works committ

A meeting convened to elect a works committee is h
of the employer concerned or his authorised representative. Obviously where
the employees and their employer enjoy a reasonably harmoni
dissension on this score is unlikely. However, v
even hostile, where distrust exists on one or both
arrangement is inadequate for resolving what may b
interests. While the present definition of a lab
than that contained in the 1953 legislation, and a
Inspector, with or without the assistance of the Re
Committee concerned, should intervene in an attempt
does seem to be a remarkable shortcoming in this connection. The Act

(55) 1/12/78

## MONEY MARKET

## Tight times ahead?

**Money market operators** are still riding the high tide of liquidity. But, "the crystal ball is growing hazier by the day" — meaning there is increasing uncertainty in the market about official interest rate policy.

At this stage it looks as though government is committed to a long-term growth path — a *moderate* uptrend. This cannot take place if interest rates are held up. Indeed, a number of banking and money market experts are expecting a further 0,5% cut in Bank rate and in prime overdraft before the year-end. The liquidity situation, at both the long and short ends of the market, should have no difficulty accommodating lower rates. Moreover, the authorities seem to be satisfied that the potential for any switching from offshore to domestic trade finance facilities will not tax reserves unduly.

Most sources are confident, however, that short-term rates will continue to ease (though only marginally) until early next year. Three-month bankers acceptances, for example, which are currently trading at around 7,6%, could be down to 7%, before seasonal factors force them up again. The treasury bill rate, now at 7,35% could fall to below 7%. However, money market rates are heavily dependent on NFC and TB rates which, to all intents and purposes, are set by the authorities. The extent to which the latter two continue to underpin other short-term rates, though, could depend on the De Kock commissions recommendations in this respect.

December is seasonally a tight month, with a heavy Christmas outflow of notes from the banks. But, the money market is not expecting the real crunch to come until February next year, when some sources are expecting a tighter than usual month-end. February is when big gold mining tax payments fall due as well as provisional taxes. In view of the large gold premiums of the past few months, taxes will be particularly heavy causing a bigger than usual drain on the liquidity of the market. Sources note, however, that large volumes of maturing TBs in February could soften the anticipated liquidity drain to Treasury.

Financial Mail December 1 1978

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**GILTS MARKET**

38 1/12/78

## Posers for De Kock

**Where monetary** policy is concerned, all eyes are on the De Kock Commission. But some interesting pointers to the way Pretoria may be thinking were given by Reserve Bank Deputy Governor Chris Stals at the annual dinner of the Association of General Banks & Finance Houses.

Stals admitted (how could he deny?) that if by the "breadth" of the gilts market is meant the extent to which various sectors hold gilts, it is not as broad as the Reserve Bank would like. The main reason for this is that while, say, in the US, monetary expansion is determined by banks' excess cash reserve positions, in SA this is frustrated by banks' ready access to cash through the discount houses and the NFC.

In SA, monetary expansion is mainly determined by the extent of bank excess liquidity, through liquid asset requirements. These, and prescribed investment requirements applying to banks as well as other institutional investors, have led to a captive market which, by enabling the government to issue securities at relatively low (ie, sub-market) rates, has essentially excluded private non-institutional investors from the gilts market.

Stals nevertheless claims that in the past few years the "captivity" of the market has deliberately been lessened, by issuing government securities at market-related prices. This has both broadened and deepened the market. Other positive factors have been the emergence of stockbrokers as active dealers in gilts and the Reserve Bank's own efforts to develop a secondary open market in gilts.

Further steps that could improve the efficiency of open market operations include the recent experiment whereby the discount houses have been invited to tender for Treasury bills on a daily, instead of a weekly, basis. To overcome the discount houses' ability to absorb large swings of funds in the market, which is severely limited by capital requirements, Stals suggests that a solution could be to allow the houses to accept funds outside their normal financial ratios, as long as the surplus is invested in Treasury bills.

He also pointed to the disruptive effects of fluctuations in the flow of funds to and from the government, saying that attention should again be focused on smoothing the government's financial operations.

With dry humour, Stals concluded: "These challenging questions ... provide interesting material for next year's programme of the (De Kock) Commission."

No doubt they do: but the suspicion lingers that what the Reserve Bank means by open market operations is not necessarily what others mean. Stals claimed proudly that during the first seven months of the current financial year, the Bank sold gilts to the value of more than R500m, against less than R200m for the whole 1977-78 financial year.

Open market purchases, mainly to counteract the flow of funds to the government sector over certain month-ends, totalled less than R100m. Declining interest rates over the past year have "greatly facilitated the ease with which the Bank has been able to sell securities."

Open market operations, where the emphasis is so heavily on selling, and where the Reserve Bank will not act as a buyer or seller of last resort because (in Stals' words) this "could, at times, be to the prejudice of monetary policy," is an open market with one hand tied behind its back.

Sun Times Business

3/12/78

(58)

# De Kock submits historic report

**THE crucial report of the De Kock Commission on exchange rate policy was handed to the Minister of Finance, Senator Owen Horwood, on Friday.**

By STEPHEN MULHOLLAND and NIGEL BRUCE

It is expected that the Minister will act rapidly to implement the recommendations of the commission, which is being chaired by Dr Gerhard de Kock, senior deputy Governor of the Reserve Bank.

Speculation in banking circles is that changes will be implemented early in 1979 as some applications for forward cover on foreign loans have been granted with the condition that they be taken up fully by December 31.

Among the critical issues which the report, the first of several the commission will make to the Minister, is expected to cover are:

- The fixed rand-dollar link and the possibility of allowing the rand to float within limits against a basket of currencies selected on a trade-weighted basis.
- The question of forward cover for foreign trade transactions. At present this cover is provided at a nominal rate by the Reserve Bank and has resulted, as the rand has declined against other currencies, in immense losses borne by the general body of taxpayers.
- Exchange control regulations which have resulted in numerous court cases with heavy penalties levied. It is felt in some quarters that the very existence of the regulations has provoked illegal capital flight from South Africa and, more importantly, has discouraged foreign business men from investing here.
- Arising out of the above issues is the question of a wider role for the securities rand market, the pool of rands arising from the sale of assets by non-residents of South Africa. It is believed that the commission considered expanding the role of the securities rand from the present function of being a means only to buy South African-quoted securities into a means of direct investment and divestment by foreigners.

Whatever is recommended and acted upon will be crucial to South Africa's immediate and future economic development as the exchange rate and exchange control policies are the very crux upon which further vital changes in the entire monetary and fiscal structure of the economy will have to be made.

The report has been handed to the Minister against a background of growing concern over the failure of the economy to maintain its earlier momentum.

It is believed that the Prime Minister's Economic Advisory Council expressed grave fears over the state of the economy and called for urgent stimulatory measures to combat unemployment and revive lagging growth rates.

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I spoke to the school principal about the study and she called a meeting. Over 20 people arrived, all of whom complained of the cost of getting to medical care; most of those with chronic conditions e.g. high blood pressure, did not g

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provides maternity and antenatal care, treatment of minor ailments, child welfare clinics, dispenses VD treatment, and liaises with the D.C. mobile team dealing with TB and family planning.

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The clinic is situated at a location with about 400 black residents and also serves the population on surrounding farms. Home visiting in the location is done weekly to look for infectious diseases, follow-up, health education etc. Transport to the clinic from farms is the responsi-

perhaps necessitated by the small

More important is the cost of medicine. R1 or R2 are

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There are four levels at which people involved in the dairies sell:

a) From their houses locally in the village.

b) At local village centres, cafés, bus depots etc.

c) Idolophu shops.

d) Contract at a big centre e.g. the Idolophu hospital contract, and the Bloemfontein creamery contract.

a) The problem with selling locally is that because of restrictions concerning hawkers licenses people have to wait until customers arrive at their houses. Thus there is no proper advertising and nc centralised sure supply to attract buyers. The most often cited problem is poverty at the village level.

b) Selling at village centres: Teddy Mhlauli and Ncomonde Nkalitshani at Amathole manage to sell a fair amount of milk by hawking it outside shops and at bus stops. This is illegal and it also requires that someone should make hawking a pretty full-time job. Where the person is only selling a small amount, hawking does not justify the labour spent on it. The main problem is again the limited market. In all of the three villages where people hawk milk they say it is difficult to sell, especially in summer.

selling from their houses. In Amathole some people did try to establish a market in Idolophu but they never succeeded. While Mhlauli and Nkalitshane put a lot of labour into hawking, most members could not afford this time and many have stopped trying to sell at all and are using their milk for home consumption only again.

The other problems I discuss affect people differently according to how poor they are. The following charts give descriptions of members economic status, and their present income from the dairies.

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BUSINESS MAIL

58

R.D.M

8/12/78

# Long Govt stock rate heads for 9,5%, says Barclays

FINANCIAL REPORTER

THE LONG-TERM interest rate on Government stock could be down to 9,5% from the present offical 10% in two months' time. That is the forecast in the December Business Brief from Barclays National Bank.

The bank's chief economist is Dr Johan Cloete. Barclays review of interest rates says: "Present indications are that buying pressure in the capital market will continue unabated and it would not be surprising to see the long term Government stock rate down to 9,5% by February next year."

It comments: "Liquidity in the money market improved further in November and short-term rates continued to soften.

"The three months bankers' acceptance rate declined from 7,8% at the end of October to 7,6% at the end of November, while the Treasury bill rate fell from 7,49% to 7,35%.

"The monetary authorities had actively supported the Treasury bill rate during the earlier part of November, but in the absence of continued support from this source, the rate subsequently moved down under the impact of excessive money in the market relative to the supply of assets.

"In spite of the improvement in liquidity, the market went short — and the discount houses went substantially into the bank — at the November month-end, possibly because of overoptimistic calculations.

"The supply of funds to the market is, however, likely to continue to be very adequate during December and further downward pressure on rates is money as well as capital markets.

"The open market operations conducted by the authorities during the early part of the month and the consequent increase in the supply of paper to the market had the market in two minds as to the direction of rates.

"In the event, rates hardened.

"The Escom trading rate moved up from 10,10% at the beginning of November to 10,25% by mid-month, while the long-term Government stock rate increased from 9,74% to 9,98%.

"By the end of November, however, long-term rates had dropped back to about their levels at the beginning of the month under the influence of the rumours surrounding the De Kock Commission's expected report and in the wake of the announcement of the public sector loan programme for the first half of 1979.

"The latter revealed that the Government was unlikely to offer any new stock in February, which resulted in buying pressure from institutions and others who previously planned to make up their prescribed and other portfolio requirements from the normal issue of government stock in February."

On the De Kock Commission, Barclays says:

"It is expected that it will recommend changes designed to allow greater play to market forces in the establishment of the rand exchange rate than is the case at the present time.

"Such areas are likely to relate to two areas in particular:

● The introduction of a formula which would remove — at

GENERAL BANKS

# Still sauce in HP

FM 8/12/79

58

**The hire purchase** business of most banks continued its steady growth during the September quarter. Total HP receivables grew by 8% (compared to 28% the previous three months — mainly due to Trust's extraordinary R112m jump), with the strongest growth recorded by Stannic (15,3%) and Barclays Western (14,8%). Trust's HP book actually declined by 2%, although a bank spokesman tells the *FM* that business during October and November was once again "good."

The relatively strong demand for HP during the September quarter, following the introduction of gst, came as something of a surprise to bankers, who were anticipating a levelling off in demand for consumer credit. They reckon most of the demand was for financing motor car purchases.

The outlook for the last quarter, however, is not as bright. Stannic's Mike Thompson, for instance, says he will be "surprised" if the third quarter growth rate is maintained.

Bankers also report an improvement in bad debt records — HP business having been more vulnerable than most other forms of lending in the past. Bankers reckon, however, the real test will only come once newly written contracts start maturing towards the end of next year. Falling real wage and salary levels could mean a setback for the banks then.

Leasing grew only marginally during the third quarter, reflecting the low level of investment in new plant and equipment. Santambank's 3% growth was the highest among general banks, although this was off a substantially lower base than some of its bigger competitors. Stannic's next drawdown for the Iscor lease will only take place in December 1979, when its leasing book should be given a substantial boost. For the rest, leasing business will grow slowly until such time as the economy looks more vibrant.

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(58) FM 1/12/78

### THE BIG FIVE BANKS

# Room for credit

**September quarterly** returns from the Big Five banks confirm the slack demand for credit. Although the three biggest, namely Barclays, Standard and Volkskas, recorded only marginal increases in loans, while Nedbank's rose by over 5%, it was Trust's big R47m drop (down 6,5% over the previous quarter) which accounted for the inertia of total lending by the Five. Trust's fall-off — following its peculiar growth in the previous quarter — is due to a 6% dip on leasing receivables and 2% decline in its HP book.

Not too much should be deduced from Nedbank's growth, says executive director Rob Abrahamsen: a bank's lending is affected by varying seasonal factors and one or two big clients can push the total up during any particular quarter. However, in view of the low level of borrowing and the need to further boost economic growth, Abrahamsen says he expects another cut in Bank rate (hence overdraft rate) "before the March budget."

An interesting feature in the table is the increasing extent to which some of the commercial banks, notably Barclays and Nedbank, have diversified away from straight overdraft finance. Barclays' R226m leasing and HP book, which constitutes roughly 6% of its total book, is growing steadily.

Similarly, Nedbank's R211m worth of acceptances granted is the largest of any bank in both absolute and relative terms, and leapt by a remarkable 50% compared to the previous quarter. Standard, on the other hand, issues no acceptances and maintains only a tiny leasing book — the former being the exclusive preserve of Standard Merchant. As for its leasing book, GM Gootch Vickers says this will begin to increase over the next couple of years as the Iscor lease is spread throughout the group. Up to now, though, 95% of Standard's lending has been by way of overdrafts, making it the "purest" commercial bank in the country.

As for property exposures (excluding properties owned by wholly-owned bank companies), Barclays saw a jump from R28m in June to R41m in September, while that of the other major banks remained more or less unchanged. Barclays' book mainly reflects its Corlett Drive takeovers, repossessions on Hofman properties, plus various other investments.

As a proportion of total assets, Trust's exposure is still substantially larger (7,8%) than for the rest (averaging slightly more than 1%). Standard's R25m is chiefly accounted for by the bank's takeover of the insolvent Merriman Square building in Cape Town. And Nedbank's R32m exposure mainly consists of advances against security of property.

Total liquid assets held by the Big Five were marginally up on the previous quarter, reflecting the increased attractiveness of this type of paper (which includes Treasury Bills, and shortdated government stock) relative to other assets in the current climate of easier rates. In keeping with its conservative image, Volkskas continues to hold the largest stock of surplus liquid assets, while Standard has cut back considerably on its holdings.

In line with its relatively short deposit book (with some medium-to longer-term deposits being shifted to Stannic), Standard had the highest requirements (nearly 34%) of the major banks. As was expected, cheque deposits fell (by over 8%) during the third quarter compared to the June quarter: banks normally experience a big build-up of deposits in June to meet heavy tax payments.

Because of their extensive branch networks, Barclays and Standard have by far the highest proportion of interest-free cheque deposits (some 27%). Trust, by comparison, has only 9,5% as cheque deposits and nearly 50% in the long-term category. As such it has the lowest liquid asset requirements.

## THE BIG FIVE

### ASSETS

| Bank | Total assets | HP and leasing | Acceptances created | Lendings at risk* | Fixed property | Liquid asset requirements | Excess liquid assets |
|---|---|---|---|---|---|---|---|
| **Barclays** | | | | | | | |
| R million | 3 737 | 226 | 66 | 1 721 | 41 | 1 188 | 67 |
| %† | | 6,0 | 1,8 | 46,1 | 1,1 | 31,8 | ‡5,6 |
| **Standard** | | | | | | | |
| R million | 2 929 | 25 | — | 1 324 | 25 | 992 | 20 |
| % | | 0,9 | — | 45,2 | 0,9 | 33,9 | ‡2,0 |
| **Volkskas** | | | | | | | |
| R million | 2 054 | 100 | 23 | 776 | 7 | 573 | 110 |
| % | | 4,9 | 1,1 | 37,8 | 0,3 | 27,9 | ‡19,2 |
| **Nedbank** | | | | | | | |
| R million | 1 601 | 5 | 211 | 497 | 32 | 441 | 40 |
| % | | 0,3 | 13,2 | 31,0 | 2,0 | 27,5 | ‡9,1 |
| **Trust** | | | | | | | |
| R million | 1 231 | 346 | 10 | 674 | 96 | 243 | 12 |
| % | | 28,1 | 0,8 | 54,8 | 7,8 | 19,7 | ‡4,9 |

### LIABILITIES

| Bank | Cheque deposits | Short | Medium | Long | Total | NCDs issued | Foreign |
|---|---|---|---|---|---|---|---|
| **Barclays** | | | | | | | |
| R million | 884 | 1 251 | 1 523 | 456 | 3 231 | 274 | 101 |
| %§ | 27,4 | 38,7 | 47,1 | 14,1 | — | 8,5 | 3,1 |
| **Standard** | | | | | | | |
| R million | 704 | 1 013 | 1 329 | 249 | 2 591 | 113 | 75 |
| % | 27,2 | 39,1 | 51,3 | 9,6 | — | 4,4 | 2,9 |
| **Volkskas** | | | | | | | |
| R million | 411 | 699 | 678 | 414 | 1 751 | — | 14 |
| % | 23,5 | 39,9 | 38,7 | 23,6 | — | — | 0,8 |
| **Nedbank** | | | | | | | |
| R million | 196 | 335 | 650 | 217 | 1 202 | 84 | 40 |
| % | 16,3 | 27,9 | 54,1 | 18,1 | — | 7,0 | 4,1 |
| **Trust** | | | | | | | |
| R million | 100 | 177 | 366 | 509 | 1 053 | 85 | 27 |
| % | 9,5 | 16,8 | 34,8 | 48,3 | — | 8,1 | 2,6 |

*Includes bills discounted or purchased, — HP and leasing, deeds of sale discounter and other loans and advances. †% of total assets. ‡Excess liquid assets as % of requirements. §% of total deposits. #Cheque deposits are also included under short-term deposits.

(58) SUNDAY TIMES, Business Times, De

# Why Malbak is a high-class bo

IN terms of the funds that the insurance companies have available for investment these days, R4-million is basically a drop in the bucket.

But it's always interesting to discover just where the millions are going, if only because those who invest insurance company money are less likely than you or me to make mistakes — they're well paid not to.

Take Malbak, the industrial holding company whose interests cover such seemingly unrelated fields as agricultural machinery, packaging, plastic products and mining supplies as well as motor trading, brake and clutch remanufacturing, tyre retreading and engine reconditioning.

Some 41 per cent of the group's 10,5-million shares are held by insurance companies, with Sanlam having a 20 per cent stake, the Old Mutual 11 per cent and Southern Life 8 per cent.

Between them, these three have put together a loan to Malbak of R4-million. It's over 15 years and carries interest at 11,6 per cent — a rate which suggests that the group is regarded as a high-class borrower.

As it should be, for Malbak has a 10-year record of steady growth in dividends and assets, despite the setback to its agricultural interests disclosed in the recent half-time statement.

These were more than compensated for, in any case, by the packaging and motor interests which boosted its profits by 73 and 261 per cent respectively, the latter largely thanks to buying ahead of the introduction of GST.

While the agricultural side of Malbak remains a hostage to weather and to the ability of struggling farmers to raise funds, the remainder of the business is going well, and the board expects to se

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Some information on TB is available from the work of SANTA volunteers. 27 new cases of TB were notified between March and December 1976. Thus about 4,5 per thousand of the black population were found to be suffering from TB, excluding any cases already found by other means. Of the 2 826 preschool and school children who were given the heaf test, 68 were significant reactors (grade 3 + 4), a rate of 3,16%. (Other Free State districts had rates varying from 2,0% to 26,4%). These children run a risk of developing TB in later life if not treated.

The volunteer reported the interesting fact that the largest number of positive reactors was usually found on

ere there was no farmer; i.e. labouring families

shops.

2. The farmer and wife

Pills and medicine available in the shops seem to be

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used less frequently by farm labourers than by residents of the location. Instead, if the illness is severe enough, labourers take members of their family to the farmer, who would decide whether to arrange for medical care or to try some home medicine. The 'madam' was frequently mentioned as possessing pills and medicine which were sometimes effective in quelling pain.

3. The indigenous healer

Few people admitted going to such a healer. 'Good' healers were apparently rare. However one such 'Sotho doctor' who threw bones and provided herbal medicine once lived in the neighbouring town where

clients would visit her. A farmer whom I

he found he could make more money

the previous incumbents had left farms to their families. Another local doctor came out of retirement for some periods, but never undertook District Surgeon work. Thus, for much

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TABLE 3: ~~...~~TIVITY ON THE DIAMOND MINES:

| Year | | put (cts)<br>r worker |
|---|---|---|
| 1946 | | 70 |
| 1947 | | 62 |
| 1948 | | 75 |
| 1949 | | 65 |
| 1950 | | 90 |
| 1951 | | 114 |
| 1952 | | 124 |
| 1953 | | 150 |
| 1954 | | 173 |
| 1955 | | 170 |
| 1956 | | 171 |
| 1957 | | 162 |
| 1958 | | 162 |
| 1959 | | 164 |
| 1960 | | 178 |
| 1961 | | 214 |
| 1962 | | 230 |
| 1963 | | 252 |
| 1964 | | 246 |
| 1965 | | 255 |
| 1966 | | 286 |
| 1967 | [illegible] | 323 |
| 1968 | 7 433 | 368 |
| 1969 | 7 863 | 388 |
| 1970 | 8 112 | 378 |
| 1971 | 7 031 | 343 |
| 1972 | 7 385 | 361 |
| 1973 | 7 565 | 370 |
| 1974 | 7 510 | 359 |
| 1975 | 7 295 | 368 |
| 1976 | 7 023 | 403 |
| 1977. | 7 643 | 438 |

# Barclays cautious on growth

RDM 6/12/78

(58)

By ELIZABETH ROUSE

**BARCLAYS BANK'S total assets grew by 10% to R5 692-million in the past year in the face of credit ceiling controls and the high incidence of business failures.**

This makes the chairman, Mr J M Barry, hopeful that growth will be faster this year under current improved economic conditions.

He says in the annual report that the board's forecasts indicate that growth and profitability should continue this year as it has assumed that the evolutionary change in South Africa will continue on a peaceful basis and that imminent political changes in adjacent territories will come about without a severe disruption of trade.

If these changes take place in a way which is internationally acceptable, there could be a substantial economic improvement with a concomitant increase in the bank's business.

Mr Barry warns that the economy's predicted growth rate of between 3% and 4%, which should be achieved this year, will fall short of the growth potential of the economy and of the growth rate necessary to provide full employment.

He also warns that the threat of economic boycotts aimed at disrupting trade links is unlikely to disappear soon, particularly as most of the nations favouring a boycott are not the main trading partners of South Africa and so would have little to lose.

He hopes the economic upturn will gain momentum and that an improvement in consumption expenditure should grdaually lead to new investment in stocks, which should bring about some recovery of fixed investment in the private sector.

But he reminds shareholders that the structure for recovery is still fragile and is handicapped by a high inflation rate.

Mr Bob Aldworth, Barclays managing director, says in his report that the recent downward trend in interest rates should restore profitability and stability to many businesses.

Barclays had to increase its additional transfer to general provision for doubtful debts to R4 675 000 in the year to September 1978 from last year's provision R2 772 000 because of increased insolvencies, particularly in the small and medium business category.

In spite of this large bite out of profits, attributable taxed profits rose to R36 779 000 from 1977's R33 708 000, equal to earnings of 69,1c a share (63,3c a share) and the dividend was raised to 30c from 23c.

A change in accounting policy applied to investment allowances would have resulted in a reduction in the tax charge by R3 800 000. The effect is a deferment of income of 7c a share.

Barclays share capital and reserves climbed to R252-million from R227-million and surplus capital in relation to Bank Act requirements stood at R23 600 000 against R18 400 0000 at the end of September 1977.

The bank's factoring and leasing divisions did well by increasing receivables by 30% to R208-million, Barclaycard's turnover rose by 42% to R233-million and its international services increased allocations of trade finance facililities by 26%.

Particularly pleasing was the R7 200 000 taxed profit achieved by subsidiary, Barclays Western Bank, and growth prospects appear good. The merchant bank's taxed profits were more than doubled at [illegible] and it paid its first dividend of R540 000

The housing and design of computer centres will cost R59-million over the next five years, says Mr Aldworth.

R.D.M

58

8/12/78

# Barclays urges indirect tax cuts

FINANCIAL REPORTER

**BIG REDUCTIONS in indirect taxation to curb inflation and thus help boost real economic growth are called for by Dr Johan Cloete, chief economist of Barclays National Bank.**

In the bank's Business Brief he repeats his belief that a necessary condition for a sustainable increase in real growth is a policy directly to restrain prices and wages.

Dr Cloete says: "The following are the main points made about the outlook and the chances for continued improvement in the South African economy in the year ahead:

● "The South African authorities are likely to wish to see a significant further increase in the economic growth rate during 1979 to a level of perhaps 4%.

● "A growth of 4% in 1979 would, in the first place, require an increase of at least 3½% in real private consumption expenditure. This would, in turn, require the generation of new employment and of new salary and wage incomes in particular in a situation where inflation is likely to prevent any real increase in the salary and wage incomes of workers already in employment.

"The Government should be able to generate such additional employment or at least give the initial boost in this respect by accelerating its fixed investment expenditure.

"As an alternative to or in combination with such an acceleration in Government expenditure, the Government could also seek to boost existing disposable incomes through tax reductions. In this respect, reductions in indirect taxes would be more appropriate than in direct taxes because of the direct beneficial effect of the former on inflation and hence on real consumption expenditure.

"The required tax reductions and, if necessary, an accompanying increase in government expenditure should be well within the scope of the Government's improved financial position and should not involve an immoderately large Budget deficit for fiscal year 1979/80.

● "Salary and wage increases in excess of increases in labour productivity granted or allowed in the hope of boosting total demand and so economic growth are not the answer to the stagflation problam. This is so, because such salary and wage increases raise costs at the same time and so prices, leaving wage earners little better (and perhaps even worse) off after the wage increases than before.

"It seems that the only way out of the stagflation dilemma is to exercise price and wage restraint, so as to gradually push down the wage/price spiral to a lower level, and so as to ensure that new money or incomes injected into the economy (whether as a result of an export surplus or an increase in Government fixed investment expenditure or tax reductions) will, in effect, constitute a positive addition to total demand and expenditures in real terms, which can raise capacity utilisation, employment and output in the economy.

● "There appears to be a real danger — in the wake of excessive salary and wage increases recently announced or mooted for the early part of next year in the public sector — that a renewed upward spiral in wages and prices generally could develop. This might well put paid to any hopes of a substantial increase in the growth rate in 1979.

"In fact, the apparent strong possibility of such a wage/price spiral eventuating now seems to make imperative a substantial reduction in taxes in the months immediately ahead and in the Budget in March next year. It seems this would be the only way in which it would be possible to at least neutralise the inflationary impact of a renewed wage/price spiral on the economic rate.

"It would be a great pity if a renewed wage/price spiral were now to develop again and it can only be hoped that the private sector will as far as possible refrain from following the lead given in this respect by the public sector.

"Given a continuation of wage and price restraint generally, tax reductions at this stage would provide us with a very good weapon of boosting total demand in the economy in real terms and so sales and output with beneficial effects on unit costs and on inflation and we would have a good chance of finally breaking out of the inflation/low growth deadlock.

"On the other hand, with wage and prices restraint given up, even substantial tax reductions are unlikely to do much more than offset the adverse effects on real economic growth of continued inflation at an excessive rate.

● "All in all, we would say that expectations of a growth rate next year of 3½% to 4% would be realistic, but then it would be incumbent on the private sector to exercise price and wage restraint so as to pin down the inflation rate to no more than say 9%. Any significantly higher inflation rate would seriously jeopardise the achievement of growth of this magnitude."

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The reason N.M. gives is that they were not paying her enough. This is obviously true, they paid R14 a month whereas it would have cost at least R30. They say, however, that had she asked for more, they would have paid and she admits that she never did ask for more.

The timing of the July 1977 break seems significant in relation to the fact that production was increasing at that time and yet the marketing contract at the hospital was static at 12 gallons. In early 1977, N.M. mentioned that it was difficult to fill the quota. Later in the year, however, she mentioned that since they had started to feed their cows turnips from their fodder plot, the milk supply had increased substantially. I have estimated that in summer the amount produced by the three people whose milk is now transported by N.M. is just more than 12 and a half gallons a day which fits the quota well. All the milk produced by the other members would be in excess of the quota. (Note that three members produce 12 gallons a day whereas the other eight or so who normally contributed only

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It has ceased to be useful to her however, because most members have too few resources to expand production further or even keep it stable all year round. The main advantage of participation in a co-op for someone like N.M. is the access to resources allocated by the government (or other external agency) on the grounds that "the project benefits the community". I have mentioned all the external resources given by the government and at the moment very few people apart from N.M.'s trio are using these resources and even when the co-op was working, the richer members obviously gained much more from the resources than the poorer.

An interesting development is taking place in Inkomo since I did my research. The government has offered to help already existing dairy co-ops in pastoral areas to buy good cows on a hire purchase basis. The scheme brings the dairy under much closer scrutiny with officials visiting all members to assess whether they can afford the cows. When the members first heard of it, they said that it would force N.M. to transport their milk again. Sure enough, after the first offer was confirmed, N.M. called a meeting and

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(58)

**BANKS**

# Midland's detour

**London banking** circles have been buzzing with rumours of a takeover bid for Standard Chartered Bank which holds 63% of SA's Standard Bank Investment Crp. The suitor is said to be Midland Bank, one of the four major clearers in the UK, which already has a 16% stake in Standard Chartered.

Speculation began, in a muted way, last summer when Standard announced its plans for acquiring a major Californian banking group, Union Bancorp. The agreed offer of $372m represented the biggest ever US takeover offer by an overseas bank. The bid was so big (roughly £200m at the time) in relation to Standard's market value (£280m) that the London bankers expected a rights issue of perhaps £50m to help fund the deal without straining Standard's balance sheet. This would in turn present an opportunity for Midland, which alone of the London clearers has no direct banking representation in the US, to make a substantial increase in its Standard Chartered shareholding.

So far though, Standard has poured water on the idea of asking shareholders for cash, preferring to raise $150m through dollar note issues. What revived the merger talk was Midland's decision to sell off the bulk of its holding in Bland Payne, one of the leading insurance broking operations in London. This move was part of a proposed three-way link between Bland Payne, Sedgwick Forbes (an even bigger London insurance broking operation), and Alexander & Alexander of the US. Together these three would create a colossus with premium income of around $4 billion annually. Midland plans to retain a trade investment in the combined UK end of the operation, but would emerge with between £50m and £70m in cash (the full details of the merger have not yet been disclosed).

The deal removes a major obstacle to a bid for Standard. Under US law banks are not permitted to control insurance broking operations. The cash raised would also be useful.

But no action seems likely just yet. The Union Bancorp acquisition will not be completed before early next year. Any move by Midland before then would risk aborting the Union Bancorp deal or at least delaying it pending a thorough investigation by Federal US banking authorities. The most likely analysis is that Midland's sales of Bland Payne is a deck clearing operation prior to bidding directly for a US bank. But as other UK banks have found, suitable partners tend to be unavailable or too expensive. So Midland may yet return to the Standard Chartered as its alternative route into the US.

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as Artemis or Aphrodite had borne. As Godmother (Θεομητηρ), Deipara (Θεοτοκος), Pathfinder (Ὁδηγητρια), she was the chief favourite of the Eastern Empire, and her picture was carried at the head of every procession and hung on the wall of every hut and hovel, as it is still wherever the Greek Church goes. In the year 610, when Heraclius sailed from Carthage

Constantinople, his ships carried the
13, just before
Basileus John
irgin that, on
the image of
lf walked. In
highly hon-
she began to
became more
hat Chartres,
n portal with
t can be read
aint Bernard,
ed his Abbey
the religious
l second cru-
was a French
sades (1095–1145)
precursor of Saint Francis of Assisi who lived a century later.

he was reciting before her statue the 'Ave Maris Stella,' and came to the words, 'Monstra te esse Matrem,' the image, pressing its breast, dropped on the lips of her servant three drops of the milk which had nourished the Saviour. The same miracle, in various forms, was told of many other persons, both saints and sinners; but it made so much impression on the mind of the age that, in the fourteenth century, Dante, seeking in Paradise for some official introduction to the foot of the Throne, found no intercessor with the Queen of Heaven more potent than Saint Bernard. You can still read Bernard's hymns to the Virgin, and even his sermons, if you like. To him she was the great mediator. In the eyes of a culpable humanity, Christ was too sublime, too terrible, too just, but not even the weakest human frailty could fear to approach his Mother. Her attribute was humility; her love and pity were infinite. 'Let him deny your mercy who can say that he has ever asked it in vain.'

Saint Bernard was emotional and to a certain degree mystical, like Adam de Saint-Victor, whose hymns were equally famous, but the emotional saints and mystical poets were not by any means allowed to establish exclusive rights to the Virgin's favour. Abélard was as devoted as they were, and wrote hymns as well. Philosophy claimed her, and Albert the Great, the head of scholasticism, the teacher of Thomas Aquinas, decided in her favour the question: 'Whether the Blessed Virgin possessed

eral arts.' The Church at Chartres had
years before by putting the seven liberal
, with Aristotle himself to witness; but
hold that she did, for it is written,
self a house, and has sculptured seven
e is the blessed Virgin; the seven columns
rts. Mary, therefore, had perfect mastery
she had also perfect mastery of economics,
churches were built in economic centres,
possible, more devoted to her than the
e of Paris, Rouen, Amiens, Laon, spent
gain her favour. Most surprising of all,
ss was perhaps the most vociferous. Of

committees and were employing 16 625 Afric the following sectors of the economy:[37]

TABLE 3

Industrial Classi
of Participa

| Sector | Number of Organis |
|---|---|
| Manufacturing | 25 |
| Services | 6 |
| Commerce | 3 |
| | 34 |

In fifteen organisations (44%) management ha establishing the committee, while African em (15%), and management and employees together (41%).

There was a tendency for older workers and t elected to these committees: in 80% of the restrictions whatsoever on the nomination o were certain requirements, mainly to achiev 38

82% of the respondents reported that their period of one meetings were intervals.

The most frec they were mo tative and a

In 1973 only

Recognition

The Verster organisation African trad favour of re

## PORTFOLIOS
## Enter ASAIC

FM 8/12/78 (58)

**Thinking of** letting Anglo South African Investment Corp manage your investments? If so, be sure you are clear on the services offered and the possible costs.

Run by former Sharedex accountant, Hennie Richter, ASAIC, which should not be confused with ASA Limited, the US gold investment company, aims at extraordinarily high returns on clients' portfolios — at a price.

To get in, hand over your existing portfolio or hard-earned cash to ASAIC. That incurs a front-end fee of between 0,125% and 9% of the amount entrusted. Then, as and when your portfolio's value rises 25%, you pay a further 5% of its value as a "performance fee." But be clear the 25% improvement does not have to be a *realised* gain.

Getting out within the first year is not cheap either — at up to 5% of the value of the portfolio.

Richter's aim, he professes, is to turn ASAIC into "another Syfrets or Hill Samuel" and "eventually" to go public. At present he owns nearly all the unspecified equity but is not on the board. Nor does his name appear on the company's brochures and newsletters. This is "because I'm a simple Free State guy who knows his limitations and wants to take a back seat." Another consideration might be that he is an unrehabilitated insolvent.

### Available skills

One of Richter's associates is Peter Hunn, who heads up Bermuda-based Construction Holdings Investments. Hunn, claims Richter, is an expert on international finance, securities rand and taxation and has "associates" in London and Saudi Arabia.

Other key staff members are Dan Slabbert, MD of the money market and corporate finance division, and Ray White, deputy MD. Head of the all-important two-man investment research division is Chris van Holt, a CA and investment analyst.

Much of ASAIC's analysis comes from stockbrokers and does not differ from the type of material dispensed free of charge by brokers to regular clients. ASAIC's brochure still lists Professor Arndt Spandau of Wits as "an executive behind ASAIC," although Spandau resigned from November 1.

ASAIC has two floors of offices in Johannesburg's Homes Trust Building. Backing the research and portfolio management functions is a large ICL 2903 computer owned by ASAIC. The overheads, clearly, are heavy. Asked where the money came from to set it all up, Richter said: "The people in ASAIC are not exactly poor."

Potential investors must ask if ASAIC can outperform — after deductions — all other portfolio management services. Richter claims the investment objective of a 20% portfolio return has so far been met, but concedes this has been achieved in a strong bull market. ASAIC has yet to be tested in a weak market.

A problem for investors might be that the performance fee is payable even if paper capital profits are not realised. If the portfolio value rises to 25% above initial value one week the 5% fee is payable whether or not it goes down the next. In the past, other portfolio services have chased the prices of thinly traded shares in order to collect higher performance fees and to sell off their own shares to clients at a profit.

Advice to potential investors must be to wait and see how ASAIC performs and to consult brokers, bank managers, and lawyers. There is no rush to commit oneself. The market will not run away.

*David Carte*

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37. Op.cit. p

38. Ibid, pp.97-101.

39. Hansard 3 columns 160-1, 22 August 1973.

40. Op.cit. pp.66-8, 108.

## BONUS BONDS

# Going great guns

8\12\78 86

**Judging by the** R30,6m invested in defence bonds in seven months since the March budget, Finance Minister Owen Horwood has seriously underestimated John Citizen's patriotism and gambling instincts.

He budgeted only R40m for the entire financial year ending March 1979. Since their launch in October 1977 bonus bonds have pulled no less than R61m from South Africans' wallets. Bonus bonds manager, Charles van Niekerk, says he conservatively expects at least another R18m to be invested during the remaining five months of the financial year. In fact, the total for the year could be as high as R55m.

According to Van Niekerk investment during November far exceeded that during previous months. At the main Pretoria post office alone, bonus bond sales last month exceeded those in October by some R185 000. The Treasury reports that post offices throughout the country are ordering new certificates at an exceptionally high rate.

Bond purchases have been concentrated on R5 certificates (with a total investment up to October of R5,5m) as well as R100 and R500 certificates (total R6,2m and R27,2m respectively). Treasury reports that there has been only minimal support for R10 and R20 denominations.

The total paid out in prize money over the past 13 months amounts to R683 000 (about 1,1% of total investment), while unclaimed prize moneys stand at R278 000, roughly 40% of the total allocated. However, the Treasury reckons the amount of unclaimed money should be substantially reduced once various recent claims have been cleared. (Don't forget, if prize money is not claimed after three years it automatically reverts to Pretoria's coffers.)

Public interest in the bonds received a big boost when prize moneys were jacked up in October and when Treasury recently introduced its weekly draw, known as Bonanza. Next promotion effort to be launched later this month, will be a special campaign stressing the bonds' "Ideal gift" value — not only for Christmas, but "for birthdays, newlyweds, Barmitzvahs" and so on. Longer-term advertising strategy will be planned at a meeting during January 1979.

(3)

## DEPARTMENT OF FINANCE

No. 2545 22 December 1978

### SOUTH AFRICAN RESERVE BANK ACT, 1944

### DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 30 November 1978, all gold in the South African Reserve Bank at R154.43 per fine ounce of gold.

## DEPARTEMENT VAN FINANSIES

No. 2545 22 Desember 1978

### WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

### BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekend gemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 30 November 1978 teen R154.43 per ons suiwer goud gewaardeer het.

[illegible]

- 10 -

- 12 -

/contd.

INSURANCE FM 22\12\78 8

# Lloyd's and the law

**When an insurance** broker receives a claim he believes to be fraudulent on a policy he has arranged, is his prime responsibility to pursue it regardless, or should he try to establish proof of the fraud and persuade the underwriters not to pay up? One view is that his responsibility is to his client, even if he thinks this is conniving at fraud.

That, at any rate, is the implication of an official report published by Lloyd's of London into the *Savonita* affair.

It all started when Siat, Fiat's insurance subsidiary, submitted a claim in respect of some Fiat cars damaged by fire on the cargo ship *Savonita*. Malcolm Pearson of Pearson Webb Springett, a Lloyd's broker member, felt the claim was fraudulent and refused to forward it to the underwriters. Siat promptly dismissed PWS and transferred the claim to Willis Faber Dumas, which recovered 96% of it.

Pearson became involved in a dispute with WFD, and the chairman of Lloyd's then mounted an investigation. Lloyd's report was "released" in London last Friday, if that can be considered an appropriate word for, before doing so, Lloyd's required all newspapers to sign an undertaking indemnifying Lloyd's from any legal liabilities that might be incurred as a result of publication.

**Recourse**

Major Fleet Street papers refused to sign the undertaking, but at least one (*The Daily Telegraph*) obtained a copy of the report elsewhere. The report reprimands Pearson for attempting to use the *Savonita* claim to "discredit" Siat's management. "The board (of Lloyd's) deeply regrets that a client should be effectively deserted by his Lloyd's broker without explanation." While accepting that Pearson was young, able and ambitious, and had quickly built up a sound business with experienced staff, it says that the *Savonita* affair became a "crusade" or "campaign" over which "his judgment became irrational."

Both Aitken and Pearson have claimed the report contains errors of fact, procedure and emphasis. Others have pointed out that important evidence either was not taken, or is not disclosed. And Lloyd's overriding attitude, that it should not intervene when a claim appears to be taking its normal course, relying on underwriters' recourse to the normal processes of law if they suspect the *bona fides* of a claim, has also come in for criticism. For Lloyd's is a self-regulating body, governed by a board elected by its members. As stock exchanges and other self-regulating organisations the world over are finding, they can no longer run their affairs like cosy private clubs.

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The people themselves are then organized

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to what is available. The unspoken ass

been that essential services - health, h for

people by official bodies. Obviously d s

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developing countries - it is better to d ple.

The barefoot doctor is a vivid phrase bu lth

care workers might be described as health

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of doctors with health teams will provide ly

of necessary medicines, materials and equ

then be referred to regional and national

UNICEF has come to the same conclusion in e

gardens, health protection, safe water, e

opportunities and in regard to the latter sive

to labour intensive development.

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if we wish to bring about the W.H.O. aim 0'.

The United Nations estimate puts the cost

unserviced areas of the third world at $

By comparison, the world spends about $ 1

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## DEBENTURES

# Worms in the apple?

**Companies issuing** debentures this year have had things all their own way. Investors have scrambled over each other as interest rates have fallen steadily. But looking back on the year's issues, some investors and merchant bankers are asking whether borrowers allowed standards to slip.

Among those who feel they did is UAL director, Hugh Meggitt. Meggitt notes that a feature of the debenture market this year was "the number of issues successfully placed with interest cover, asset cover, and borrowing clauses that did not meet the established criteria for long-term unsecured issues. "This," he says, "may not be in the interests of the long-term future of the market." (Interest cover is the number of times gross profit before interest covers the actual interest bill. Asset cover is the amount by which total assets cover total liabilities.)

Another banker agrees that under "long-established criteria" interest cover for the average corporate borrower should be at least four times, while a company's borrowings should not exceed 100% of shareholders' funds. Some borrowers during 1978, however, had below three times interest cover and some were permitted borrowing limitations of up to 150% of shareholders' funds (Protea Holdings, for instance).

### Discipline

A number of big institutional investors support Meggitt's views, although some point to other yardsticks which they consider equally important. Liberty Life's Roy McAlpine maintains that "in practice the 100% limitation can be meaningless because of off-balance sheet financing." He refers specifically to leasebacks, which allow a company to sell off an asset and then simply lease it back. There is no material difference to the company's financial position, yet disclosed borrowings will be reduced by the proceeds of the sale. (Major retailers are particularly active in leasebacks.)

However, short of the Companies Act being changed to force disclosure of leasebacks, the onus for obtaining such information for investors seems to rest with the merchant banks. Meggitt argues that off-balance-sheet financing should be available when an issue is undertaken.

"The most effective discipline," says one banker, "is for the institutions simply to boycott issues that don't meet standard requirements." McAlpine goes further, saying that lease commitments should be

security is offered, lenders can run into difficulties. What happens, for instance, when a holding company, with most of its assets in subsidiaries, offers those assets as backing for its debentures? In the event of liquidation, lenders find themselves at the end of the creditors' queue, since the subsidiaries' shareholders have preferential claims. "It can be a very messy business," says one investment manager.

A case in point is Rembrandt's recent R40m issue which is backed by assets of various subsidiaries. The company has no secured borrowing ceilings and most of its income is derived from foreign sources. Repatriation of assets could thus prove troublesome in the event of liquidation. Indeed worries on this score persuaded several big institutions not to subscribe to the issue. Says one investor: "A company of Rembrandt's size should, as a demonstration of financial strength, be willing to subject itself to the normal criteria of lending."

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them.

Stock Exchange. As a result of this the Stock Exchange in May embarked on a scheme to educate blacks on the intricacies of shareholding and the like.

The scheme is under the supervision of Moses Leoka, a member of the Stock Exchange's public relations staff. Leoka, a University of the North graduate, tells the *FM* that the Stock Exchange's "educational exercise" is already known to a number of influential black businessmen.

In addition to this, black high school students from as far as the Orange Free State and the Northern Transvaal have seen the trading floor and attended lectures arranged by Leoka: "Schools have been receptive to our message."

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## INSURANCE

# Lloyd's and the law

**When an insurance** broker receives a claim he believes to be fraudulent on a policy he has arranged, is his prime re-

FM 22\12\78. (38)

WALL STREET

# Bad news from Opec

**The bears** who had been growling ominously about the threats facing the stock market have had their fears confirmed, and perhaps their prescience rewarded, over the past week.

Share prices had been drifting lower in thin pre-Christmas trading ahead of the Opec meeting at the weekend. The common view was that the oil ministers might go for a 10% price increase, a decision which it was feared could further damage the dollar and fan the flames of inflation. In the event the news that came out of the Opec meeting was much worse — a 14,5% increase, which some economists estimate could add three quarters of a percentage point to the US inflation rate as it comes into effect.

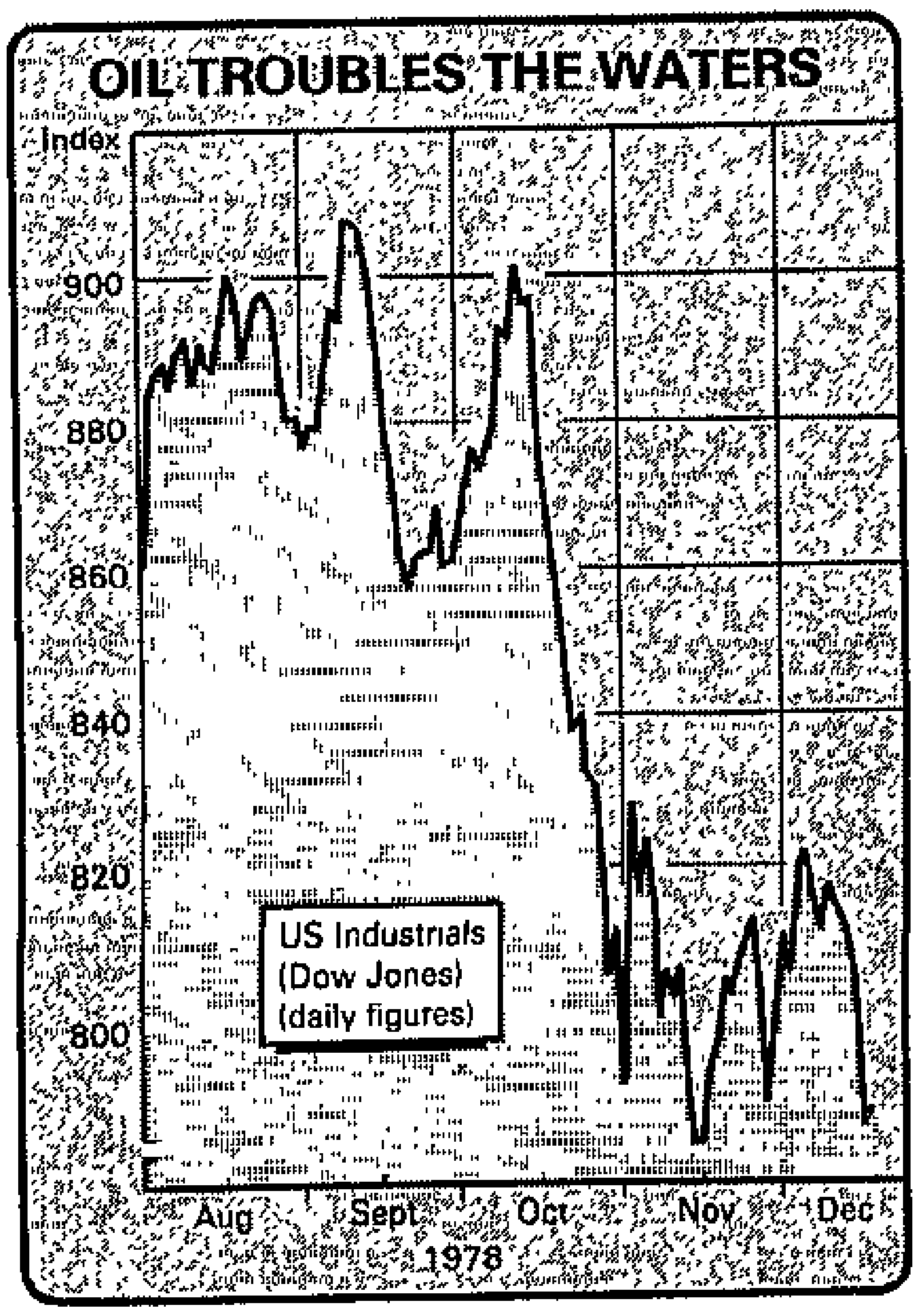
**DOW JONES CLOSING**

| | | | |
|---|---|---|---|
| Wednesday | 809,86 | down | 5,11 |
| Thursday | 812,54 | up | 2,68 |
| Friday | 805,35 | down | 7,19 |
| Monday | 787,51 | down | 17,84 |
| Tuesday | 789,85 | up | 2,34 |

The stock market's immediate reaction was predictable. On Monday the Dow Jones industrial average slumped 17,84 points crashing through the 800 mark, which some analysts hoped would prove to be a support point, as it scored the heaviest day's loss since just before the President announced his dollar support package on November 1. The jump in trading volume from around the 20m shares a day level over the past few weeks, to almost 33m shares on Monday underlined the force which has been added to the pessimists' case by the Opec move.

It is not just the potential increase in the underlying rate of inflation and in industry's costs which has unsettled the market, although the steady weakening of bond prices over the past two weeks is ample testimony to investors' continuing anxiety about the long-term inflation outlook. The immediate judgment is that the Opec decision could add between 6c-8c to the price of a gallon of petrol over the next year.

Of equal concern is the implication for the US trade balance and therefore for the dollar. The dollar came under just as much pressure on the foreign exchange markets as shares did on Wall Street in the wake of the Opec news, a development which places further pressure on the US authorities as they marshal their resources to support the currency.


OIL TROUBLES THE WATERS

The authorities' immediate reaction appeared to be the one which investors have been fearing. On Tuesday the Federal Reserve intervened in the money markets in a way which suggested that it has raised its interest rate target on Federal Funds, the key short-term money market for Fed watchers, to at least 10%. Since the US money supply has been growing quite sluggishly recently and for the first time in many months appears to be increasing at a rate within the central bank's long-term targets, the obvious conclusion from the Fed's move is that it is designed primarily to symbolise the central bank's determination to support the currency. Some are suggesting that a discount rate increase cannot now be far behind.

For Wall Street, of course, this is the outlook which is most worrying. Continuing upward pressure on US interest rates in order to support the dollar promises to make the tricky task of avoiding a recession that much harder than it already is — and there are plenty who say that it is already virtually impossible. Even Federal Reserve chairman William Miller has said that it will take a "near miracle" to slow inflation and avoid a recession.

While the bears have had their arsenal reinforced, there is as yet little evidence of a cumulative selling decline hitting the market. The wait-and-see attitude which has prevailed since the dollar support package was announced appears still to be the dominant policy in the institutions.

DIAGONAL STREET FM 22\11 (58)

# Thank you, Yamani

**After** Opec decided that bullion needed another boost, many investors expected to see sharper moves in golds. Prices advanced from last Friday's low when the JSE Actuaries Index bottomed at 237,2 to peak at 252,5 on Wednesday despite profit-making.

## signposts

| | Current | Week ago | Month ago | Year ago |
|---|---|---|---|---|
| ***RDM* 100** | **270,4** | **268,3** | **260,3** | **209,4** |
| % change on | — | 0,8 | 3,9 | 29,1 |
| P/E ratio | 4,9 | 4,9 | 4,8 | 4,0 |
| Div yield | 8,0 | 8,0 | 8,0 | 10,6 |
| **UK *FT* Ind** | **476.1** | **485,4** | **474,0** | **479,6** |
| % change on | — | —1,9 | 0.4 | —0,7 |
| P/E ratio | 8,1 | 8,3 | 8,1 | 8,4 |
| Div yield | 6,1 | 6,0 | 6,1 | 5,6 |
| **US Dow Jones** | **789,9** | **815,0** | **804,1** | **806,2** |
| % change on | — | —3,1 | —1,8 | —2,0 |
| P/E ratio* | 8,5 | 8,7 | 8,9 | 8,9 |
| Div yield* | 5,2 | 5,1 | 5,1 | 5,0 |
| **Gold price (in US $ on London)** | **216,5** | **202,6** | **200,5** | **159,6** |
| % change on | — | 6,9 | 8,0 | 35,7 |
| **Krugerrand** (Rand) | | | | |
| Public selling price | **218,3** | **203,0** | **199,0** | **159,7** |
| % change on | — | 7,5 | 9,7 | 36,7 |

**Standard & Poor index.*
Public buying price is 10% below, subject to negotiation.

INTRODUCTION

The aim of this paper is to indicate method by which South African health expenditure is financed. Expenditure on health care in South Africa is controlled largely through direct expenditure by the Department of Health and a complicated system of subsidies paid by the central Government to the provincial and local authorities.

State resources have always been complemented by the resources of the private sector, through welfare organisations, sponsorship of medical research by the private sector and medical benefits to employees by firms.

, with the overall financing of health services

, i.e. the State's contribution to the health

dicating the method by which allocations are

levels of government. Section 2 deals with

n of the private sector. This is to some extent

istinction since, for example, both sectors

isation facilities. Therefore certain areas

re system will be dealt with jointly to give

SECTION 1

re is organised by a number of votes in

ys allocated to the Department of Health are

e local authorities and to run state institutions

ospitals, although the bulk of these funds are

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## SHAREHOLDERS

FM 22/12/78

(58)

# Blacklisted

**How many black** shareholders are there in listed SA companies?

No way of knowing, says Clive Algar, PRO of the Johannesburg Stock Exchange. The only time the JSE went near this question was in 1972 during a study of share ownership. It was discovered then that 272 000 South Africans were shareholders, but no racial breakdown was possible.

"It would be a tremendous research job," says Algar, "to find out the race of shareholders in SA companies".

Algar also attributes the small number of black shareholders to the common belief among blacks that it is illegal for them to own listed shares or trade on the Stock Exchange. As a result of this the Stock Exchange in May embarked on a scheme to educate blacks on the intricacies of shareholding and the like.

The scheme is under the supervision of Moses Leoka, a member of the Stock Exchange's public relations staff. Leoka, a University of the North graduate, tells the *FM* that the Stock Exchange's "educational exercise" is already known to a number of influential black businessmen.

In addition to this, black high school students from as far as the Orange Free State and the Northern Transvaal have seen the trading floor and attended lectures arranged by Leoka: "Schools have been receptive to our message."

## BUILDING SOCIETIES

FM 22/12/78

(58)

# Beyond housing

**Do you need money?** Silly question, but that is the heading on a brochure sent out to bondholders of the Natal Building Society. And the extra loans it is offering are not merely for home improvements and alterations.

In fact, it is lending for virtually anything, including TV sets, caravans overseas trips, furniture ... you name it. Moreover, other societies are known to be doing much the same thing.

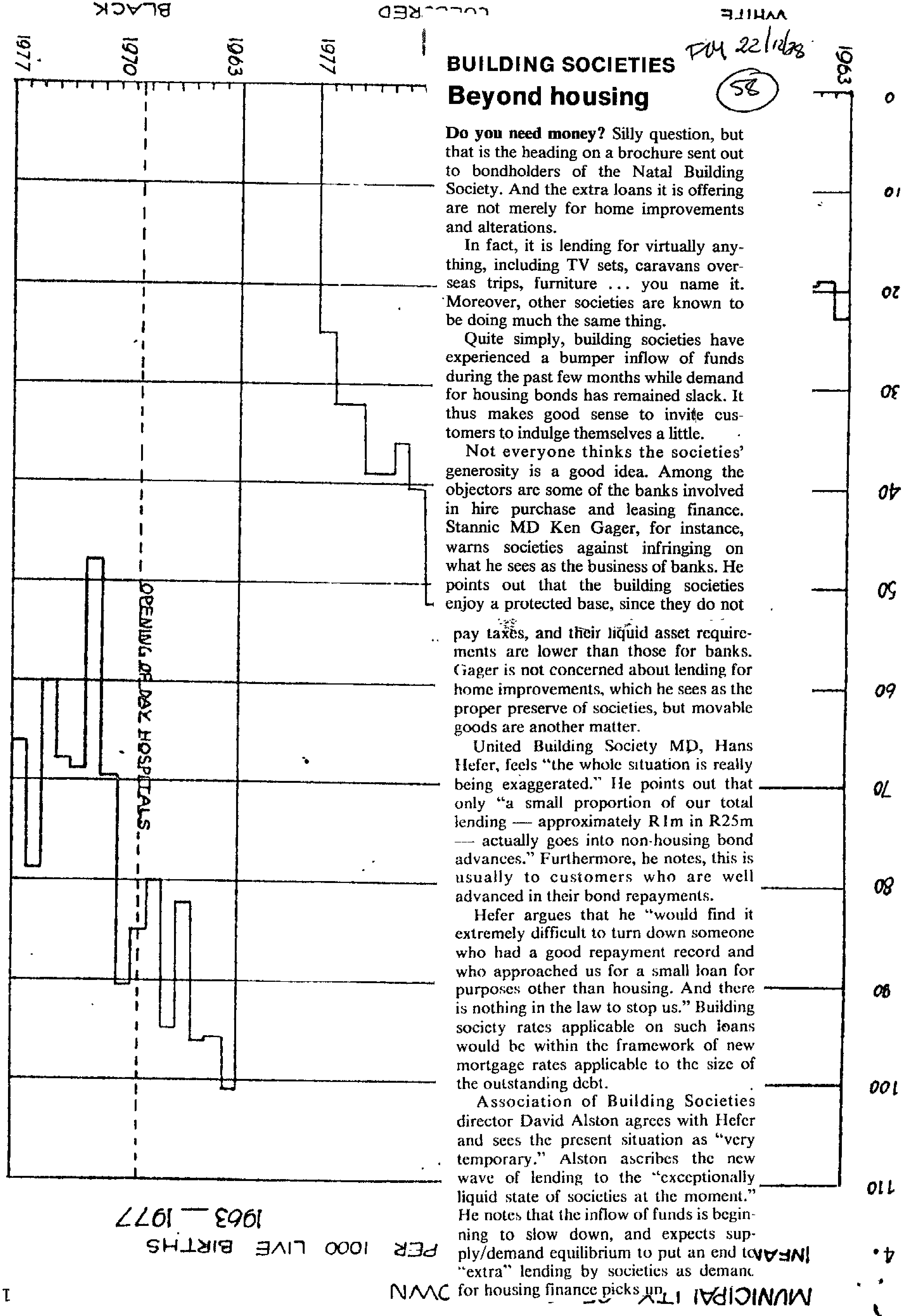
Quite simply, building societies have experienced a bumper inflow of funds during the past few months while demand for housing bonds has remained slack. It thus makes good sense to invite customers to indulge themselves a little.

Not everyone thinks the societies' generosity is a good idea. Among the objectors are some of the banks involved in hire purchase and leasing finance. Stannic MD Ken Gager, for instance, warns societies against infringing on what he sees as the business of banks. He points out that the building societies enjoy a protected base, since they do not pay taxes, and their liquid asset requirements are lower than those for banks. Gager is not concerned about lending for home improvements, which he sees as the proper preserve of societies, but movable goods are another matter.

United Building Society MD, Hans Hefer, feels "the whole situation is really being exaggerated." He points out that only "a small proportion of our total lending — approximately R1m in R25m — actually goes into non-housing bond advances." Furthermore, he notes, this is usually to customers who are well advanced in their bond repayments.

Hefer argues that he "would find it extremely difficult to turn down someone who had a good repayment record and who approached us for a small loan for purposes other than housing. And there is nothing in the law to stop us." Building society rates applicable on such loans would be within the framework of new mortgage rates applicable to the size of the outstanding debt.

Association of Building Societies director David Alston agrees with Hefer and sees the present situation as "very temporary." Alston ascribes the new wave of lending to the "exceptionally liquid state of societies at the moment." He notes that the inflow of funds is beginning to slow down, and expects supply/demand equilibrium to put an end to "extra" lending by societies as demand for housing finance picks up.



FINANCE – GENERAL

4/11/77 — 30/7/78

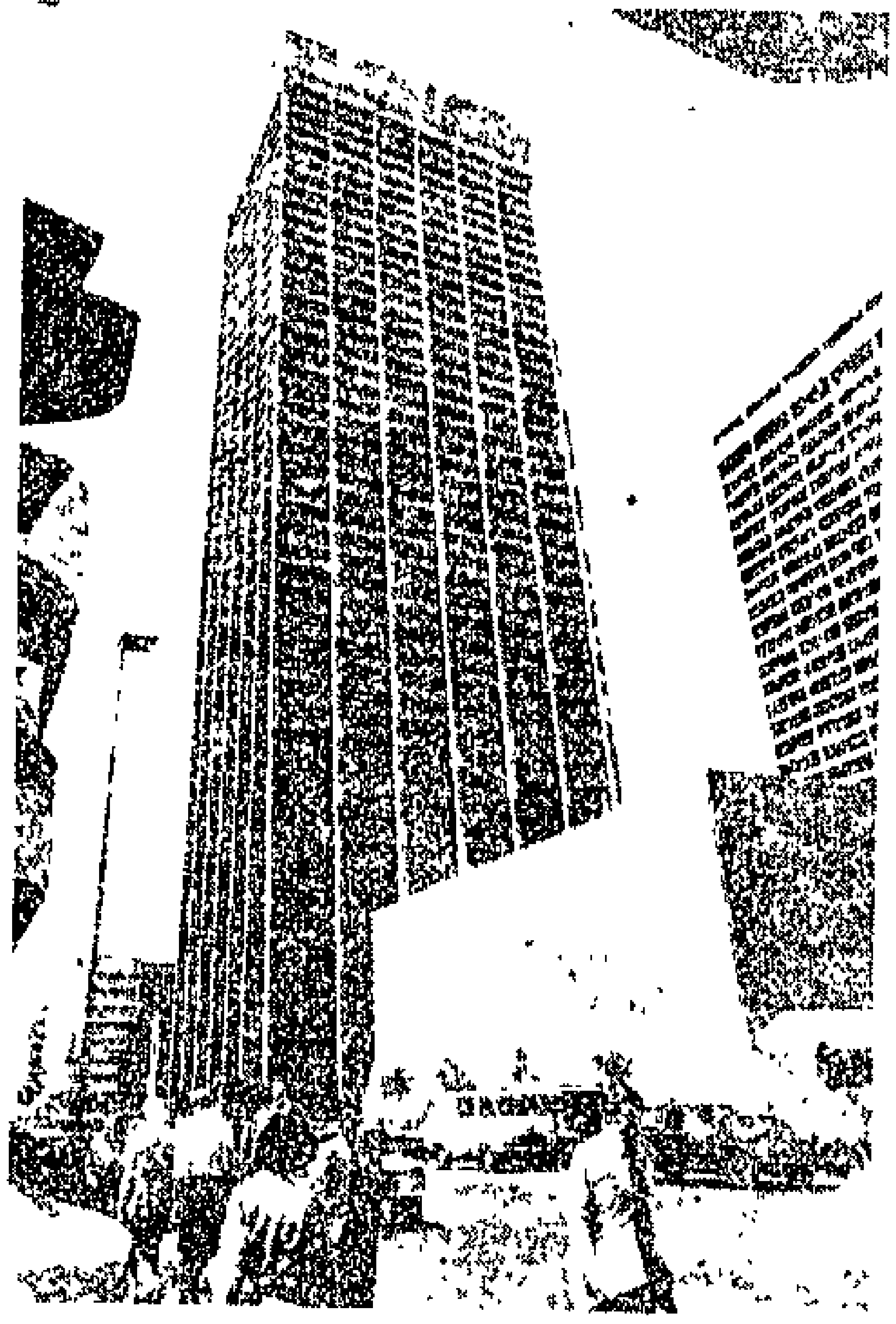
FM 4/11/77

### SOREC/AMAPROP

# No return on R100m

**Sorec shareholders** are going to have to learn to live without dividends for some time. In the first interim report when the dividend was passed, shareholders were told that the position would be reviewed at the end of the financial year, which has been moved six months ahead to March to coincide with its parent Anglo American's new year end.

But it is now apparent that a fundamental strengthening of Sorec's financial position is a prerequisite to dividend payments being resumed. It had to draw on shareholders' loans from Anglo to complete its capital expenditure programme, which is now within R2m of completion. These loans are now in the order of R10m and it does not make financial sense to Anglo for Sorec to resume dividend payments until they are repaid. This will have to come either from cash flow, which will be a slow process, or from property disposals. In view of current depressed property prices, the second alternative might well not be judged in Sorec's best long term interests.



Carlton Centre . . . should Anglo take it out of Amaprop?

The results for the second six months to September are encouraging in that they reveal that the bottom of the trough has been reached. Profits held at the lower level and the future is now one long grind to get the buildings let. On this front the news is not so good.

Contrary to recent reports that office letting had suddenly speeded up in the Johannesburg CBD, Anglo's Christopher Melville reports no improvement in the market. He is still offering extremely generous initial terms just to get the buildings occupied.

**Amaprop** moved deeper into the red, losing R508 000 in the half year, mainly due to lower contributions from Prospecton and disappointing profits from Cabana Beach. The second half should see a considerable reduction in the loss as Cabana Beach makes a greater contribution.

Amaprop's problems are going to take far longer to solve than those of Sorec. Central to its problem is the 30% stake in Carlton Centre, which makes up some 14% of its assets. This investment has been carried without giving any return since bought from SA Breweries at the beginning of the decade. Carlton Centre is unlikely to be dividend-producing for several years. Although it is making R1m per year profit, there are R13m of shareholders loans to Anglo and Barclays to be repaid before dividends are likely to be considered.

As long as Carlton Centre remains in the portfolio, Amaprop is condemned to losses. This is because the R11m investment in Carlton needs funding.

Add to that arrear preference dividends, mounting at R1,1m per year, which will have reached R5m by the end of this financial year, plus the refinancing problems of those R15,7m of prefs which have already started to mature for redemption, and it is clear that Amaprop's ordinary shares are worthless.

The existence of Carlton Centre in the Amaprop portfolio will make it extremely difficult to consummate a merger of Anglo's two property companies. A prerequisite would seem for Anglo to reverse the original decision to put Carlton into Amaprop and take it into Anglo itself. But that still leaves the problem of giving Amaprop minorities something for nothing.

Together, the book value of Sorec's and Amaprop's equity is R100m which gives no return and will not do so for some time. While Sorec is still worth accumulating below 50c (20% of asset value) for ultimate recovery in the property market, it is not possible to express the same view of Amaprop.

*Richard Stuart*

FM 4/11/77

# Liquidators v the banks

**What a** messy business the Glen Anil liquidation has become. Not only are the bank creditors at one anothers' throats over the validity of their respective securities, but the liquidators are now having a go at the banks as well. It formally started in Johannesburg this week at a special meeting before a magistrate called by Glen Anil liquidators Les Cohen, Ralph Millman, Perry Oertel and Clive Lansdown to challenge the preferent claims of four banks which arose through their taking bonds shortly before liquidation.

Those first in the firing line are Bank of Johannesburg (R1,5m), Hill Samuel (R1,4m), Trust (R2,75m) and Standard (R6m). In each case, the amounts represent bonds passed by these banks over certain Glen Anil properties within six months prior to the township group's final liquidation, in February, which the liquidators are seeking to upset.

At issue is Section 88 of the Insolvency Act: "A mortgage bond . . . passed for the purpose of securing the payment of a debt not previously secured, which was incurred more than two months prior to the lodging of the bond . . . shall not confer any preference if the estate of the mortgage debtor is sequestrated within a period of six months after such lodging."

The section is designed to prevent creditors from taking security at a time which will afford them a preference over other creditors. If the security is taken out six months prior to liquidation, it can be set aside.

But what is the meaning of the phrase "not previously secured"? Before Glen Anil's liquidation, there was an avalanche of security-taking. It happened in numerous instances that a bank had loaned Glen Anil, say, R1,5m on security of R500 000 and then, within six months before liquidation, taken security on a further R1m. Can this R1m be set aside?

The lawyers are at odds over whether the more recent bond was to secure the same debt or some other debt. Assuming the latter, the other debt obviously was "not previously secured".

### Into the pool

Legal opinion on the side of the liquidators indicates that "not previously secured" should be taken to mean that a creditor could not validly improve a position which he later found inadequate — ie that he could not further secure himself. If this last-minute security can be set aside, and the bonds upset, proceeds from realisation of the properties will revert to the common pool for the benefit of all creditors.

The point doubtless will be challenged by the banks and eventually settled by the courts. Creditors, meanwhile, should refrain from optimism. Few Glen Anil properties are today worth even the value of the first bond, let alone the second.

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SUNDAY TIMES, Business Times, November 6, 1977.

# Glen Anil first R1,2m payout is soon

By Nigel Bruce

**HE FOUR li- uidators of the insolent property giant ilen Anil had by ugust 31 — seven nonths after the comany colapsed — ealised only 13 473 821 of the comany's assets, and will oon pay out R1,2- nillion of that amount o certain creditors.**

This is according to their rst liquidation and distribuion account now being crutinised by the Master of ie Supreme Court.

The assets realised conisted mainly of land sold ither by auction or private 'eaty.

The amount realised was onsiderably below book alue and represents only a raction of what will ulimately be realised, according to Ralph Millman, one of the liquidators.

The 150-page account contains a great deal of information about both the major claims against the company and of the assets still within the company.

It will, of course, be updated at six-monthly intervals as the liquidation proceeds and each update will be open for public inspection.

The present account reflects proven claims as at August 31 totalling R120,9-million. It is made up of R99,9-million of alleged secured or preferent claims and R20,9-million of concurrent claims. Total claims have subsequently risen.

Of the R3,5-million realised so far, preferent or secured claimants will be paid a total of R1 219 484, leaving a total of R119 721 9-91 of claims still to be met.

Those that will receive part of the R1,2-million to be paid include: Augustus Ehlers and Clara Thompson, R575 000; Hendrik Ehlers, R475 000; and Pathem Boerderye, R39 000. These represented a balance of the purchase prices of property.

Among the financial institutions that will receive payment representing money lent and advanced, primarily in respect of mortgage bonds, are: Trust Building Society R56 900; Trust Bond R40 884; Rand Bank R9 900; and Trust Accepting Bank R7 300.

The notes to the accounts give an idea of the extent of the preference and secured claims, mostly from the banks, that the liquidators have begun investigating.

The security backing mortgage preference claims that may come under fire are those of the major financial institutions and total R22,4-million.

Other security that could be contested is that allegedly giving preference to yet another bank's proven claim of R22,5-million which arises from among other things a cession of amounts repayable for the cost of installation of electric services in various townships.

The security backing an amount of R1,07-million in respect of a pledge of shares to another bank could also be questioned.

Finally R13,3-million which the Receiver of Revenue is claiming in taxes is currently under dispute. Indeed, Mr Millman says the liquidators, after an extensive investigation, are preparing accounts which will reflect no tax liability at all.

From the detailed claims in the accounts as at August 31, Nedbank's total claims amount to R23,5-million, the Standard group's R14,9-million, Trust Bank group's R25,9-million and Barclays' R3,1-million.

The R3,31-million provided by the seven banks in the attempted rescue fund of October last year was apportioned as follows: Bank of Johannesburg R115 754; Barclays R198 435; Hill Samuel R128 983; Nedbank R830 120; Rand Bank R370 412; Standard R605 226 and Trust R1 058 320.

The securities held by the banks for these loans, which are mainly titles to undeveloped land, are not being challenged by the liquidators.

The account explains that instalments paid since liquidation by debtors who in terms of the Sale of Land on Instalments Act may elect to continue paying or abandon the purchase, are being held in a separate account in case the liquidators should be unable to pass transfer or should the purchaser elect not to take transfer. These amounts are not brought to account until transfer is passed.

The account explains that the liquidators have elected to take only half the fees allowed to them under the tariff set out in the Companies Act.

JUN. TIMES (BUS. TIMES). 6/11/77

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# A transfer let-down for standholders

**By Tony Stirling**

THE AMOUNTS fixed by bond holders for purchasers to secure transfer of their stands in a number of Glen Anil townships will bring no Christmas comfort to those who have paid for or nearly paid for their plots.

One of the joint liquidators, Mr Clive Landsdown, disclosed this week that in five Glen Anil townships the bond holders were asking for sums ranging between R2 000 and R5 500 from purchasers who wanted transfer. More of these "release" figures relating to other townships were expected soon,

In those cases where the figure set by the bond holder is less than the outstanding balance on the stand, the purchaser will only have to pay in the outstanding balance.

But where the balance owing is smaller than the figure set down by the bond holder, purchasers will have to pay the full amount set by the bond holders. Those who have paid in full will have to meet the whole of the release figure.

Mr Landsdown stressed, however, that in all but two cases finalised to date, the release figures may be subject to downward adjustment, depending upon the response in the various townships.

To date, he said, the response had "not been too good."

The way in which stand purchasers could be affected was illustrated this week by Mr C.J. Van der Westhuizen, of Roosevelt Park, who bought four stands in Glen Kelly about six years ago.

Shortly before the collapse, Mr Van der Westhuizen finished paying for his stands — R29 900 excluding interest.

Recently he decided to cut his losses and accepted an offer of R16 000 for the four stands from a builder.

Then came a Glen Anil circular adivising him that he would have to pay in an additional R8 000 on the four stands to get transfer.

Those townships where a release figure has been set are: Glen Kelly (R2 000); Glen Kelly Extension (R5 000 — final figure); Kenhill (R4 000 — final figure); Morningside Glen Extension (R5 500) and Glen Karen (R3 000).

Of the remaining townships, 28 are unbonded and no release figure will be needed to secure transfer, while in some of the 26 bonded townships no additional payments will be needed to secure transfer because there are sufficient funds to cover the bonds.

Sunday Times
Business Times - 6/11/77

# Mercabank's missing profit

Business Times Reporter

SOMETHING appears to be amiss at Mercabank.

According to its accounts to September total assets increased by nearly 8 per cent to R130,3-million; loans, discounts, advances and leased assets rose by 33 per cent to R72-million; and acceptances business rose by 10,7 per cent to R20,9-million.

Yet net income declined from R1,05-million to R930 000 and returns on shareholders' funds fell from 14,1 per cent last year to 10,5 per cent, a very average performance for its sector.

It's not even as if the Mosenthals compromise transactions went sour. "Original expectations should be realised," directors say.

The only real explanation for the reduced profits is that "certain of the bank's activities were less profitable than in the past."

(58)

Sake-Rapport 6/11/77

# Bank-dinge kap Merca ligweg

**DIE probleme wat die banksektor in die afgelope jaar ondervind het, het ook vir Mercabank nie ongemerk verby gegaan nie. Die bank se belaste wins het van R1 050 000 tot R930 000 gedaal.**

In aggenome dat die afgelope jaar veral vir die kleiner banke 'n moeilike een was het die bank goed gevaar. Die laer wins is veral toe te skryf aan 'n groter oorplasing na interne reserwes, wat seker in dié dae nie 'n onvanpaste beleid vir enige bank is om te volg nie.

In die boekjaar is daar ook 'n aansienlike hoeveelheid tyd aan Rondalia bestee. Dit was tot voordeel van Rondalia, maar het tyd van die bestuur van Mercabank geverg. Die kuratorsfooi vir Rondalia is ook nie by vanjaar se wins in berekening gebring nie.

Die voorsitter, mnr. Carel van Aswegen, wys in sy verslag daarop dat die bank in 'n tydperk waar die tradisionele akssepbankbedrywighede 'n laagtepunt bereik het, 'n totale depositovlak van net meer as R100 miljoen gehandhaaf het. Dit is sowat R6 miljoen meer as dié van die vorige boekjaar.

Die direksie neem voortdurend die bank se beleggings, lenings en voorskotte, en die onderliggende sekuriteite, in oënskou. Op die wyse is al die beleggings in en verbande of lenings teen sekuriteit van vaste eindom in oorweging geneem, veral met die oog op die ernstige resessie wat die eiendomsmark ondervind.

Behalwe vir sekere afskrywings wat reeds gemaak is, verwag die direksie nie netto verliese in die opsig nie, mits die eiendomsmark in die voorsienbare toekoms nie wesenlik verder verswak nie.

'n Verbetering in die verhouding tussen kort-, medium- en langtermyndeposito's is bewerkstellig, wat 'n prestasie in die huidige marktoestande is. Die dividend aan die twee aandeelhouers Santam en Boland bedra R180 000, wat meebring dat 'n aansienlike bedrag na geopenbaarde reserwes oorgeplaas is.

In 'n tydperk waar daar duidelike tekens is dat die vertroue in die banksektor besig is om terug te keer en 'n opswaai in die ekonomie verwag word, is die jongste resultate van die bank 'n verdere bevestiging daarvan dat ondanks die paar probleme wat daar was, die Suid-Afrikaanse banksektor oor die geheel gesien baie gesond is.

Die vernaamste verwante maatskappy van die bank, die genoteerde Mercatrust, het ook in sy afgelope boekjaar 'n gesonde styging in wins en dividende getoon en alles dui daarop dat sake vir die onderneming in die lopende boekjaar ook klopdisselboom behoort te verloop.

# Barclays pays more despite R11m provision

RDM
9/11/77

(58)

**By HOWARD PREECE**
**Financial Editor**

**BARCLAYS National Bank managed to increase taxed profit by R5-million in the year to September 30 in spite of an R11-million rise in the provision for doubtful debts.**

The final dividend has been lifted from 10c to 13c to give a total of 23c (19c).

Earnings a share were 63c (54c).

Operating profit was up from R49-million to R50 167 000 after taking into account the R11-million extra doubtful debt provision.

Tax, however, was down from R20 228 000 to R16 459 000. This lower burden was the result mainly of investment allowances on leasing business.

The effect was to boost taxed profit from R28 760 000 to R33 708 000.

At the interim stage taxed profit was down from R17 475 000 to R14 726 000 because of a R7 500 000 debt provision.

Mr Bob Aldworth, managing director of Barclays National Bank, says Barclays small exposure of R4-million to Glen Anil has been fully provided for.

The balance of the doubtful debt provision relates to the bank's Corlett Drive property group involvement.

Mr Aldworth says there were over 300 Corlett companies, and Barclays is making provision when and as needed.

He says the once troubled Western Bank made a positive profit contribution and that Barclays National Merchant Bank had had its best year ever.

"What most pleases me is that all sectors of the group are running at a profit," Mr Aldworth says.

A crucial reason for the return to health of Wesbank after a lengthy illness has been a reduction in the number of staff from 1 969 at the end of July, 1976, to 1 181 by September this year.

Mr Aldworth says, however, that the staff affected have not been retrenched but redeployed in other areas of the group.

In spite of this, total group staff rose by only 31 in the last financial year.

Mr Aldworth says Barclays is well placed to take advantage of any economic upturn as it has surplus capital requirements of R16-million which give a potential for increasing deposits of R300-million.

Barclays was priced at 325c on the Johannesburg Stock Exchange yesterday.

That gives historic yields of 19,4% on earninings and 7,1% on dividend. This means Barclays is still narrowly the lowest dividend yielder among the banks — a tribubute to its record, but suggested there is no immediate likelihood of a substantial rise in the share price.

RDM 9/11/77

# Standard Bank

## STANDARD BANK INVESTMENT CORPORATION LIMITED

*(Incorporated in the Republic of South Africa)*

# Interim Report and Dividend Announcement

The Directors of Standard Bank Investment Corporation Limited announce the following unaudited results of the Group's operations for the six months ended 30 September, 1977, with comparative figures for the six months ended 30 September, 1976, and for the full year ended 31 March, 1977.

| | Six months to: | | Year ended |
|---|---|---|---|
| | 30/9/77 (R000) | 30/9/76 (R000) | 31/3/77 (R000) |
| Group profit after operating expenses and provision for loan losses and extraordinary items . . . . . . . . . . . . . . . . . . | 23 115 | 19 869 | 34 727 |
| Estimated taxation . . . . . . . . . . . . | 8 567 | 7 620 | 13 516 |
| Group profit after taxation . . . . . . . . . | 14 548 | 12 249 | 21 211 |
| Preference dividend . . . . . . . . . . | 260 | 426 | 687 |
| | 14 288 | 11 823 | 20 524 |
| Weighted average ordinary shares in issue. | 52 839 504 | 46 332 057 | 49 517 925 |
| Earnings per share (cents) . . . . . . . . | 26,78c | 25,43c | 41,35c |
| Dividend per ordinary share (cents) . . . . | 9,5c | 8,0c | 22,5c |

Earnings per share are calculated on the weighted average of the ordinary shares in issue during the periods concerned.

### OPERATING RESULTS

The recessionary conditions continued in the first half of the financial year and, with consumer demand and fixed and inventory investment slack, demand for credit remained weak. The only sectors to perform well were agriculture and mining and this strength caused the overall real growth rate of the economy to be positive in the second quarter of the calendar year. The money supply also grew rapidly for the period to June, 1977, but has subsequently slowed. A softening in short-term interest rates helped to maintain net interest margins, but the continued recession caused a higher than expected business failure rate in the past six months.

The comparative figures for September, 1976 quoted above, have not been adjusted to incorporate half the loan loss provisions for the full year, and are as published in the Interim Report dated November, 1976. If these figures were adjusted to take into account a pro-rata share of the full loan loss provisions for the year ended 31 March, 1977, which included the provisions for the Glen Anil Property Group, the published earnings per share for September, 1976 would have been more than 20% lower.

### PROSPECTS FOR THE REMAINDER OF THE FINANCIAL YEAR

Some of the assumptions made in the Financial Statements for 1977 require comment as conditions have changed, although not materially.

... Because of the growth in the agriculture and mining sectors, a real growth rate for 1977 of 1% is expected against the previous assumption of no growth.

... The estimate of growth in the money supply has been increased from 9,5% to 12,0%.

... It is now apparent that the recession will continue for longer than anticipated.

The assumptions made for the remainder of the financial year indicate that liquidity will improve further, loan demand will increase marginally and loan losses will still be higher than budgeted.

The financial implications of the changes in these assumptions are that profits for the full year will be marginally lower than planned, but will not materially affect the original estimate of the return on year-end shareholders funds.

In these circumstances the Board has decided to declare an increased interim dividend of 9,5 cents.

IAN MACKENZIE, *Chairman.*
H. P. DE VILLIERS, *Group Managing Director.*

### INTERIM DIVIDEND NO. 16

Notice is hereby given that an interim dividend of 9,5 cents (1976 – 8,0 cents) has been declared payable to ordinary shareholders registered in the Corporation's books at the close of business on 25 November, 1977. Cheques will be posted on or about 14 December, 1977, to shareholders at their registered addresses, or in accordance with their written instructions to the contrary which must be received not later than 25 November, 1977.

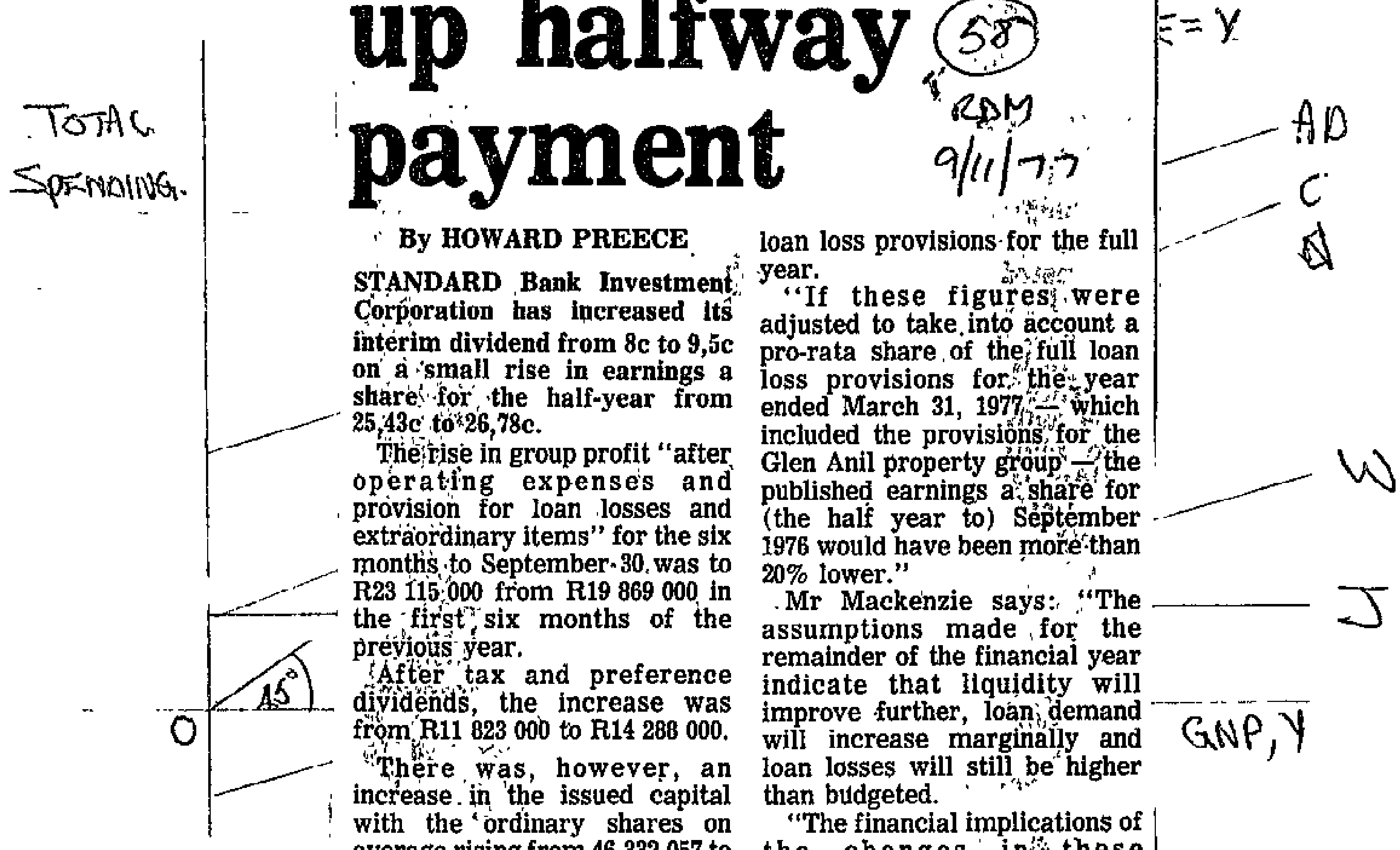
Non-resident shareholders' tax will be deducted from dividends, where applicable.

The register of ordinary shareholders will be closed from 26 November, 1977, to 4 December, 1977, both days inclusive.

By Order of the Board
C.W. BJERRE
*Group Secretary.*
8 November, 1977.

**Registered Office:**
27th Floor,
Standard Bank Centre,
78 Fox Street,
Johannesburg, 2001.
(P.O. Box 7725, Johannesburg, 2000.)

**Registrars:**
Rand Registrars Limited,
2nd Floor, Devonshire House,
49 Jorissen Street,
Braamfontein, Johannesburg, 2001.
(P.O. Box 31719, Braamfontein, 2017.)



# Stanbic pushes up halfway payment

(58)

RDM
9/11/77

By HOWARD PREECE

STANDARD Bank Investment Corporation has increased its interim dividend from 8c to 9,5c on a small rise in earnings a share for the half-year from 25,43c to 26,78c.

The rise in group profit "after operating expenses and provision for loan losses and extraordinary items" for the six months to September 30 was to R23 115 000 from R19 869 000 in the first six months of the previous year.

After tax and preference dividends, the increase was from R11 823 000 to R14 288 000.

There was, however, an increase in the issued capital with the ordinary shares on average rising from 46 332 057 to 52 839 504.

This reduced the increase in earnings a share to 5,3%.

The chairman, Mr Ian Mackenzie, says: "The comparative figures for September, 1976, have not been adjusted to incorporate half the loan loss provisions for the full year.

"If these figures were adjusted to take into account a pro-rata share of the full loan loss provisions for the year ended March 31, 1977 — which included the provisions for the Glen Anil property group — the published earnings a share for (the half year to) September 1976 would have been more than 20% lower."

Mr Mackenzie says: "The assumptions made for the remainder of the financial year indicate that liquidity will improve further, loan demand will increase marginally and loan losses will still be higher than budgeted.

"The financial implications of the changes in these assumptions are that profits for the full year will be marginally lower than planned, but will not materially affect the original estimate of the return on year-end shareholders funds.

"Some of the assumptions made in Stanbic's financial statements for 1977 require comment as conditions have changed, although not materially.

"Because of the growth in the agriculture and mining sectors, a real growth rate for 1977 of 1% is expected against the previous assumption of no growth.

"The estimate of growth in the money supply has been increased from 9,5% to 12,0%.

"It is now apparent that the recession will continue for longer than anticipated."

## Wool cheaper

EAST LONDON. — Prices were slightly cheaper for fleece wool at yesterday's wool sale in East London. Outsorts were unchanged compared with previous South African sales on November 3.

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(i) aggreg … of Consumption (C),
Investm … ) (G) and Net Exports
(X-M). … um
thus AD = C … )
= C

Why? There must also be no … change in either
direction away from e … AD must not increase
or decrease as well as A … Supply). (See point
X, on diagram).

(ii) At equilibrium total … N) must equal total
Injections (J) as at … ~~opt are Savings as~~
Why? ~~there~~ is no tendancy for either to increase or decrease.

You should have explained why equil. is stable. In qu 1b you have explained satisfactorily why there is a tendency for output to fall when agg ss > agg dd (have given you credit for this in mark for qu 2) but ~~not~~ you are not clear on why output increases when agg dd > ss (J > W).

13/20

Sunday Times
Business Times

# Eagle income tops R100m

13/11/77

58

**By TONY STIRLING**

THE investment and premium income of African Eagle Life assurance Society has for the first time topped R100-million — R101,89-million for the year ended September 30.

The company, which is part of the Anglo American group, and the third biggest life assurance company in South Africa, also announced this week that benefits paid to policy holders had increased by R5,79-million to R39,21-million.

Yearly new business premiums for all divisions totalled R14,4-million.

Over the past quarter, new business production by the company's representatives was up 42 per cent on the figures for the corresponding period last year.

The company's full-time representatives increased individual life new business production by 17 per cent.

# SAAMBOU HAAL R600 M.

Sakerapport

13/11/77

(58)

**SAAMBOU-NASIONALE bouvereniging het pas bekend gemaak dat die R600 miljoen batekerf oorskry is. Die bouvereniging het in 1970 ontstaan met bates van R291 miljoen. Sy bates het dus die afgelope sewe jaar meer as verdubbel.**

Die doelwit van R600 miljoen is bereik met die ondersteuning van meer as 400 000 klante die afgelope sewe jaar. Dit was die klante wat gehelp het dat Saambou-Nasionaal sy land en sy mense kan dien, het dr. J.A. Hurter, voorsitter van die bouvereniging gesê toe hy die aankondiging gedoen het.

Saam met die bouvereniging se klantetal het ook die dienslewering in gehalte en omvang gegroei en is daar vandag meer as 500 takke en agentskappe landwyd.

Dr. Hurter skryf die bouvereniging se sukses toe aan die weldeurdagte beleid wat steeds deur die hoofbestuur neergelê word, asook die bekwame bestuur en toewyding van die personeel.

Alle personeel word deeglik in diens opgelei en sodoende word kundigheid en hoë produksie op alle vlakke verseker.

Die bouvereniging is optimisties oor sy volgende doelwitte en „Ons is vol vertroue dat die bestendige groei vorentoe gehandhaaf sal word,” het dr. Hurter ten slotte gesê.

Sake-Rapport 13/11/77 (58)

# Banke kon skokke vat

**Deur VIC DE KLERK**

**UIT die jongste winsverklarings van die land se groot banke kan 'n duidelike beeld verkry word van die groot bedrae wat in die jongste tyd afgeskryf moes word, veral op voorskotte aan eiendomsontwikkelaars.**

Maar terselfdertyd is daar ook die goeie nuus dat al die groot banke hierdie afskrywings teen wins kon doen en dat hulle geheime reserwes nog onaangetas is. Dit bevestig ook dat veral die groot banke reeds reuse-bedrae aan geheime reserwes moes opgebou het.

Barclays en Standard, wat vandeesweek winssyfers vir die halfjaar tot 30 September verklaar het, kon albei mooi winsstygings toon, terwyl Nedbank 'n paar weke gelede ook sy „gebruiklike" stygings van 10 persent kon toon.

Nogtans moes hierdie drie banke tussen hulle byna R30 miljoen se oninvorderbare skulde teen hul winste afgeskryf het. 'n Mens moet toegee dat hulle ná hierdie afskrywings seker baie minder na geheime reserwes kon oorplaas as wat in die verlede die geval was. Maar nie een het nodig gehad om sy geheime reserwes daarvoor te gebruik nie.

Barclays kon ná die afskryf van R11 miljoen nog 'n styging in wins ná belasting van R16,4 miljoen tot R20,2 miljoen toon. Nedbank het R8,5 miljoen afgeskryf vir sy belegging in Glen Anil, maar sy wins ná belasting het nogtans met R3,2 miljoen gestyg.

Standard Bank sê nie presies hoeveel hy afgeskryf het nie, maar kon nogtans ná 'n afskrywing soortgelyk aan die van Barclays en Nedbank 'n styging in wins ná belasting toon van R12,3 miljoen tot R14,6 miljoen.

## Duidelik

Dit is dus duidelik dat die skokke wat daar in die eiendomsbedryf en elers was, nie te groot was vir die groter banke nie en dat hulle die afskrywings uit normale besigheidswinste kon doen en nog 'n styging in wins toon.

Met die kleiner banke het dit egter nie oral so goed gegaan nie. Behalwe die groot probleme wat Rand-Bank en Trust-bank gehad het weens hul beleggings in eiendomme, het UDC-Bank, Finansbank, Bank van Johannesburg en Mercabank vanjaar swakker vertoon.

Vir sy jongste ses maande het Santam egter weer baie goed gevaar, terwyl Bolandbank sy gebruiklike bestendige winsgroei kon toon. Met Kredietbank en Senbank in die Bankorpstal het dit ook goed gegaan, veral omdat die twee banke betreklik min in eiendomme belê het.

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Sunday Times - Business Times 20/11/77

1977.

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# Govt battle on interest rates

**By MICHAEL COULSON**

**THE authorities, worried by the possible effect of a fall in short-term interest rates on the balance of payments, are trying to keep rates above the levels that would be set if market forces were permitted to operate.**

But with long-term rates under renewed downward pressure, opinions in the capital market are divided on whether they will succeed or not.

After the last Escom issue, the decline in long-term rates was checked. But the success of the most recent Government issue, which raised more new money than expected (R184-million) at a rate of only 10,75 per cent, saw a resumption of the downward trend. In spite of this, subsequent public sector issues have been oversubscribed.

Iscor is currently testing the market for a minimum of R50-million. But Senbank's Louis Kruger tells me that Iscor could well be in a position to take more: R70-80-million is comfortably on the cards, and it is not inconceivable that even this figure could be surpassed. The all-inclusive rate is 11,92 per cent, but there is also an 8-year component at 11,6 per cent. Moreover, Iscor 5-year stock is being dealt in at the moment at 11 per cent, only 0,25 per cent above the long-term Government rate.

Although shorter dated stock normally enjoys a premium, this is probably a below average differential.

In part, this reflects the current compression of all interest rates, an inevitable consequence of the natural decline of long-term rates while short-term rates are held artificially high. What is obviously worrying Pretoria is that if short-term rates fall, at a time when rates overseas (and particularly in the US) are showing signs of firming, short-term capital could move out of SA.

The attempt to keep rates up locally is thus being done with a beady eye on the reserves, which are still under pressure (especially as the recent excellent performance of export earnings may taper off) and are a major factor constraining the desire to adopt expansionary policies that would get the economy moving again.

This problem in turn arises from the phenomenon that SA is still in a recession (to put it mildly) in a year which has seen an (albeit modest) revival in the economies of most Western nations.

In a sense, this is no more than a reflection of the traditional 18-24 month lag in the response of the SA economy to the international economy at large. This relationship was maintained when the world economy turned down after the onset of the energy crisis; but at present it is being aggravated by what the rest of the world sees as adverse political developments in the Republic, which have led to a virtual drying up of the inflow of foreign funds.

Opinions differ on whether the authorities will be able to keep short-term rates at current levels. Those close to the money market — like Discount House's Colin Dunn — stress that the authorities, in a semi-closed economy like ours, can manipulate short-term rates at virtually any desired level through their handling of Treasury bill issues, tap issues and moral (some would say, immoral) suasion.

Others contend that the finger can only be held in the dyke for just so long.

Chase Manhattan's Joel Stern, for instance, recently in South Africa for the Financial Mail Investment Conference, still holds the view he expressed earlier this year: that by mid-1978 the long-term Government rate will be between 9 per cent and 9,5 per cent. These are the two extremes: between them, is the full range of possibilities on what rates will do and to what extent they can be manipulated by Church Square and the Treasury.

For the authorities, the problem is that long-term rates cannot be controlled as easily as short-term rates. This is especially true in present conditions, when many institutions took advantage of historically high rates earlier this year to fill their requirements of long-term public sector stock not only for the current year, but also for 1978.

Unless there is a further increase in the next budget in the statutory requirements imposed on the private sector (which is unlikely, in view of the present high levels) many institutions will thus be able to be extremely selective next year, even to the extent in some cases of not needing to buy any gilts or semi-gilts at all.

While from one angle this could be interpreted as meaning that public sector issues will have to be pitched at attractive rates to attract funds, the other (and more likely) angle is that the economy will be so liquid next year that the downward pressure on all rates will be exacerbated.

A major caveat is that if political uncertainties continue, money managers may prefer to put funds into the short end of the market. While this would not relieve the pressure on short-term rates, it would reduce the amounts available for long-term investment, checking the downward pressure on long-term rates and thereby helping to widen the gap between the two ends of the market towards more customary levels.

Best bets are that short-term rates will hold at present levels, but there could be a further decline of maybe 0,25 per cent in the next Government long-term issue early next year.

Semi-gilt rates could have even further to go: one estimate from a usually well-informed source is that the Escom long-term rate could still come off 0,5 per cent. In the private sector, the enthusiastic reception of debenture issues by groups like Barlow Rand and Union Corporation at about 13 per cent could herald a decline early next year to 12-12,5 per cent, which implies yet a further narrowing of the gap between long-and short-term rates.

Amid all the uncertainty and conflicting views one thing remains clear: short-term rates at the moment are higher than they would be if left to their own devices. The distortions this creates are being felt right through the money and capital markets, and even if Pretoria succeeds in keeping short-term rates where it wants them, this could lead to even further distortions in the market mechanisms and yet greater policy problems in money management next year.

# Underlent Nedbank is doing well, thank you

**The Nedbank Group released its annual report this week. Deputy Editor Nigel Bruce analyses the results which showed an 11 per cent profit rise in the face of depressed economic conditions and a heavy provision for the Glen Anil debacle.**

**THIS TIME last year when Nedbank's accounts were circulated, much was made of its appearing to be underlent as advances accounted for only 44 per cent of total assets.**

If that line of reasoning were pursued, the bank should be in awful straights now, especially as it is even more "underlent" — according to its accounts to September 30, advances are only 42,5 per cent of total assets and cash and short-term funds were up by 25,2 per cent.

Patently that is not so. Profits are up by 11 per cent at R33,3-million despite a year of almost stagnant activity in some important sectors of the economy and despite the bank's having provided R8,5-million out of current profits to cover the worst eventuality of a Glen Anil loss.

Nor did the declared profits come largely from non-banking sources. On the contrary, by far the biggest share (57 per cent) came from commercial banking activities. These increased from R17,6-million to R18,9-million.

In fact, the bank did well precisely because of its very liquid or "underlent" position. Instead of looking for lenders who under the money ceiling could pay no more than 14 per cent for their loans, the bank took advantage of relatively higher returns in the short-term money market.

These returns were inflated during part of the year by the official policy of attempting to keep short-term interest rates here higher than those abroad to discourage importers speeding up foreign payments and exports delaying repatriation of foreign earnings. Had they done so, the country would have lost scarce foreign liquidity.

As the balance of trade improved, and rates abroad declined, so domestic rates were allowed to ease, thereby giving investors like Nedbank the additional benefits of capital profits.

Some idea of the extent to which the bank made use of the money market is given from the considerable increases in its holding of official securities, which were up 17 per cent, and of the 21,4 per cent increase in its bankers' acceptances.

Astute asset management was not the only reason for these increases for there was official coercion to help the Treasury out of a spot of bother (hence the banks' high liquidity requirements), and with the public corporations unable to borrow abroad, they made more extensive use of domestic facilities. In addition, the cost of bankers' acceptances declined to rival that of straight advances, hence some customers must have switched to the cheaper facility.

Significantly perhaps in this regard, the directors' report states that a lower demand for facilities by the private sector was compensated for by a higher public sector demand.

Although they report, too, that interest margins remained virtually constant, the commercial bank continued to open branches in areas, thus giving it access to more "retail" deposits, the interest rates on which are pegged by the authorities at an artificially low level.

Group sharehoulders' funds also increased by 9 per cent to R178,5-million as a result of a 20 per cent increase in the amount transferred to reserves. The group, therefore, has a strong capital base and surplus borrowing capacity that could be used in the unlikely event of loan demand spiralling this financial year.

The performance of the other non-commercial banks in the group was, however, decidedly mixed. Merchant bank UAL tended to tread water, with its asset structure approximating that of Nedbank itself, which is not surprising in view of centralised group management of short-term funds.

However, customer guarantees fell from R99-million to R88-million, presumably representing the running down of the rescue of an ill-fated property venture. No doubt its main profits impetus came from corporate finance work and the raising of capital issues rather than pure banking.

General bank Nefic did remarkably well with profits up 50 per cent to R3-million as a result of maturing fixed interest loans being replaced by loans at fluctuating rates and the coet of deposits falling faster than fixed returns on medium-term loans.

But what a sad story from Nedfin, in its second year as a fully fledged instalment credit bank (ie HP and leasing bank). Profits were less than half they were in the previous year.

The problem, I understand, was the need for heavy write-offs to cover potentially doubtful hire purchase debts. I seem to have heard that story before somewhere. Come to think of it, more than once.

Finally, in a special statement this week, Nedbank drew attention to its involvement with the Triomf Fertilzer group. I have no doubt that behind it was a laudable motive by Nedbank to explain to shareholders something of its obligations to this customer.

In the event, the old established principle that customers' affairs remain confidential must have been intruded, for I can only guess what it means.

It seems to me that Nedbank is progressively withdrawing from its guarantees to Triomf and that these are being assumed mainly by one of the other large shareholders, AECI, which is an associate of Anglo American.

1976
D. REES

# R1-m shock for Glen Anil standholders

STAR 28/11/77 (58)

The Glen Anil disaster is beginning to bite. Standholders in one Glen Anil township have now been told that if they want to keep their land they will jointly have to pay more than R1-million.

The standholders are in Glenvista Extension Six and they received the bad news in a circular letter from the joint liquidators of the Glen Anil property empire.

The letter said the liquidators had not been able to reach an agreement with the bondholder of the township.

## TRANSFER

"The amount you will be required to pay to take transfer is the sum of R1 090 237,69 being the balance outstanding on the above bond, plus interest to date, of registration of transfer, plus such costs of liquidation and administration and other amounts.

"You are required in terms of the Act to advise us within 30 days whether you wish to take transfer against payment of the aforesaid amount plus costs," the letter said.

It is understood that most buyers in the township owed less than R5 000 when the Glen Anil empire went into liquidation.

The letter sent to standholders said if the bond was not paid, then it was likely that the bondholder would buy the township "at an amount that will not be higher than the amount outstanding on the bond."

The standholders will then become concurrent creditors of the company in liquidation which means they will have to join the queue of other creditors in the hope of getting back some of the money they paid for their stands.

Mr P B Oertel, a joint liquidators of Glen Anil, said today that there would probably be "one or two" other townships where the same situation would apply.

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| 30th August | Options |
| 7th September (Settlers Day) | Options |
| 13th September | Options |
| 20th September | Vacation |
| 27th September | Options |
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The Natal Mer

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# Sanlam controls costs of administration

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Mercury Correspondent 2/12/77

**JOHANNESBURG – Sanlam's administrative costs in the financial year ended 30 September 1977 increased by only 7 percent compared with an increase in total income of 19 percent and an increase in benefits paid to policy-holders.**

This statement was made by the company's general manager, Mr. Johann Sohnge, following the announcement of Sanlam's results for the year earlier this week by the managing director, Mr. Pepler Scholtz.

"Our total salary bill, which forms more than half of our administrative costs increased, in spite of the greater volume of business, by only 6 percent. The cost of using our computers rose by 14 percent in the past year and these figures show the greater extent to which they are employed.

The accent however, falls on a more rapid and expanded service to our policy-holders, with savings in expenditures as a side benefit," Mr. Sohnge said.

"The tradition in the life insurance industry has been that policy-holders , should themselves pay the stamp duty on their policies. Since August 1977, however, we have not recovered the cost of this stamp duty from them. It is estimated that this concession will add between R400 000 and R500 000 to our administrative costs for 1978.

Because policy-holders will now save this amount and the administrative costs connected with the collection of these amounts falls away, a nett saving has been brought about.

"An analysis of our administrative costs shows that the cost of administering an existing policy has increased over the past five years by an average of approximately 3 percent per annum, while costs in South Africa in general, as measured against the consumer price index, increased on average by more than 11 percent per year during this period.

"Available information indicates, also, that Sanlam's administrative costs are the lowest in the life insurance industry.

In the year which ended 30 September 1976, Sanlam's administrative expenditure formed only 17 percent of the total administrative expenses of all life assurers in South Africa, while our income represents 22 percent of the total income and 24 percent of the bneefits which have been paid out by life assurers in the country came from Sanlam.

Star [illegible] [illegible]

58

# Volkskas booms

VOLKSKAS this weekend announced a group profit for the six months to September 30, of R7,9 m after tax and transfers to contingency reserves.

This reflects an increase of 15% on the profit of R6,9 m announced for the same period a year ago.

Earnings jumped from last year's 31,9c a share to [illegible] and are all the better when one considers the sluggish state of the economy and the slow demand for credit.

With the exception of Volkskas Beleggingskorporasie, which is still hampered by the recent amendment in the Banking Act calling for a curtailment in its medium term loan business, the group's subsidiaries reported a satisfactory performance.

The group's interim dividend has been increased to [illegible] a share, giving shareholders [illegible] more than last year.

# VOLKSKAS BLOM

(58)

Deur DAVID MEADES Sake-Rapport 4/12/77

**VOLKSKAS het 'n skitterende ses maande tot einde September agter die rug. Hy het sy tussentydse wins ná belasting en reserweoorplasings met 15,1 persent tot R7,9 miljoen verhoog. Terselfdertyd het hy ook sy tussentydse dividend met 1c tot 9,5c verhoog.**

Dit verteenwoordig 'n taamlike verbetering op die resultate wat die bank 'n jaar gelede aangekondig het. Hy het toe 'n tussentydse wins aangekondig wat feitlik dieselfde as die eerste ses maande van 1975 was.

Die direksie sê in die jongste winsverklaring dat die bedryfsresultate in die lopende ses maande op minstens dieselfde vlak as dié van verlede jaar gehandhaaf sal word.

Daar kan egter aangeneem word dat dit 'n baie konserwatiewe mening is. Volkskas se tweede ses maande is tradisioneel sy beste.

Nadat die tussentydse wins verlede jaar met R41 000 gedaal het, het die wins in die tweede ses maande van R7 155 000 tot R8 276 000 gestyg, om die syfer vir die jaar op R15,2 miljoen te bring, teenoor R14,1 miljoen die vorige jaar.

'n Soortgelyke styging in die lopende ses maande sal die syfer vir hierdie tydperk op R9,5 miljoen bring, wat die wins vir die jaar tot einde Maart 1978 op R17,4 miljoen te staan sal bring.

Dit behoort nie moeilik te wees nie. Volgens die direksie is die verbetering in die afgelope ses maande se wins ten dele toe te skryf aan die feit dat die bank se volfiliaal, die Transvaalse Suikerkorporasie, die afgelope ses maande 'n wins kon toon teenoor 'n verlies in die ooreenstemmende tydperk verlede jaar.

Dit gaan volgens die direksie nou ook beter met 'n ander filiaal, TMF, wat besig is om te verbeter. In die afgelope boekjaar het hierdie filiaal, wat gietblokke vervaardig, die wind van voor gekry.

Volkskas-Beleggingskorporasie, wat kragtens die Bankwet verplig is om sy mediumtermyn-leningsbedrywighede af te bou, het egter net soos in die afgelope boekjaar, weer swakker gevaar.

Volkskas het aan die ander kant teen die middel vanjaar beheer oor Volkskas-Aksepbank gekry en hierdie bank is volgens alle aanduidings besig om baie goed te vaar. Hy behoort reeds in die lopende ses maande 'n betekenisvolle uitwerking op Volkskas se wins te hê.

Die verdienste per aandeel van Volkskas het die afgelope ses maande van 31,9c tot 36,8c gestyg.

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**Property Mail**

RDM 7/12/77

# Black building firm goes for MBA membership

58

DEREK SMITH: Property Editor

ADCC Director Pears . . . first job turned sour.

SOUTH AFRICA'S first major African-owned construction company is hoping to become the pioneer black member of the Witwatersrand Master Builders' Association early in the new year.

"The MBA will have to change its constitution to accommodate a black company but moves are already afoot to accomplish this and no problems are expected.

Firm concerned is the new African Development and Construction Company (ADCC) chaired by the African Bank's Sam Motsuenyane.

Black investors hold 51% of the shares through the National African Chamber of Commerce (Nafcoc) and the remaining 49% are held by Roberts Construction.

Roberts, like any good company, will be looking for returns on that investment. It has signed up a management agreement with ADCC and a Roberts man, LW Shrieder, is general manager.

The new concern has been formed after months of investigation to ensure that tenders and new developments which the company hopes to tackle will not run foul of officialdom.

So far, so good.

The green light has come from the cabinet itself while officials and staff of the various administration boards are said to have given nothing but cooperation and encouragement.

But the very first job which ADCC thought it had in the bag has already gone sour.

Although a tender for a new office block in Soweto was clearly lower than any other, the tender was passed and the job given to the second lowest tenderer who was more than R2 000 higher.

"We were at a loss to understand the reason for it," says Robert Construction's Terry Pears, who is a member of the ADCC board. "We just hope this kind of thing doesn't happen again."

The tender, he explained, was made in the name of Roberts Construction because the new company had not yet got the all-clear from the Building Industries Federation to which it is to be directly affiliated.

Both Homes Trust Life, which called for tenders, and Bifsa were told that the contract would be undertaken by ADCC if the tender was successful and the job would be guaranteed by Roberts.

That cut no ice and Bartlett Construction with a R149 900 tender got the work against ADCC's R147 813.

With its first disappointment behind it, however, ADCC is pushing ahead with several new projects which it will develop itself.

One of the first planned is a modern, better-class housing development for blacks in the Kaalfontein Extension area of Tembisa.

In its final form, the development could be worth many millions but the plan is to build ten houses on spec, test the market and go on from there.

Again, reaction has been well-tested in advance and the plan has all-round support from employers and East Rand Administration Board alike.

Some employers, says Pears, are prepared to put up guarantees because they are keen to see senior black staff in better housing. The board itself will make available R5 000 so if the houses work out at R10 000 apiece, financing for higher-paid workers should not prove a problem.

Design will be the vital make-or-break factor and that job has gone to Jan van Wyk, of RAU fame, who also designed a similar type of housing project in Paarl.

A socio-economic study will be made and further development will be based on the results but, in the longer term, there seems little reason why the black comapny shouldn't go ahead and develop the entire Kaalfontein township.

A similar idea is being planned for Soweto, where there is land avaiable, and Wrab is co-operating as well.

Commercial development is also on the cards and the first, hopefully, will be a small supermarket for a Black trading concern in Sebokeng.'

Back in the west, ADCC is having a close look at the development plans for Protea township and hopes to excercise options to develop there on spec.

The big question mark which could hang over such plans, of course, is security of tenure. Whatever system of ownership is evolved in terms of the promised new dispensation, buyers or tenants will want to know that they are secure in their premises.

Pears says the company is satisfied that they will be. Ater discussions with senior officials and members of the cabinet, he says the company has decided to go ahead now.

Fin. Mail
9/12/77
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## VOLKSKAS

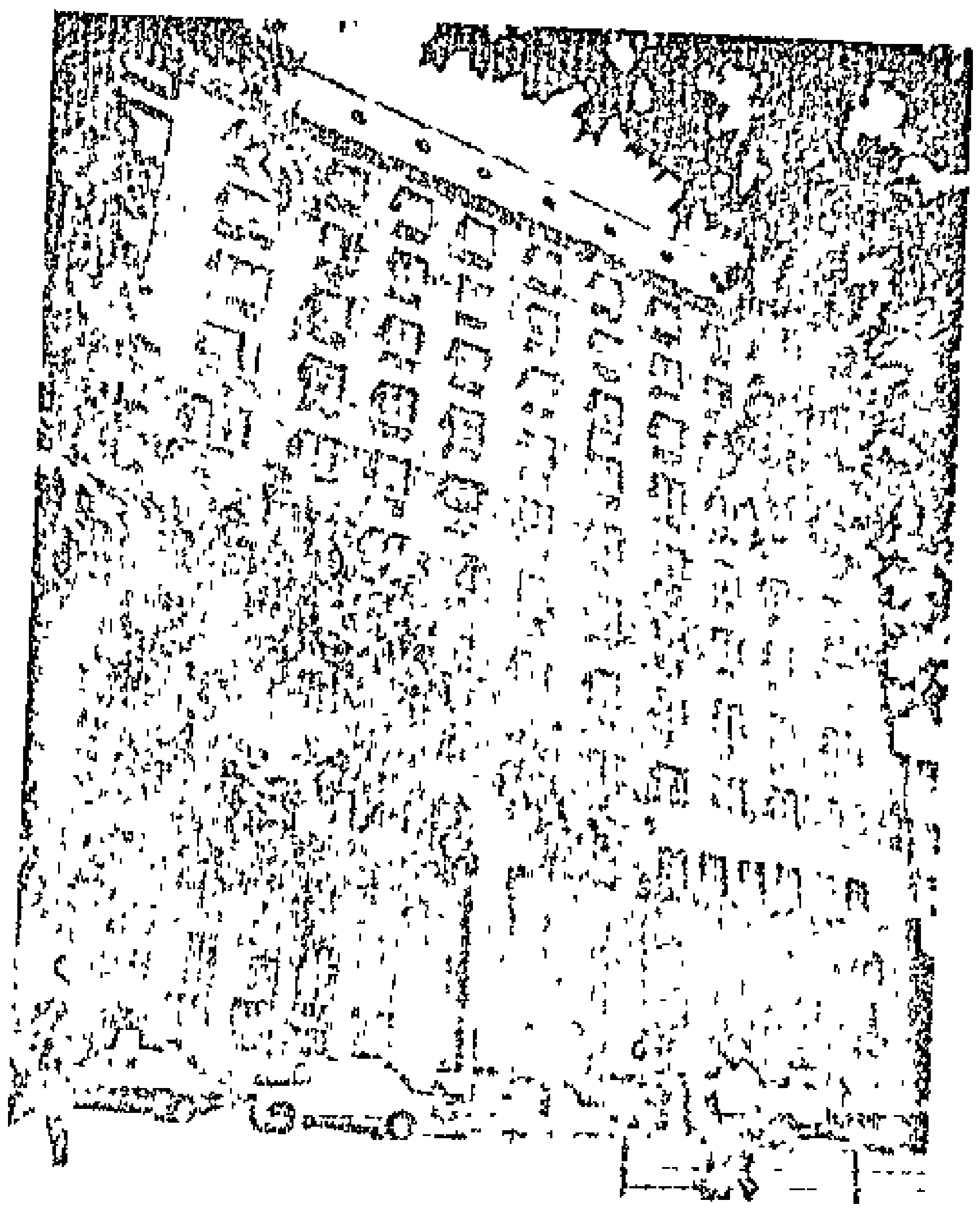
# Steady growth

**With taxed** profits for the six months to September 30 up 15% to R7.9m, Volkskas is the fourth bank in three weeks to come out with improved figures.

One of the reasons the sector has done well is that, at a time when interest rates are softening, deposit rates are declining faster than lending rates. What's problematical is how long this can go on with demand for overdrafts weak and competition among banks so strong.

Volkskas's industrial interests, Transvaalse Suikerkorporasie and Transvaal Metal Foundry have continued to improve after breaking into a profit situation last year. The improvement is not quantified but profits are preferable to the substantial losses of 1975.

Volkskas's new merchant bank had an exceptional kick off. The industrial bank, which will specialise in leasing, did not contribute much to these results but big things are expected of it. Municipal and government leasing was beginning to look like a big growth area but Volkskas managing director, Danie van Huyssteen, says it's probable that investment allowances currently permitted by the Receiver to banks in respect of their ownership of industrial goods, will "be disallowed soon." Van Huyssteen denies that Volkskas took a lot of business, especially leasing business, from Trust.



Volkskas Bank . . . pulling in the profits

Van Huyssteen says staff productivity has been boosted and, "apart from a selected few matriculants", new staff is not being taken on to replace those who leave.

Van Huyssteen says Volkskas has not had to make the big provisions for bad and doubtful debts that other banks have. Its only big bad debt remains the R13m owed by Van Achterberg and most of this is expected to be recouped in a year or two. Interest at an estimated rate of R1,8m a year is, however, being sacrificed.

Van Huyssteen expects the bank's new R25m Pretoria head office building to be only half let when it opens in mid 1978 and the 39 storey structure will be a drag on profits until it fills. Not that there will be an actual reverse from the present position, for the capital is already invested. The building is one reason Volkskas's return on shareholders' funds is not as high as Nedbank's. Another is Volkskas's more extensive and expensive branch network.

Rembrandt Group, which took a 20% stake in Volkskas last year, still has no board representation or influence on the bank. Van Huyssteen says he doubts if Rembrandt is interested. "It's not one of their major investments," he adds.

Given the bank's conservative nature, the 15% reported improvement is more likely to be an under than an over-statement. Last year, 55% of taxed profit was earned in the second half. If this pattern is repeated — and Van Huyssteen sees no reason why it shouldn't be — earnings for the year look like being around 82c — and the dividend, assuming constant cover, 23c (20c). This puts

# Volkskas in saal by Bonuskor

Sake-Rapport 11/12/77

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### Deur DAVID MEADES

**MET Bonuskor 'n filiaal van Volkskas, kan verwag word dat hierdie maatskappy wat oorspronklik uit Sanlam-polishouers se bonusse ontstaan het, 'n nuwe era in sy geskiedenis sal begin, 'n geskiedenis wat veral oor die laaste paar jaar maar bra wankelrig was.**

Volgens 'n aankondiging deur Volkskas-Aksepbank die naweek het Volkskas en Sanlam na samesprekings tot die gevolgtrekking gekom dat dit nie langer in die aandeelhouers van Bonuskor se belang is dat hulle twee gesamentlik beheer oor Bonuskor hou nie.

Daar is gevolglik ooreengekom dat Sanlam sy 7 191 449 aandele in Bonuskor aan Volkskas sal verkoop, wat Volkskas se belang in Bonuskor van 24,9 tot 51,4 persent sal opstoot.

Hierdie belang sal Volkskas teen 38c per aandeel verkry en dit is ook Volkskas se voorneme om 'n soortgelyke aanbod aan die minderheidsaandeelhouers te doen.

Hierdie aanbod sal waarskynlik net gedoen word om die Johannesburgse Effektebeurs tevrede te stel om aandeelhouers wat teen hierdie prys wil verkoop, dieselfde geleentheid te gee.

Dr. Jan Hurter, voorsitter van Volkskas, het aan Sake-RAPPORT gesê dat hy hierdie stap verwelkom, veral omdat hy so 'n lang pad saam met Bonuskor loop en omdat hy oortuig is dat Bonuskor kan beter doen.

Hy sê dat Volkskas geen onmiddellike planne met Bonuskor het nie, maar dat aangeneem kan word dat daar opnuut na die bestuur van Bonuskor gekyk sal word om te sien of dit nie versterk kan word nie.

Met die beherende belang wat Volkskas in Bonuskor verkry, word die samewerking tussen Volkskas en Sanlam nou nog verder verminder. Volkskas was ook voorheen Sanlam se vennoot in Bankorp, maar het hom met die oorname van Trust-Bank deur Bankorp onttrek.

Volkskas het in die laat jare sestig sy belang in Bonuskor gekry toe sy genoteerde beleggingsfiliaal, Noordkor, deur Bonuskor oorgeneem is. Noordkor se aandeelhouers het toe vir elke Noordkor-aandeel 'n aandeel in Bonuskor gekry, in 'n stadium toe Bonuskor se aandele teen sowat 190c verhandel het.

'n Groot deel van Bonuskor se huidige probleme het by sy kontantvloei gelê. Hierdie fondse is onlangs met R10 miljoen versterk in die vorm van langtermynlenings.

Sake-RAPPORT het ook verneem dat Bonuskor wel besluit het om al sy aandele in SA Druggists aan Federale Chemiese Beleggings te verkoop. Dit sal teen kontant gedoen word en 'n verdere R8 miljoen vir Bonuskor beteken.

Met hierdie stewige kontantposisie en die regstreekse steun van Volkskas, kan daar aangeneem word dat sake vorentoe net beter by Bonuskor gaan verloop.

# Groeifondse sp

Sake-Rapport 1/12/77

# groei vir jaar

Deur VIC DE KLERK

**NA 'n baie suksesvolle, Novembermaand kan al die land se groeifondse nog spog met 'n groeirekord vir die jaar. Dit volg op 'n hele paar jaar van onbevredigende vertonings deur hierdie beleggingsvorm.**

*Heel bo aan die lys is weer Guard-Bank met 'n merkwaardige groei van 19,2 persent vir die eerste elf maande van die jaar. Selfs Santam toon 'n groei van 1,3 persent ná redelike swak vertonings die vorige twee jaar.*

Die drie ou fondse in die Sanlam-stal het ook goed vertoon en die 13,5 persent van NGF is tot dusver die tweede beste vir die jaar, terwyl daar ook nie veel te kla is oor Sats se 7,8 persent en Sanlam se 9 persent nie.

Die Trust Groei is onlangs ook onder beheer van Sanlam geplaas, en dié fonds behoort nou beter te doen as sy onder gemiddelde vertoning van 'n groei van slegs 3,3 persent vir die eerste nege maande van die jaar.

Sage, wat glo 'n meer spekulatiewe beleggingsbeleid volg, kon in November alleen 'n verbetering van 4,3 persent toon, maar dit klop nog nie met NGF se 4,9 persent nie. Santam se groei van 1,9 persent in November plaas die fonds nou ook op 'n plus vir die jaar.

Ons gemiddelde indeks toon 'n groei van 8,1 persent vir die eerste nege maande van die jaar. Voeg hierby 'n gemiddelde dividendopbrengs van meer as 8 persent per jaar en onderaandele in groeifondse is weer redelike bevredigende beleggings.

# og met

Nogtans is daar nog geen aanduidings van 'n hernieude vloei van beleggingsgeld na hierdie fondse nie. Die terugkoop van onderaandele het wel aansienlik afgeneem en vir die hele 1977 behoort daar selfs 'n klein instroming van geld na hierdie fondse te wees.

Die Beurs is egter nog ver nie lewendig genoeg om groot bedrae nuwe aeld te trek nie. Verder is die groeifonds op die oomblik baie onaktief met bemarking en die werf van nuwe kliënte.

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**RAPPORT SE GROEIFONDSE OPSOMMINGSLYS SOOS OP 30 NOVEMBER 1977**

**IN die volgorde koopprys, verkoopprys, persentasie-beweging die afgelope maand, die afgelope jaar, die afgelope twee jaar, die afgelope drie jaar, ontstaandatum en relatiewe vertoning van elke fonds die afgelope maand teenoor die gemiddelde:**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SAGE | 159,49 | 145,64 | 4,3+ | 7,3+ | 6,6+ | 7,1+ | 28/05/65 | 0,7– |
| NGF | 88,98 | 82,66 | 4,9+ | 13,5+ | 3,0+ | 16,0+ | 15/10'65 | 4,9+ |
| SATS | 63,40 | 58,87 | 3,2+ | 7,8+ | 3,3– | 8,2+ | 03/08/66 | 0,3– |
| O. MUTUAL | 139,29 | 127,09 | 3,9+ | 11,9+ | 8,5+ | 22,0+ | 01/10/66 | 3,5+ |
| UAL | 148,65 | 139,59 | 3,1+ | 7,9+ | 2,5+ | 13,4+ | 03/04/67 | 0,2– |
| SANLAM | 144,10 | 133,71 | 3,7+ | 9,0+ | 0,7– | 8,1+ | 29/06/67 | 0,8+ |
| TRUST-BNK | 47,17 | 43,84 | 3,6+ | 3,3+ | 4,1– | 10,5– | 21/03/69 | 4,4– |
| SANTAM | 65,40 | 61,01 | 1,9+ | 1,7+ | 13,2– | 19,3– | 21/07/69 | 6,0– |
| SYFRETS | 43,35 | 40,65 | 2,0+ | 6,9+ | 9,7– | 0,6+ | 21/10/69 | 1,1– |
| GUARD-BNK | 127,07 | 119,02 | 3,2+ | 19,2+ | 14,6+ | 25,3+ | 02/01/70 | 10,3+ |
| STAND-BNK | 95,87 | 90,51 | 3,4+ | 5,6+ | 3,8– | 8,0+ | 22/05/73 | 2,3– |
| GR. FONDS-INDEKS | | 146,10 | 3,4+ | 8,1+ | 0,1+ | 6,6+ | 02/01/76 | |

# Fringe banks siphoning millions off big brothers

(58)

Star 12/12/77

**Harold Fridjhon**

**Fringe banks are gouging into commercial bank lending to the tune of more than R160m a month by exploiting an obvious anomaly in banking regulations.**

They are lending money to selected clients at rates considerably below prime rate — but only between the first of each month and the second last day by when the loans must be repaid.

In order to effect repayment these clients then run up their overdraft facilities at the commercial banks on the last day of each month. But by the first working day of the following month, they reduce their commercial bank overdrafts with the restored loans they get from certain fringe banks.

## ESCALATED

The effect of these operations which started some months ago on a modest scale but which have escalated to more than a R160m surge in last-day-of-the-month business is that the commercial banks are not only losing out on 29 days interest each month, but in addition they are faced with the cost of providing liquid assets to the authorities on the swollen end-of-month balances.

On the other hand the fringe banks involved have high levels of advances during the month, but at the month-end their figures for advances are relatively low and therefore are called upon to meet liquid asset requirements which are well below the real level of business being transacted.

And the provision of liquid assets to meet the requirements laid down by the authorities are a heavy burden on all the banks.

At present the extent of these operations is making barely a dent in the profits of the major commercial banks, but if the practice continues to grow as it has during the past few months it could have serious implications in the banking system.

The fringe banks cannot be blamed for taking advantage of the regulations which are currently working in their favour and to the benefit of their clients. But with growth this lending could bring distortions and a loss of control by the authorities.

And it only requires a slight modification of the liquid asset requirements to restore balance to the system.

If banks' liquid asset requirements were calculated on the average level of lending during the month, instead of on the month-end balance, the fringe banks would have to provide assets on a much higher scale than they are now being called upon to meet. And the commercial banks would have to provide a lower level of assets than at present.

And because of this the fringe banks' cost of borrowing would automatically rise.

# This is where small banks' profits have gone

Sunday Times
Business Times
13/11/77

### By Nigel Bruce

THE SMALLER banks — particularly those which cannot rely on an easy flow of business from a powerful parent — have been through a tough time, mostly through no fault of their own.

In retrospect, it was probably insensitive last week, when contrasting Mercabank's rising assets and loans to its decline in earnings, to have remarked drolly that something appeared to be "amiss."

There is, in fact, nothing particularly wrong with a decline in profits when considering the erosion that that margin of small banks underwent last year. The bank is certainly no less secure than it was a year ago and is by no means the only one to have shown such a trend.

And, indeed, had it shown an increasing trend in profits, questions might easily have been raised over whether adequate provisions to inner reserves had been made.

What is disconcerting however, is that the banking activities of small merchant banks, which still have a measure of independence, have, by and large, become of relative declining importance to profitability and that this is something not easily detected from their accounts.

In Mercabank's case this is particularly so, although the directors do explain that its corporate finance activities remained the biggest contributor to profits and that earnings from foreign activities are growing.

There is no breakdown in net income between earnings from fees and commission and other sources of profits. If the experience of other banks is anything to go by, Mercabank's earnings from banking were sparse and that, in consequence, it did well to be able to make the proportionate provisions it did and show profits only slightly lower than last year.

Its fairly sharp increase in loans and advances was partly caused by its having to put more muscle behind its property investment, which, while uncomfortable, certainly do not appear to be the millstone that Trust Bank's venture into the property market became.

Quite clearly, however, Mercabank is today relying more on its expertise in putting together deals than it is on its pure banking activities and that this trend helped it in no small measure to remain in reasonable fettle in the financial year recently ended.

# Business short of cash for expansion

RDM 14/12/77

(58)

**Financial Reporter**

**THE BUSINESS sector lacks the internal funds to finance capital and stock building when sustained growth again requires such investment.**

This is said by the chairman of Santam Bank, Mr C H J van Aswegen, in his review to shareholders.

He forecasts that the pressure on the money and capital market for external financing, directly or indirectly through financial institutions, will increase considerably

The view that liquidity in the business sector is at present in a healthy state applies only to a situation where no appreciable new investments or stock increases take place

Mr Van Aswegen says short-term economic conditions need the most urgent attention.

The recession appears to have bottomed out, but there is no indication of the pace of an upswing Possibly, it will be considerably more gradual than in the past

South Africa is still relying mainly on exports. The recent deceleration in the pace of growth in Europe and the United States and the falls in commodity prices are not encouraging

However, the price of gold will have a positive influence, says Mr Van Aswegen

He is highly critical of the way in which the authorities allow sharp upward price adjustments for basic commodities, such as steel and electricity

"The way in which these price adjustments were made and the economically illogical timing thereof, once more supported the oft-made claim that price control by the authorities in a market economy — where necessary at all — is an issue to be handled with much more circumspection "

Mr Van Aswegen scotches rumours that riot damage claims will have an adverse effect on Santam as the largest short-term insurer in South Africa

Santam is contesting claims, but even should they succeed "the normal claims handling and reinsurance processes could deal with such a situation satisfactorily and no detrimental effect will eventuate."

He also assures shareholders that Santam has adequate coverage for its Mondorp investment and loans

# AFRIKAANSE VERBONDGROEP

# Bates styg met 45%

Sake - Rapport 11/12/77

(58)

## HOOGTEPUNTE

- **Bates styg met 45 % na meer as R66 miljoen.**
- **Premie-inkomste styg met 26%.**
- **Bruto winste uit handels- en fabrieksbedrywe styg met 47%.**
- **Reserwes oorskry R10 miljoen-kerf.**
- **Die versekeringsfonds styg met meer as R19 miljoen.**
- **Die volle aandeelhouding in Momentum Lewensversekeraars Beperk is verkry.**
- **Die Suid-Afrikaanse belange van 'n buitelandse lewensversekeraar is oorgeneem.**
- **'n Nuwe nywerheidsmaatskappy, Stuttimber (Edms) Bpk., is gestig.**

## FINANSIËLE OORSIG 1976/77 BOEKJAAR

Oorsig deur die Voorsitter, dr. M. D. Marais, gelewer op die Algemene Jaarvergadering wat op 5 Desember 1977 gehou is.

### ALGEMENE OORSIG

Die afgelope boekjaar is gekenmerk deur bestendige groei en uitbreiding in al die bedrywe binne die Afrikaanse Verbondgroep. Soos oor die algemeen ervaar word, het kostedruk veral toegeneem in die handels- en nywerheidsektore. Daar is egter in 'n hoë mate daarin geslaag om materiaal- en ander kostestygings te bekamp sonder buitensporige prysaanpassings en ook sonder om winste tot groot hoogte in te boet.

Dit is met groot genoeë dat gerapporteer kan word dat die versekeringsbedrywe sterk vooruitgang getoon het. Die hoogtepunt is sekerlik ten opsigte van die lewensbedryf ervaar. In die vorige verslag is gemeld dat die Groep 'n 100 % belang in Momentum Lewensversekeraars Beperk verkry het en sedert die begin van die kalenderjaar is die langtermynbedrywighede van Yorkshire-General Insurance oorgeneem. Aansluitend hierby het die begrafnisversekeringsmaatskappye goed gevaar en het die korttermynmaatskappy, Maritime & General Versekeringsmaatskappy Beperk, vir die eerste keer sedert die aanvang van besigheid, ongeveer 5 jaar gelede, vanjaar met 'n wins afgesluit.

### GROEPSBEDRYWIGHEDE

Die Afrikaanse Verbondgroep se bruto bates het met 44,5 % gestyg vanaf R45 784 728 tot R66 202 176 Die totale versekeringsfondse het eweneens met 65,1 % vanaf R29 987 350 tot R49 530 246 toegeneem. Hieronder volg 'n samevatting van die aktiwiteite en resultate van die vernaamste bedrywe in die Groep.

**Begrafnisversekering:** Begrafnisversekering word binne die Groep deur die volgende aangebied:

- Onderlinge Versekeringsgenootskap AVBOB
- Begrafnis Assuransie Groep Beperk (BAG)
- Omega Versekeraars Beperk (Omega)

Laasgenoemde maatskappy is hoofsaaklik op die nie-blanke mark gerig, terwyl BAG polisse aan alle bevolkingsgroepe verkoop. AVBOB daarenteen is uitsluitlik op die blanke mark bedrywig.

Die totale begrafnisversekeringsfonds beloop R15 118 074 terwyl die reserwes met bykans R1 500 000 gestyg het na R10 472 580 (wat 'n reserwe van R1 800 000 teen kostestyging van begrafnisse kragtens polisse insluit).

**Lewensversekering:** Die Groep besit die volle aandeelhouding in Momentum Lewensversekeraars Beperk. As gevolg van die oorname van die lewensportefeulje van Yorkshire-General Insurance is die maatskappy se versekeringsbesigheid prakties verdubbel en het dit daartoe gelei dat die bemarkingsdienste aansienlik uitgebrei is, veral in die stedelike sentra. Nuwe bonuskoerse ten opsigte van winsdelende polisse is bekendgestel en die dividenduitkering is met R60 000 na R200 000 verhoog.

Die maatskappy se bruto-bates het van R17 584 821 in 1976 tot R36 428 246 die afgelope jaar toegeneem.

**Skadeversekering:** Die skadeversekeringsmaatskappy, Maritime & General Versekeringsmaatskappy Beperk, het ook 'n suksesvolle jaar agter die rug. Bruto premie-inkomste het gestyg van R4 014 960 in die voorafgaande jaar na R5 214 527, terwyl premies minus herversekering teenoor die voorafgaande jaar met ruim 60 % gestyg het van R1 436 817 na R2 343 430. Die jaar is afgesluit met 'n onderskrywingswins wat gelei het tot 'n netto wins van R87 043 vergeleke met 'n netto verlies van R127 492 die vorige jaar.

Met die oog op toekomstige ontwikkeling, is die aandelekapitaal van die maatskappy vanaf R600 000 tot R1 000 000 verhoog.

**Begrafnisdienste:** Begrafnisdienste word landwyd en in Suidwes-Afrika aangebied deur AVBOB (Begrafnisdiens) Beperk en Human & Pitt Beperk. Die feit dat die Groep geheel-en-al selfvoorsienend is ten opsigte van begrafnisware, maak dit moontlik om die kostestygings waarna vroeër verwys is, in toom te hou. Daar is egter sekere uitgawes wat buite die beheer van die begrafnisondernemer lê en dit is dan ook ten opsigte hiervan dat die grootste kostedruk ondervind word byvoorbeeld lykwaens, vervoerkoste, grafkoste en verassingsgelde om net 'n paar van die belangrikstes te noem.

Desnieteenstaande is die begrafnisbedryf nog in staat om diens van hoogstaande gehalte aan die polishouers van die Groep te voorsien. In die afgelope jaar is ongeveer 7 600 begrafnisse kragtens sy polisse deur die Groep uitgevoer.

**Nywerhede:** Afrikaanse Verbond Nywerhede Beperk en sy filiale vervaardig doodkiste, kunsblomme en -kranse, grafstene en 'n wye verskeidenheid houtprodukte wat meubels, blokkiesvloere, deure, fineerborde ensovoorts insluit. Die vervaardigingspunte is in Bloemfontein, Rustenburg, Stutterheim en Oudtshoorn geleë.

Hoewel daar tans in sekere sektore, veral die houtverwerkingsbedryf, onbenutte kapasiteit bestaan, is die nywerhede ingerig om enige toekomstige oplewing in die ekonomie die hoof te bied. Stappe is en word geneem om die lewering van grondstowwe soos hout en graniet te verseker.

Die gekonsolideerde bedryfswins uit fabrieks- en handelsbedrywighede het die afgelope boekjaar op R3 584 557 te staan gekom teenoor R2 439 534 die voorafgaande jaar. Hierdie styging in bedryfswins is nieteenstaande stygende kostes, in hoë mate deur verhoging in produktiwiteit moontlik gemaak.

**Beleggings buite die Groep:** Beleggings word deur die versekeringsmaatskappye self gedoen en ook deur middel van Afrikaanse Verbond Beleggings- en Finansieringskorporasie Beperk. Versekeringsfondse word eerstens belê in lenings aan die Regering, plaaslike besture en ander openbare liggame. Hierdie beleggings beloop reeds bykans R25 000 000. Die balans van beleggings word gedoen in gewone verbandlenings, genoteerde en ongenoteerde aandele, vaste eiendomme en deposito's by finansiële instellings. Gekonsolideerde inkomste uit beleggings het in die onderhawige boekjaar op R3 720 699 te staan gekom, 'n styging van 22 % bo verlede jaar.

Dit is met spyt dat daarop gewys moet word dat 'n belegging van R250 000 buite die Groep sodanig versleg het dat dit in totaal afgeskryf moes word. Die Direksies van die verskillende bedrywe in die Groep sal nie huiwer om die beleggingsportefeulje te suiwer van enige swakhede wat as gevolg van die huidige ekonomiese resessie ontstaan nie.

Die Groep se finansiële posisie is gelukkig sterk genoeg om terugslae van hierdie aard met gemak die hoof te bied.

### OPSOMMING

Die finansiële posisie van die Groep word ten slotte saamgevat in die onderstaande afgeronde vergelykende syfers:

| | 1977 | 1976 | % Styging |
|---|---|---|---|
| Totale bates | R66 200 000 | R45 780 000 | 44,5 |
| Versekeringsfondse en reserwes vir bonusse | R49 500 000 | R29 980 000 | 65,1 |
| Premie-inkomste | R13 900 000 | R11 000 000 | 26,4 |
| Ander inkomste | R8 260 000 | R6 320 000 | 30,7 |
| Algemene Reserwes | R7 500 000 | R6 100 000 | 22,9 |
| Besondere Reserwes | R2 530 000 | R2 370 000 | 6,8 |

### WAARDERING

Ek spreek graag by hierdie geleentheid 'n woord van waardering uit teenoor ons polishouers, alle klante van die Groepsfiliale, my mede-direkteure op die hoofdireksie, alle direkteure van filiaal- en verwante maatskappye en die Besturende Direkteur en sy personeel vir hulle ondersteuning en samewerking die afgelope jaar.

# The weight of funds

Fin Mail 2/12/77

58

## Pension funds and insurers are awash with cash. What that means for the share market

**The fashionable** argument in favour of equities is "the weight of funds." Its backers accept that prospects for profits, except in a few industries like mining equipment and arms, are poor. But they insist that the sheer amount of money available for investment in 1978 will ensure that prices rise.

It is an attractive line of thought. Discretionary cash flows from pension funds and insurers have been severely hampered over the past two years. That is because the government has required them to increase their holdings of government securities. In 1976, institutions invested only R167m, or 10% of their cash flow, in equities, the lowest percentage in recent history. And it now looks as if the 1977 percentage could be even lower. Speaking at the *FM*'s investment conference, Senbank's investment manager, Peter du Toit, estimated 1977 net investment in equities at R144m or around 8% of cash flow.

Graph 1 illustrates how institutions have historically allocated about 15% to equities, while in the good market years of 1968, 1969 and 1973 these allocations went up to between 25% and 30%. If institutions are to have their normal discretionary cash flows restored in 1978, it would be logical to expect that they would at least attempt to restore the percentage of new funds allocated to equities, and even to make up for some of the missed opportunities of 1976 and 1977.

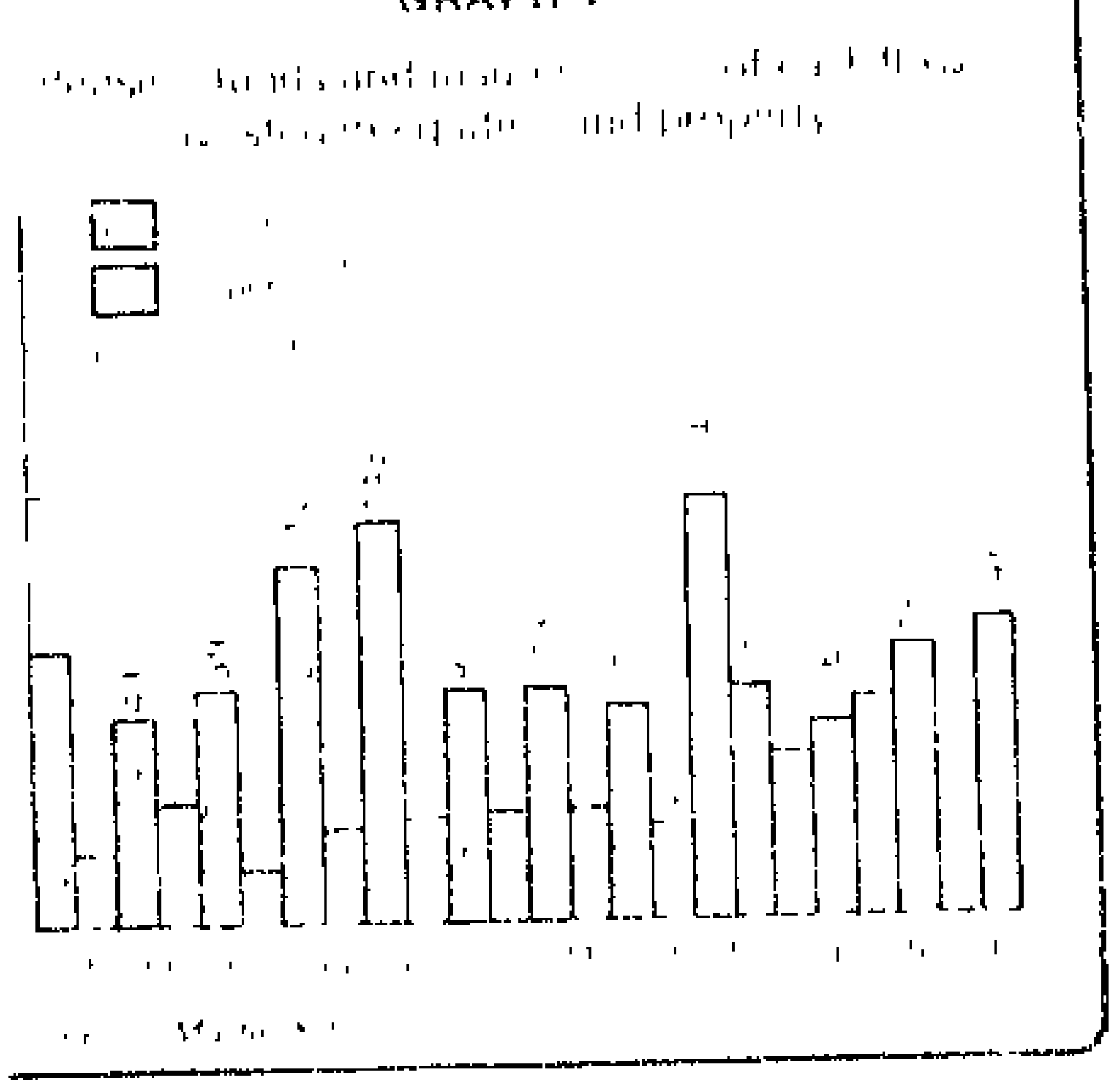
What are the chances that government will again raid the institutions for funds? The consensus among the big institutions is that it will not. Finance Minister Owen Horwood has stressed the once only nature of earlier raids. And in any event, the estimated 1977/78 borrowing requirement looks as if it will be met comfortably, even substantially exceeded.

If this is so, the increase in funds available for equities in 1978 could be dramatic. The combined effect of restoring historical percentages available for equities and continuing growth of the institutions could mean at least R300m (double the current amount) available for equities next year.

Graph 2 illustrates the phenomenal growth of pension funds and insurers in recent years. Although 1977 figures are not yet available, the expected growth rate of the industry this year is 16%. The effect of this rapid growth on the amount of cash available for investment cannot be over emphasised. In 1970 the R87m invested in equities represented 16% of cash flow. In 1978, the same percentage would translate into R350m; a fourfold increase.

Yet over this period the supply of equi-

GRAPH 1



s has not increased. In fact, the oppo
e has occurred judging by the number
companies that have disappeared from
e JSE listings.

Another positive factor is the anti
pated rundown of institutions' forward
operty commitments. From a very
nall proportion of total assets, the insti
tions' expenditure on property has
own rapidly, peaking at 20% of cash
w or R346m in 1976. This year's
ures are likely to be in the same ball
rk, but thereafter the fall off could be
dden. Sanlam, Liberty Life and South
n Life still have substantial forward
mmitments, but in general the demand
r, and the returns available, on accept
le property make any sizeable future
mmitment improbable. There is still a
peline, but it is shortening. Institutions'
posure to property has doubled in the
st five years to over 16% of total
sets.

A supply of financial assets that could
ert demand away from equities is the
al refinancing of company's existing medium-term foreign borrowings. There is an estimated R800m that might have to be refinanced over the next four years, if local companies find that foreign sources dry up.

In total, though, the supply of funds looks as if it will exceed projected demand. In fact, the amount of scrip in demand could be greater than the boom year of 1973, when R274m was invested in equities.

The two main sources of supply are likely to be foreign disinvestment and rights issues. Foreign supply can be divided into two categories: off loading of listed equities and, secondly, disinvestment in SA by multi nationals.

While the greater portion of foreigners' industrial portfolios have already been sold, mining financials and particularly De Beers are still moving from London to Johannesburg. Americans are big holders of gold mines, but as yet there is no sign of these rather specialist investors abandoning ship. If they did, SA institutions are unlikely to buy back golds at current levels. There would have to be a substantial fall before the risk on direct gold investment becomes acceptable to institutions.

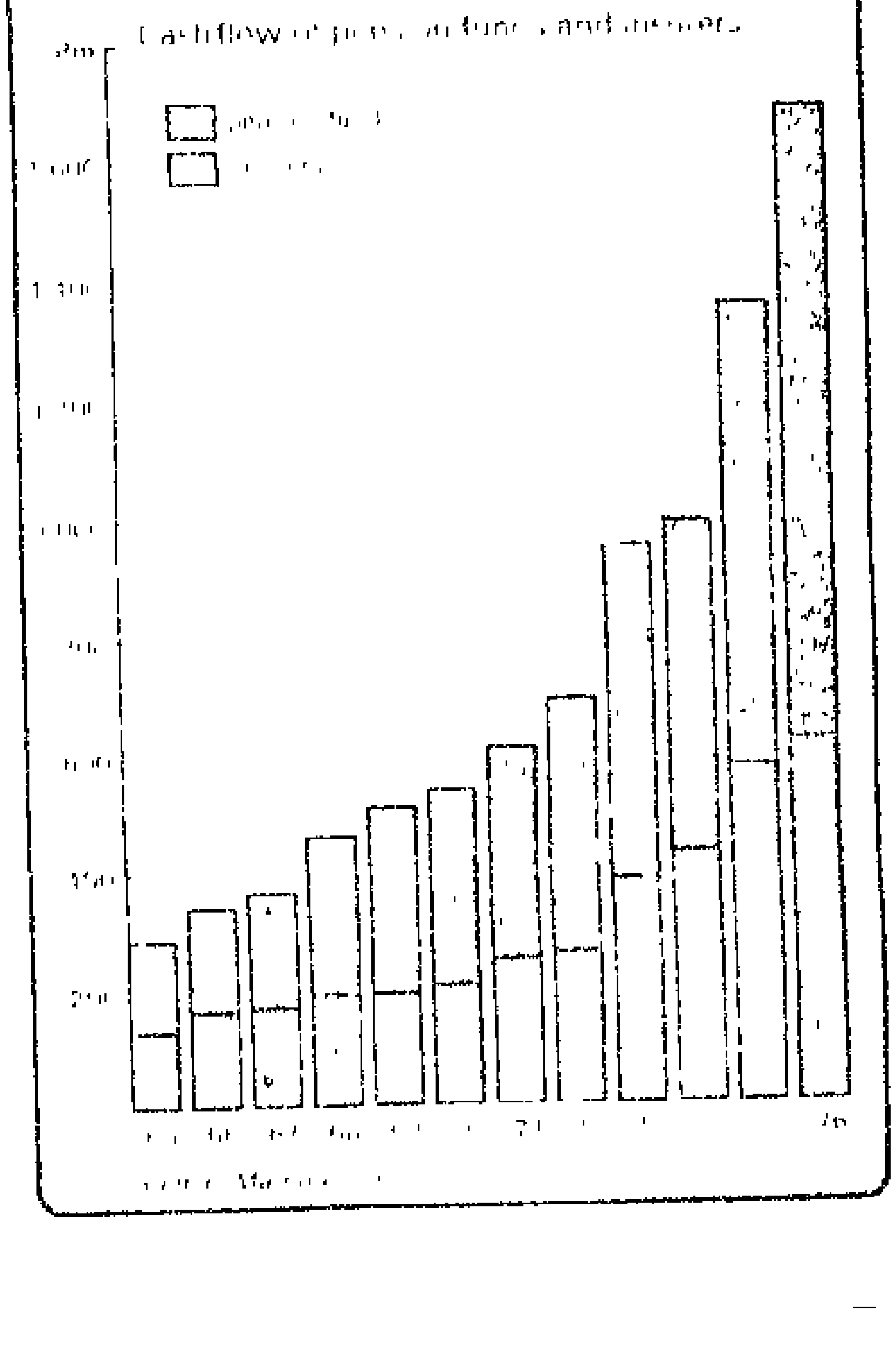
### Financial and political risks

Multi nationals selling off SA subsidiaries could be a growth area for direct institutional participation. And it could also be the motivating factor behind corporate rights issues. Certainly, if the market were to advance by 20% or 30%, companies might wish to take advantage of the availability of fresh equity capital, simply to strengthen capital structures on a revised assessment of financial and political risks, or to ensure that they have money in the bank when acquisition opportunities appear.

Other sources of equities are of minor importance. The small man has been shaken out of shares and his interest is now channelled through institutions. Investment companies and mutual funds are also more likely to be buying than selling.

The most likely outcome of the acute shortage of scrip that could develop in 1978 is an intense demand for the 100 or so stocks that institutions monitor. The discrepancy between the ratings of these and other stocks could widen and the "two tier" market become more pronounced.

GRAPH 2



FIN. MAIL 2/12/77 (58)

# TAKE THE MONEY AND RUN

**Does the** "errors and unrecorded transactions" item in the balance of payments hide a multitude of exchange control evasion sins? Probably, charges the Natal Chamber of Industries. Unlikely, responds Church Square. Who's right?

In its recently published annual report, the chamber points out that "nearly 80%" of the total short term capital outflow of R655m during the first two quarters of the year was attributed to errors and unrecorded transactions. This represents R510m — double the amount for the whole of 1976.

The chamber suspects "that there was successful evasion of exchange control regulations on a fairly large scale by persons anxious to shift their funds to countries abroad."

A rough totting up of the amounts involved in recent exchange control prosecutions indicates that attempts were made to shift around R10m out of SA this year.

This is not even 2% of the unrecorded R510m. But, at the same time it reflects only those exchange control evaders who were detected and brought to trial. Nobody really knows how many are getting away with it and how much they are spiriting out of the country.

If, say, only a tenth of the evaders are spotted, the remainder are taking R100m — or about 20% of the errors item — out of the country illegally.

A spokesman for the Reserve Bank doubts that exchange control evasions make up a significant part of the errors item, however.

"We're fairly certain that it's not the case, but we can't say for sure. The errors and unrecorded transactions entry is a balancing item, which can consist of a number of factors," he says.

## Other countries

"It's interesting that balance of payments errors have been increasing all over the world since about 1971, probably as a result of increased short term capital flows. Most countries are experiencing this."

It is indeed true that SA is not alone in attributing high proportions of short term capital movements to errors and omissions. While the errors item in our balance of payments equalled 48% of short term flows in 1972, and 76% last year, the figure for France leapt from 7% in 1972 to 74% in 1975 (though it dropped to 32% last year). Errors and omissions recorded in the US amounted to 72% of short-term capital movements in 1973 and in Britain to 97% last year.

These comparisons may prove that SA is not the only country where transactions go unrecorded. They do not prove that all the loopholes for turning rands into dollars have been closed. And even if currency smuggling is not of the order of R510m, some explanation of the unrecorded transactions is required.

Admittedly, Church Square must be faced with an enormous task in attempting to keep track of all short-term capital movements, some of which have a duration of as little as two or three days.

Comments a senior government official: "I assume they must be having problems getting the information from the banks. But R510m is a lot and something seems to be wrong. They'd be hard pressed to explain it to me."

Star 9/12/77

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### JCI PREF ISSUE

# The R40m flop that wasn't

Garth Hewitt

**The R40m flop — the largest issue of preference shares in South Africa, made by Johannesburg Consolidated Investment, of which only a little more than half was taken up by the public — was not a flop at all.**

The offer, which closed on December 2, attracted applications for 23,5 m shares, or 58,8 percent of the total. The balance is taken up by the underwriters, Union Acceptances and Standard Merchant Bank.

And this in spite of wide publicity. Some 50 000 prospectuses were distributed nationwide by the sponsoring broker, Davis, Borkum, Hare & Company.

Why did the institutions not take up more of the offer? In the words of Mr D Gordon, chairman of the giant Guardian Assurance Holdings: "The offer was not particularly attractive to life companies or pension funds, because of the tax angle."

So why did not JCI pitch the offer at a higher rate? Some 34m of the R1 shares have a coupon of 11,25 percent. The balance are on a variable rate, initially 10,75 percent.

The answer lies in the "tax angle."

Companies, but not pension funds and life companies, receive dividends tax free. Because of this the two banks which underwrote the issue will get a rate nearer to 19 percent than the 10,75 to 11,25 percent on the coupons.

And 19 percent is a pretty good rate on anybody's money.

So effectively the underwriting banks are lending the money to JCI at 19 percent. There is another factor. Although most banks are flush with cash, a lending ceiling is imposed by the Government. Nedbank, UAL's parent, and Standard have effectively overcome this barrier. Technically this is not a loan but an investment in a public issue.

## "NO SIZZLE"

What was the public response to the issue? In the words of one JSE broker: "It didn't sizzle. I expected the public to take even less than it did. The Tiger Oats issue, with a higher coupon, was very successful. We had the greatest difficulty in selling any of these shares."

The upshot is that JCI has its money. The banks have a good investment. A flop? Of course not. A very successful money raising exercise.

F.M. 16/12/77 58

### BONUSKOR

# Polarisation in Afrikaner business

**Volkskas's acquisition** of Sanlam's stake in Bonuskor this week is the latest step in what looks like an irrevocable parting of the ways for the two big Afrikaner business houses.

Both Volkskas and Sanlam are adamant that all's well between them. But recent events suggest this to be the latest manifestation of deep rooted differences between the two camps

In my view, the split was precipitated when Sanlam tried to induce Volkskas, in which it had a 28% stake, to take over Trust Bank. This was strenuously resisted by the Volkskas board, and Sanlam off-loaded most of its stake in Volkskas into the friendly, but neutral, hands of Rembrandt.

Sanlam's Wassenaar . . . did his book precipitate the split?

Volkskas subsequently launched its own merchant and industrial banks in opposition to Sanlam's Senbank and Kredietbank and the transition from partners into competitors was complete.

The official explanation of the Bonuskor deal was that "joint control over Bonuskor is no longer in the interest of the shareholders of Bonuskor."

All Volkskas's chairman, Dr Jan Hurter, would add was that "with joint control, the staff did not know who was the boss. There was no fundamental disagreement with Sanlam. It's just that no one could take the lead."

Sanlam's Dr Andreas Wassenaar concurs with this assessment. He said Volkskas and Sanlam had actually been [illegible] to agree on one party administering Bonuskor and the other remaining passive with unchanged holdings. Then Volkskas came up with a bid which Sanlam accepted. While Wassenaar conceded that Trust and Volkskas would "come more and more into competition with one another," he was emphatic that there was "no parting of the ways." He added that Sanlam has not yet moved a single banking account from Volkskas to Trust.

However, one inside observer, who must remain anonymous, sees the rift as fundamental.

"You can feel the north-south rift in Afrikaans business circles very keenly all the time. It's historical and mainly political, with the Kapenaars representing verligtheid and the northerners conservatism and the status quo. The northerners will never forgive Wassenaar for his book, which they took as a knife in the back, even though it was primarily motivated by the threat of the government pension scheme."

Wassenaar rejects this analysis but does concede that if ill feeling between Sanlam and Volkskas *did* exist, neither side would acknowledge it publicly.

If the division between the two camps is as profound as our observer thinks, the next step could be the parting of the ways in General Mining as well.

Wassenaar says this has not even been contemplated and he sees no reason why the present joint shareholding should not continue.

## Worth more

Back to Bonuskor, where minorities are to be offered the same price (38c) as Sanlam. Hurter does not expect them to accept, saying Bonuskor is worth much more than that.

Asked if the company had not lost its last remaining worthwhile investment with the sale of the SA Druggists' stake, he said: "No, Midmacor, the Honda agent in SA, is a good investment, especially with the Honda car about to be launched in SA. Mitco Tool continues to excel. And the timber interests could turn around quite nicely when the economy revives."

Hurter acknowledges that Volkskas's exposure to Bonuskor was "quite substantial" but denies this caused the deal.

"The Sanlam banks were exposed almost as much as we were," he says. Bonuskor is to receive additional long-term loans to see it through the rest of the recession. The R8m cash from the sale of SA Druggists will also enhance liquidity.

Isn't Volkskas already too deeply involved directly in industry? "No. The other banks also have industrial interests. The only difference is we have control," says Hurter.

Bonuskor's agricultural and forestry operations have a fair amount in common with Transvaalse Suikerkorporasie. It would not be surprising if TSK and Transvaal Metal Foundry, Volkskas's biggest industrial interests, were put into Bonuskor. Perhaps Volkskas could do this and then hand back Bonuskor to the Volkskas shareholders as an independent entity.

This would put the industrial interests at arm's length from the bank and would reduce Volkskas's current obligation to lend to these companies.

While the 38c being offered to minorities exceeds the pre-suspension price of 28c, it was below June 30's net asset value of [illegible]. With a cast iron commitment from Volkskas it seems the company can only go upwards and holders would be best advised to hang on.

*David Carte*

(58) FM 18|11|77

## NEDBANK GROUP

# Profits set to surge

**Activities:** *Holding company for a banking and financial services group. Principal subsidiaries are Nedbank, UAL, Nefic, Nedfin, Syfrets Bank and Syfrets Trust Companies. Rhobank is 62% owned and Nedsual Insurance Brokers 75% owned. Associates include Sage Holdings, Anglo African Factors and Anglo African shipping.*

**Chairman:** *Dr F J C Cronje; chief executive G S Muller.*

**Capital structure:** *85,9m ordinaries of R1. Market capitalisation: R176m.*

**Financial:** *Year to September 30 1977. Total assets: R2 850m. Ratio of deposits to total shareholders funds: 11:1. Capital commitments: R17,5m.*

**Share market:** *Price: 205c (1976-77: high, 228c; low, 155c; trading volume last quarter, 1 270 000 shares). Yields: 18,0% on earnings; 8,8% on dividend. Cover: 2,0. PE ratio: 5,6.*

|  | '74 | '75 | '76 | '77 |
|---|---|---|---|---|
| Return %* ... | 16 2 | 17,1 | 17 4 | 17 7 |
| Total deposits (Rm) | [illegible] | 1 585 | 1 834 | 2 063 |
| Net profit (Rm) ... | 23 3 | 26,2 | 28,4 | 31,6 |
| Earnings (c) .. | 27 2 | 30,5 | 33,0 | 36 8 |
| Dividends (c) | 14,0 | 15,5 | 16 5 | 18 0 |
| Net asset value (c) | 168 | 179 | 190 | 208 |

**On group shareholders' funds*

**Gerry Muller, Rob Abrahamsen . . . letting AECI take the strain on Triomf**

**Evidence in** Nedbank Group's annual report points to the current year producing a major profit advance. After the 10% a year earnings growth of the past three years, this rate could accelerate to around 20% this year.

Provisions of R8,5m against Glen Anil in Nedbank and particularly bad debt experience in the leasing business carried in Nedfin, retarded the profit advance over the past year. The argument for a big surge in profits this year rests on three basic tenets.

First, the performance of Nedbank in improving its own profits 7,4% to R18,9m after taking an after-tax loss of R4,9m against Glen Anil suggests that a major profit improvement can be reported without any real increase in business activity.

Second, if the ploughback of R16m earns the group's average return of 17,7% on shareholders' funds, this alone gives a 9% increase in earnings. The remaining tenet is that the Nedfin leasing book has undergone a thorough clean-out and that some resurgence of profits can be expected from this source.

Nedbank and Nefic are both extraordinarily profitable banks. Nefic returned 22,5% on shareholders' funds while Nedbank would have returned over 23% without the Glen Anil provision. Much of the reason for these high returns is that management actively manages both sides of the balance sheet.

The profitability of banks depends on the margins between the cost of buying and selling money. The decline in the cost of buying was successfully anticipated and as selling rates dropped slower, the bank coined profits. On the demand side, the banking sector was fortunate to offset contracting private sector demand by satisfying the substantial demand for bridging finance from public utilities.

A feature of Nedbank's accounts is the high level of liquidity that has been maintained and increased during the year. At R257m, liquidity now represents 15% of Nedbank's total funds against 11,5% a year ago. These funds have been utilised very profitably in the money market.

While this liquidity ensures Nedbank's ability to satisfy any sudden increase in loan demand, the substantial capital surplus allows for a massive increase in total lending in the long term. The ratio of deposits to shareholders' funds remains low at 11,1, compared to a statutory upper limit of 16,6:1, indicating the substantial unutilised leverage inherent in the group's financial structure.

UAL continued to struggle under the weight of past mistakes. The Summit debacle still means that a large part of its loan portfolio is earning unacceptable returns. This is highlighted in the table, which shows UAL's return on shareholders' funds to be only 11,4%. Rhobank, on the other hand, remains extremely profitable and the 62% interest in this operation sources 6% of earnings and dividends.

Syfrets Bank also reported a major 50% improvement in profits, and banking is now the source of 83% of group profits.

Trust, participation bonds and other personal financial services are the source of 10% of profits. Biggest contributor here is Syfrets Trust which increased profits 13% to R2,1m, while the 75%-owned insurance broking arm did well to improve taxed profits 82% to R748 000. The 7% balance of earnings derive from dividend income from investments such as Sage Holdings.

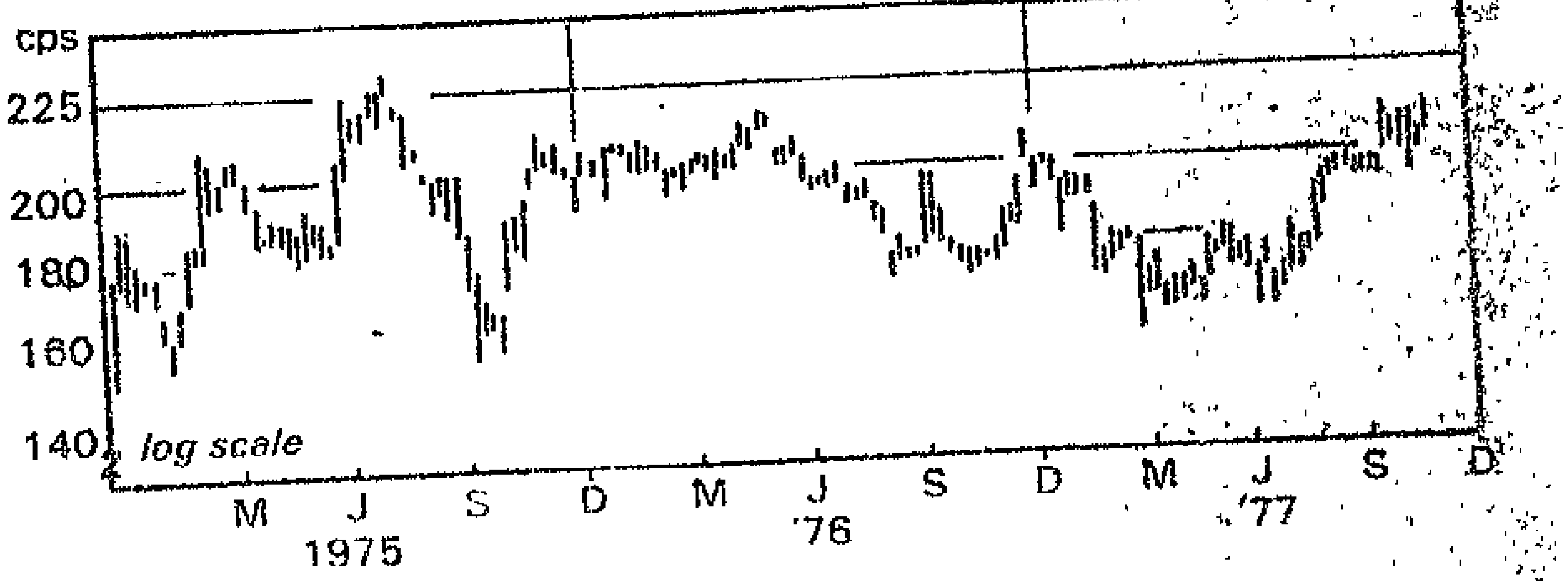
One cloud over Nedbank, that investors have refused to allow to disperse, is

## COMPARING THE BANKING SUBSIDIARIES

|  | Total equity | Taxed profits | Return %* | Deposit ratio† |
|---|---|---|---|---|
|  | -Rm- | -Rm- |  |  |
| Nedbank | 101,1 | 18 9 | 18 7 | 11,8.1 |
| UAL | 25,5 | 2 9 | 11 4 | 6,0·1 |
| Nefic | 13 3 | 3,0 | 22,5 | 12,0 1 |
| Nedfin | 22,2 | 1 5 | 6 6 | 8,5,1 |
| Rhobank | 17,4 | 3,1 | 18,1 | 11,6·1 |

**On total shareholders' funds. †Ratio of deposits to total shareholders' funds.*

# NEDBANK: READY FOR A MAJOR MOVE



its involvement with Triomf. I have long held the view that shareholders and not the bank are at risk and that these shareholders, who include AECI, have more than R50m on the line which they can't afford to wave goodbye.

This view tends to be confirmed by the bank's statement that "arrangements with the management and shareholders (of Triomf) with regard to possible future trading losses at Richards Bay as well as in connection with possible refinancing of foreign loans" were made some time ago. "These arrangements ensure the continuation of a satisfactory own means position of Triomf (Pty) and from 1978 onwards should result in a reduction in Nedbank's overall commitment."

I take the reference to "own means position" to indicate that it is up to the shareholders to fund trading losses and to maintain the equity of the Pty company at the agreed starting level of over R50m.

I also take the reference to a reduction in Nedbank's overall commitment to mean that it is not going to fund the exacting loan repayment schedule on its own and that shareholders are going to have to provide some of the funds and guarantees for these repayments. If shareholders are going to have to provide as much as half of these funds, it is going to make the listed Triomf's life very difficult. More and more the Triomf exposure should be read as the AECI exposure, and that thought should not provide shareholders with too many sleepless nights.

Nedbank shares have suffered from an inferior rating to the other majors ever since the Syfrets UAL acquisition. This differential can no longer be justified, expecially in view of profit and dividend prospects. My estimate is for earnings of 44c and a 22c dividend this year. On this basis, there is substantial upside potential from the current 205c and the shares should be bought.

*Richard Stuart*

## DATES TO REMEMBER

**Last day to register for dividends:**
**Friday November 25:** Barclays 13c; Barlows 19c; CNA 5c; Com 24c;

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STAR 28/12/77

*Top banker warns SA*

Star BUSINESS

# Change, or risk lasting damage to the economy

**Barclays Bank chairman, Mr James Barry, has warned that "unless socio-political change on an evolutionary basis is actively promoted by the authorities, the consequences of these adverse factors could permanently damage the economy of our country."**

Mr Barry — the man in the middle of last week's controversy over the bank's decision to sell its R10-m Defence Bonds outlined these "adverse factors" in his chairman's statement for the year ended September 30.

He said that although 1978 should, from an economic point of view, prove to be a slightly better year than 1977 "this prediction must be subject to developments outside South Africa where there is likely to be a continuance of the strong and adverse reaction to the Government's political philosophies and restrictive actions.

"The lack of overseas confidence in the future of our country is hampering the flow of investment funds to the Republic, and this will lower our growth rate at a time when economic growth is already being adversely affected by inflation which is continuing at a high level."

Mr Barry said that with its mineral wealth and other natural resources, South Africa was, subject to its social and political problems and its ability to attract fresh capital from overseas, well placed to benefit from any improvement in world trading conditions.

"The attraction of fresh capital from overseas to alleviate the Republic's capital account is dependent upon overseas investors being satisfied that evolutionary change as distinct from revolutionary change will take place at a reasonable pace," he said.

Changes were taking place and the bank, together with the business community, was playing its part, particularly in seeking to remove discriminatory practices and to improve the living conditions of urban blacks.

"The effect of such changes has been diminished on the one hand because they are contrasted with developments in South West Africa, where some of the discriminatory legislation has been set aside, and on the other hand because of widespread condemnation of security measures recently taken in the Republic."

The group's attributable earnings in the 1977 year were R33,7, an increase of R5m after charging to profits a provison for doubtful debts R11m greater than in 1976. Distribution was increased by 4c to 23c.

Mr Barry said it was only by careful management of the bank's funds and its investments and by placing more emphasis on somewhat longer average terms for its loans and advances that it had been able to maintain an acceptable interest turn.

Welcoming the appointment of the commission of inquiry into the monetary system and monetary policy, he said the banking sector had felt for some time that the mechanism of bank credit and interest rate control should be reviewed.

"Variable liquid asset reserve requirements which are an important part of the credit controls at present being applied do not seem to operate effectively enough as a method of credit control." — Sapa.

# Barclays assets growth slower

**Harold Fridjhon**

Total assets of Barclays Bank during the year to September 30, 1977, grew at a slower rate than in previous years — from R4 640m to R5 169m, compared with a growth of R750m during the 1976 financial year.

The reason for this apparently sluggish performance is that as the lending ceilings inhibited the bank's capacity to lend money, there was little purpose in taking and paying for deposits which could not be profitably used.

The consolidated balance sheet reveals that Barclays has the capacity to take more deposits — R300m of them — when restrictions on lending are eased. The bank's free capital is R227m which means that it may accept deposits totalling R3 789m compared with the R3 485m as at a balance sheet.

Investments in listed stock rose from R469m to R677m with the average rate of interest rising from 6,07 percent to 6,5 percent, suggesting that advantage was taken during the year of the high interest rates available, a continuance of the previous year's policy.

It is interesting to note that income from investments amounted to R56m compared with a total pre-tax profit of R50,2m. In the case of Standard Bank, the only other bank to make full disclosures in its balance sheet, income from investments amounted to R40m with a pre-tax profit of R38,3m.

Disclosures this year in the Barclays accounts are more detailed than ever. This should enable investment analysts to examine the accounts more closely and with less guesswork than in the case of some of the other banks.

The mystery and the shibboleths are being taken out of banking which, after all, is a business like all other businesses.

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F.M. 23/12/77

(58)

# Dolling's word, SA's bonds

*Is your personal style authoritarian or persuasive?*

*Well; I like to think our general management works as a team and that decisions of any consequence are made at the least by a convincing majority. But there are occasions when I have to exercise my veto and I feel that this is what I am paid for.*

Frank Dolling, then chief executive of Barclays National, in an *FM Special Survey* interview in January 1976.

**He hasn't** changed. When London cracks the whip, Johannesburg jumps. Far from the gentlemanly consensus which one normally associates with decision-making at the Barclays' helm, there was an unprecedented confrontation between Barclays International (BI) and Barclays National (BN) in Johannesburg last week.

Dolling, now the senior GM of BI in London, came out for four days and, from all accounts, read the Riot Act to his SA successor Bob Aldworth: sell your R10m Defence Bond investment.

BN, which is 64% controlled by BI, had no alternative other than to obey. On a year to the day since BN first bought the bonds, the earliest date on which the bonds could be sold, Aldworth took his instruction with all the enthusiasm of a head prefect after a scolding from the headmaster.

Barclays' boss . . . not now Dolling

In the ordinary course of events, BN makes its own decisions. But should the local board feel an issue is so important that prior referral to London is required, it will normally refer with its own recommendation. For practical purposes, in virtually all cases, London okays the recommendation.

The Defence Bond issue was not referred. Perhaps, if only as a matter of courtesy (or commonsense), it should have been. Perhaps London, equally unsuspecting of an overseas reaction and believing that BN simply was switching from one prescribed government stock to another, would have agreed. As matters turned out, however, the first London heard of it was through the press.

What followed was a clamour from anti-apartheid pressure groups — and BI was called to account by the UK Treasury. There was a demo at the opening of a Barclays branch in Aberdeen. More were feared, particularly in the US where Barclays is striving to make inroads. So from on high at BI came the decision that overseas pressure, coupled with the potential for loss of overseas business, was so great BI had to be seen to be reacting by forcing BN to sell.

It was a severe slap in the face for BN's top management. Almost to a man (chairman James Barry is understood to be an exception), the view is that BI, possibly peeved at not having been consulted beforehand, has over reacted by exaggerating the strength of overseas pressure. Other foreign banks doing business with BN, for instance, have given no inkling of their displeasure.

Moreover, there is a strong view in BN that it has every right to use SA depositors' funds for buying and selling SA government stock, including Defence Bonds, without interference from London. And if part of those funds are used in the defence of SA, it serves also as a morale booster for local staff and clear evidence of BN's commitment to the country in which it reaps the profits which BI in London enjoys (reportedly over 30% of BI's total).

The full ramifications of London's arm twisting have yet to be felt. Demonstrated conclusively is the chink in the armour of local management, which is now clearly seen to be constricted in doing business in terms of its own assessment of local conditions. Almost certainly, this will lead to an accelerated reduction in BN's foreign shareholding.

The object will be for SA interests to control BN. Presently, only 36% is SA-owned. Following the Franzsen Commission report in the early Seventies, the public took roughly 18% and two years ago, after BN bought Wesbank from Anglo, Anglo became by far the largest individual SA shareholder in BN with a further 18%.

Rumour has it that BI anyway considers SA a write-off over the longer term and wants out — if only it could both sell its BN holding at a reasonable price and obtain exchange control approval for repatriation of the proceeds. There should be no problem from the authorities over repatriation of at least 14% in BN, to facilitate SA control.

But one is talking big numbers, for BN's current market capitalisation is a little under R200m. Either there can be another public share issue further to dilute the BI holding, or a local buyer will have to be found.

The range of potential locals with this kind of lolly necessarily is limited. Sanlam, though it was mooted as a possible partner before the Wesbank takeover, is up to its eyeballs with Bankorp and Trust Bank. Mutual is heavily committed to Nedbank, but is a substantial shareholder in Anglo also. Anglo itself is an outstanding prospect through its muscle, existing interest and independence from other banking groups.

But in the days lying ahead, who knows which alternatives will present themselves? BN will never be quite the same again, and the restructuring of SA's banking fraternity is bound to gain fresh impetus.

## LUYT AND NEDBANK

**To sleuths** and burrowers dutifully sniffing for the first whiffs of financial decay, the weekly *Informa* credit report is a must. Their eyeballs must have popped from their heads this week, as this writer's nearly did, when nothing in the latest issue that Nedbank had secured a R107m notarial bond against Louis Luyt in his personal capacity.

Where would Luyt himself have acquired assets of this magnitude in the first place? And why should Nedbank suddenly move to secure them?

Relax everybody, Even *Informa* can make mistakes.

The bond in fact was taken out against Triomf (Pty), operating company of the Triomf group, which already owes Nedbank something like R81m in overdrafts and guarantees alone. Moreover, the bond simply agglomerated a series of existing bonds, formalised over a year ago, in terms of Nedbank's desire to secure just about everything there is to secure in Triomf.

RAPPORT, 25 Desember 1977 — 5

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### Rentmeester en Rondalia nou saam

# NOORDE MAAK VUIS

Deur DAVID MEADES

**DIE eerste stap tot die stigting van 'n sterk Transvaalse Afrikaanse versekeringsgroep is vandeesweek gedoen. Dit was die besluit van Rentmeester-Beleggings en Rondalia om hul versekeringsbedrywighede saam te snoer.**

*Die twee maatskappye het in beginsel ooreengekom dat Rentmeester-Versekeraars en Senator-Versekering (voorheen Rondalia-Versekering) sal saamsmelt om sodoende sterker eenheid te verkry.*

Aan RAPPORT is gesê dat daar al baie lank gevoel word dat die Afrikaanse finansiële belange in Transvaal 'n sterker versekeringsgroep nodig het.

Die twee groot Afrikaanse versekeringsgroepe, Sanlam en Santam, is albei in die Suide gesetel.

Dit is ook interessant dat hierdie stap, wat blykbaar reeds al 'n hele paar jaar beoog is, in 'n stadium kom dat Volkskas en Sanlam besig is om al hoe verder van mekaar af te beweeg.

Dit het vroeër vanjaar begin toe Volkskas besluit het om nie langer 'n vennoot van Sanlam in die toe hoofsaaklik aksepbankgroep, Bankorp, te wees nie.

Volkskas het sy eie aksepbank gestig, wat van meet af 'n baie groot sukses was. Die volgende stap was toe Volkskas besluit het om Sanlam se belang in Bonuskor oor te neem nadat hulle baie jare lank vennote in hierdie maatskappy was.

Volkskas, tesame met dr. Albert Wessels se Wesco, die AVL-groep en Saambou-Nasionaal, besit 'n belang van 40 persent in Rondalia, terwyl Rentmeester op sy beurt reeds jare lank 'n sterk Transvaalse groep is, met mnr. Joggie Vermooten aan die stuur.

Terselfdertyd het Wesco ook die enigste ander private versekeringsmaatskappy onder die Transvaalse Afrikaanse groepe. Dit is Rand-Lewens, wat dalk ook mettertyd by die nuwe versekeringsgroep, wat as Senator bekend sal wees, kan aansluit.

AVL, vroeër bekend as Afrikaanse Verbondlewensversekeringsgenootskap, is natuurlik 'n onderlinge genootskap, met AVBOB as sy verwante begrafnisondernemer.

Senator is een van die ouer versekeringsmaatskappye in die land en is reeds daar in die vroeë jare veertig gestig. Hy het tot 1964 net korttermynversekering gedoen, waarna hy Rondalia-Versekering geword en ook met lewensversekering begin het.

Rentmeester-Versekering is in 1957 gestig en doen sake as 'n lewensversekeraar en onderskrywer van pensioenfondse.

Die manier waarop die twee maatskappye sal saamsmelt, sal later bekend gemaak word. Daar sal onafhanklike waarderings op 'n oorskotgrondslag van die maatskappye gekry word.

Senator sal dan al die aandele van Rentmeester-Versekering kry en in die plek daarvan nuwe aandele in Senator aan die aandeelhouers van Rentmeester uitreik. Dit sal tot gevolg hê dat Senator se kapitaal aansienlik verhoog sal word.

Mnr. Vermooten sal die nuwe voorsitter van Senator wees.

Die plan is reeds in beginsel deur die Minister van Finansies en die Registrateur van Finansiële Instellings goedgekeur.

UNIVERSITY OF CAPE TOWN

(WITH WHICH IS INCORPORATED THE SOUTH AFRICAN COLLEGE)

TELEGRAMS

POSTAL ADDRESS

SUN., BUS. TIMES 25/12/77

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# Barclays seeks a lifeboat for Concorde

**BARCLAYS is trying to put together a consortium of four major commercial banks to provide a "lifeboat" for the ailing Concorde Bank.**

### By NIGEL BRUCE

The object of the consortium which is being formed, I understand, on the initiative of the Registrar of Financial Institutions, Mr Wynand Louw, is to wind down the operations of the bank after buying out the minority shareholders and paying out depositors.

Pretoria is concerned that if Concorde is allowed to falter on, it may collapse and affect investment opinion abroad.

Under the proposed scheme, the large institutional shareholders will retain their interest in Concorde, but the chances are that, at the end of the day, they will get nothing in return.

These large shareholders include Messina, which has a 42 per cent stake that it has been trying to sell for some time. Others are Southern Life, Mercatrust and the Iscor Pension Fund.

The exact position of Sanlam in the winding up is not clear. But it will undoubtedly figure considerably, in view of the fact that it lent Concorde R30-million, and will obviously try to call up the security it holds.

Certainly no "lifeboat" will be successful without its willing participation.

The chances are that the commercial banking consortium will second a strong team to assist Mr Frank Shaul, the recently appointed managing director of Concorde, himself a former top Barclays executive, to wind up the operations of the ailing bank.

Concorde's problems have been found to be much more serious than they appeared to be at the time of the Finansbank bid earlier this year, which uncovered the fact that doubtful leases had been made by a leasing subsidiary manager to companies with whom he was associated.

Last month unconfirmed reports suggested that provision for doubtful debts had bitten deeply into what few reserves the bank had left.

This was given credence on Friday in Messina's annual accounts which say: "Concorde Bank Limited was also severely affected by the recessionary conditions in the construction and related industries in which the bank was heavily committed. Substantial transfers had to be made from general reserve to cover possible losses of the bank and its subsidiaries."

Obviously the bank is exposed to a far greater extent than the R3-million of doubtful leasing debts in Natal which caused Finansbank to withdraw its generous 85c a share bid for Messina's stake.

Winding up operations are unlikely to cause many ripples, for the depositors are mainly institutions and, I understand, there are likely to be sufficient funds to meet their claims.

The institutional shareholders appear to accept that their investment is now worth nothing. Whether the shareholders will have to chip in, so that the banks' obligations are met, is not yet clear and neither Messina nor Barclays are prepared at this stage to release any further information on the "lifeboat" or on the state of the bank's finances.

At the time of suspension of Concorde's shares on Thursday, the long-overdue accounts of the bank had not yet appeared to be finalised.

The previous managing director of the bank, Trevor Evans, resigned prior to the appointment of Mr Shaul.

The extent of the residual assets will depend materially on the outcome of litigation in Natal where the company is trying to recover assets.

Registrar Wynand Louw ... concerned at overseas opinion.

Barclay's chief Bob Aldworth ... seeking consortium.

# Economist predicts bigger growth rate

58

JOHANNESBURG — At a time of the year when it is traditional to predict the future, Dr Johan Cloete, chief economist of Barclays National Bank, has taken out his own crystal ball and made his forecasts for 1978.

Generally, they bring good tidings. He forecasts:

A real Gross Domestic Product growth rate of about 3 per cent for 1978, against estimated growth of about 1,6 per cent for 1977. The forecast is based on an average gold price of $155 an ounce for 1978. A substantially higher price could make a considerable difference to growth prospects in 1978, but this would probably reflect adverse conditions in the world economy and could adversely affect merchandise export earnings.

An inflation rate of about 10 per cent, compared with just over 11 per cent in both 1976 and 1977.

A rise of private consumption expenditure of about 3 per cent in real terms, compared with the estimated decrease of about 2 per cent this year.

A further fall in private fixed investment, because of uncertainty, continuing pressure on profits and the considerable amount of idle capacity to be absorbed.

A "fairly sharp" increase in public sector expenditure as part of a more expansionary fiscal policy and because of pressing demands for low-cost housing and schools and capital to develop the homelands.

Gross domestic fixed investment expenditure by both public and private sectors is likely to decrease by 3,5 per cent in 1978, compared with about 12,5 per cent this year.

A build-up of stocks to the tune of R300-million which, together with an improvement in consumer demand, is likely to make an important contribution to an increase in the real GDP.

A further surplus of R450-million on current account of the balance of payments, compared with an estimated R500-million in 1977. This assumes an average gold price of $155 an ounce. But foreign demand for goods and services, while remaining substantially positive, is not expected to contribute much towards accelerated growth next year.

Economic growth is likely to be broader based next year. Dr Cloete expects manufacturing output to be up by about 3,5 per cent and — cherry on the top — construction up by perhaps as much as 6 per cent.

There is little scope for a substantial reduction in short-term or long-term interest rates much below present levels. — DDC.

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UNIVERSITY OF CAPE TOWN

Sake-Rapport 8/1/78 (58)

# BARCLAYS SLAAN 'N HOU

**BARCLAYS LEASING, 'n afdeling van Barclays-Nasionale Bank wat in Februarie van verlede jaar verantwoordelik was vir die totstandkoming van die grootste bruikhuuronderneming in Suid-Afrika, is verkies tot volle lid van Multilease, 'n internasionale konsortium van maatskappye wat hulle op die verhuur van toerusting in 23 lande toelê.**

Barclays Leasing, wie se lidmaatskap van Multilease deur Barclays Mercantile Industrial Finance in Brittanje geborg is, sal dus al die voordele voortspruitende uit hierdie losse assosiasie van internasionale bruikhuurmaatskappye kan geniet. Die totale koste van die toerusting wat deur Multilease-lede verhuur word, oorskry R10 biljoen.

Die vernaamste voordele wat aan Barclays Leasing sal toeval ten gevolge van sy lidmaatskap van Multilease, is toegang tot internasionale finansiële en bruikhuurdeskundigheid, en die verpligting wat op alle lede rus om bruikhuurtransaksies in die eerste geval aan mekaar te bied.

Slegs een maatskappy in enige bepaalde land kan 'n volle lid van Multilease word, en oor die algemeen is hierdie maatskappye gewoonlik die grootste verhuurders van toerusting in hul onderskeie lande.

Amerika is verteenwoordig deur die reusagtige United States Leasing International Inc, met byna 200 000 aktiewe kliënterekenings en meer as R2 biljoen se verhuurde toerusting; Japan deur die Orient Leasing Company; en die Verenigde Koninkryk deur Barclays Mercantile Industrial Finance. Elk van hierdie sakeondernemings is die grootste bruikhuurmaatskappy in sy eie land. Die meeste Europese en Verre Oosterselande, Australië, Kanada, Venezuela en Brasilië is ook lede van Multilease.

Die lidmaatskap van Barclays Leasing kan as 'n opvallende triomf beskou word want dit is toegestaan slegs vier jaar na die totstandkoming van die afdeling. Sedert sy stigting het sy omset — dit wil sê die toerusting wat aangeskaf is — drievoudig tot R70 miljoen per jaar gestyg. Dit het gevolglik Suid-Afrika se grootste onderneming vir die verhuur van toerusting geword, het 'n woordvoerder van Barclays Leasing aan Sake-RAPPORT gesê.

Barclays Leasing maak daarop aanspraak dat hy die ses grootste transaksies vir die bruikhuur van toerusting in die geskiedenis van ons land beklink het. Hierby inbegrepe was daar 'n R27,5 miljoen-transaksie vir 'n anode-vervaardigingsaanleg vir Alusaf by Richardsbaai.

**BONDS** (58) FM 20/1/78

## It's the limit

**The Fouché** commission's recommendation that the limit on the percentage building societies may lend in amounts over R18 000 be dropped was greeted with relief by the societies.

And reports percolating through from Pretoria that government has accepted all Fouché's proposals except (lamentably) those on rent control, have made them optimistic that a move in this direction could be coming before the end of their financial year — March 31.

However, the Registrar of Financial Institutions, Wynand Louw, in whose court the ball is, will only say that "all Fouché's recommendations" are at present under consideration "as a whole packet." And there is "no question" of dealing with the R18 000 limit in isolation. However, he adds, government is "well aware of the societies' feelings."

This is small comfort to the societies. Their view is that the R18 000 limit, fixed five years ago, has now become totally unrealistic. It has never been adjusted to take into account soaring building costs (*FM* last week). Middle class housing in SA's main centres, the societies argue, now costs a minimum of R25 000. Most would-be buyers in this category (and they form the bulk of the market) just don't have the R7 000 and upwards deposit required.

Some societies are now finding it difficult to lend their available cash. In fact some are even being forced to consider as security properties that they normally wouldn't — older homes with archaic plumbing for instance. And this they are understandably unhappy about.

**Registrar Louw . . . hold your horses**

The reason for imposing the R18 000 limit in the first place was to encourage cheaper and more modest homes. And to a certain extent the limit has had the desired effect. Large housebuilders, such as Schachat-Cullum, Wimpey and Gough Cooper have been scaling down their new homes and gearing the price to the R18 000 limit.

But how long they'll be able to do this if costs continue to rise is uncertain.

Already, says one building society man, its come down to not only cutting out "frills" (the garage and second bathroom) but a living/dining room the size of a study. How much smaller and cheaper can new homes get? And will the public accept them?

Fouché's recommendation that the limit be dropped was tied to another proposal — that the 25% of income in repayments rule be rigidly enforced. Building societies however aren't too happy about that. They want to retain their flexibility and to treat each loan application on its merits. (*FM* December 16 1977).

Another alternative is that the percentage of loans over R18 000 (now standing at 37,5%) be increased. But the societies reckon it needs to be a hefty, rather than a token, hike to get them out of their current spot.

## SANLAM/SANTAM

(58)

# Aid for Trust

FM
20/1/78

**The official line** is that Santam and Sanlam are discussing no more than "the possible rationalisation of their insurance activities." But the market is rife with speculation.

The battle lines are now drawn with Volkskas, and Sanlam is gathering in its chickens more closely. It would appear to make admirable sense to integrate Santambank's insurance activities with Sanlam and the banking side with Bankorp. This would presumably entail a full-scale takeover and therefore an offer to the holders of the remaining 67% of Santam, which Sanlam does not own. Mercabank minorities might also receive an offer.

At present, Sanlam has no short-term arm, so the advantages of Santam with gross short-term premium income of over R100m are obvious. It could market life and short-term package deals to its clients, largely family people with both life and short-term needs. And there would be substantial administrative savings through the elimination of duplicated offices and staff.

Sanlam has long been interested in a short-term operation and made overtures to Santam way back in 1970. According to Santam MD, Izak Steyn, it has indicated its continuing interest ever since. In fact, Steyn says only a gentlemen's agreement has prevented Sanlam from starting its own short-term operation.

Another big advantage of a complete takeover is that it would enable further integration of Sanlam's disparate banking interests.

At this stage Sanlam, through Bankorp, has interests in Trust Bank, Senbank, Bank of Johannesburg, Kredietbank, and via Santambank, Mercabank. The latter has minorities but with its property exposure would presumably welcome closer ties to the muscle of Sanlam.

One property man has even speculated that Sanlam might be interested in taking over the Montrust, Mondorp and Volkstrust stable. As a life company with no immediate earnings imperative, Sanlam is better equipped than anyone to sit on a huge property portfolio, if need be, for years, until the market turns. The Mondorp stable portfolio, I'm told, is vast — 40% as big as Glen Anil's and Sanlam already has Lengro's townships.

To become a total monopolist and to tidy up the entire SA township development scene, Sanlam need only make a (low) offer to the Glen Anil liquidators.

It sounds like science fiction but the exponent of this scheme argues, this is precisely what a consortium of Canadian insurance companies did after their big property slump — to their immense advantage later. It's an entertaining idea but it really does seem that Sanlam has had its fill of property.

The bargaining parties have given themselves plenty of time to negotiate even a complex deal.

Santam's Steyn says these are "interesting speculations" but insists that "at this stage", the talks are exploratory and aimed only at integrating the short-term operations. He says Santam will resist a complete takeover but does concede "everything has a price."

"We're in a strong bargaining position", he adds. "After all, we don't *need* to sell."

One insider on the Santam side estimates the Santam insurance arm to be worth "between R25m and R30m", although the pre suspension market capitalisation of the whole group was only R21m and this was after the share price improved swiftly from 45c to 60c. Another on the Sanlam side says this is

## CAPITAL MARKET

(58)

# Who got wot

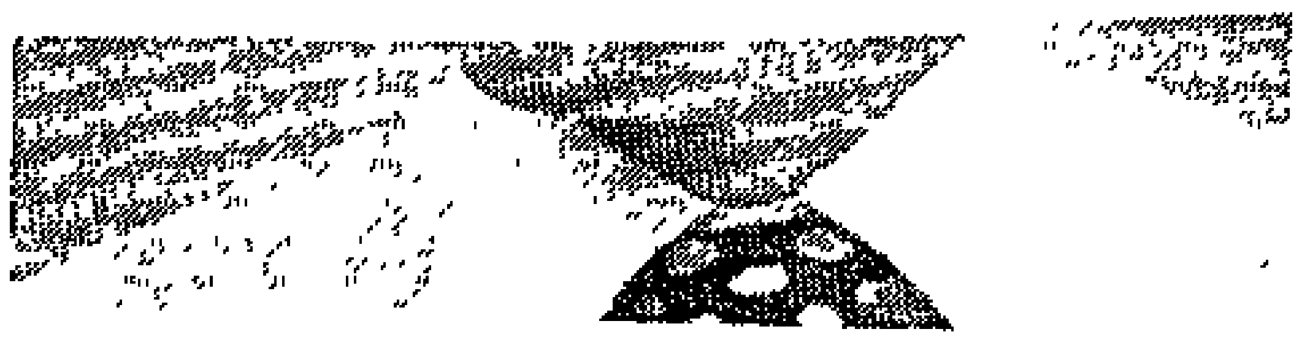
FM 20/1/78

**For both** public and private sector fund raising the 1977 laurels go to Senbank. In a vastly expanded capital market, where the total amount raised in the public sector was 80% more than in 1976, Senbank increased its share of the market by roughly 5%, while UAL's share increased by slightly more than 1%.

Volkskas Merchant Bank (which incorporated Bankovs during the second half of the year) also did well, capturing more than 8% of the market compared with less than 1% in 1976. Those three — Senbank, UAL and VMB — made significant inroads into some of the smaller banks' business.

In the private sector (including debentures and pref shares) where total funds raised in 1977 exceeded the 1976 figure by 48%, Senbank increased its share of the market by just over 6%, while UAL's share remained largely unchanged.

Senbank denies that its greater market share is largely the result of its Trust Bank takeover earlier in the year. Asserts capital market manager Louis Kruger: "Cape Town was our only major gain from Trust Bank clients and even there we were competing for business with the other banks."



Senbank's Kruger . . . cutting bigger slices

Although the capital market eased up substantially in the latter half of the year and interest rates declined markedly, there was still keen competition between the banks. This year is expected to be equally competitive, particularly with Volkskas now emerging as a major contender in the public sector. Cutbacks in scheduled municipal borrowing are expected to further diminish the shares of smaller banks.

The increased requirements of the public corporations on the other hand, which are usually placed jointly by Senbank and UAL, should serve to consolidate the dominant position of those two in the capital market during 1978.

NM 21/1/78

# S.A'S HAPPY TRADE SWING

**PRETORIA — South Africa had a favourable trade balance of R676,3 million in 1977 compared with a deficit of R1 379,4 million in 1976, according to the preliminary statement of trade statistics released here yesterday by the Department of Customs and Excise.**

And the surplus could, in fact, reach about R1 000 million, according to senior vice-president of the Afrikaanse Handelsinstituut Mr. Jack van Wyk.

The trade figures state that exports totalled R5 803,1 million (fob) in 1977 compared with R4 490,7 million in 1976.

Imports, also fob, totalled R5 126,8 million as against R5 870,1 million in 1976.

Figures relating to the physical movement of gold bullion, oil imports and imports of defence equipment are not included in the trade statistics.

The trade statistics reveal that imports from Africa dropped from R309,8 million to R287,4 million, while exports to African countries increased from R453,1 million to R524,7 million.

Imports from Europe dropped from R3 206,1 million to R2 821,0 million while exports to Europe increased from R2 495,1 million to R3 072,3 million.

Imports from America dropped from R1 400,9 million to R1 086,7 million while exports to America increased from R700,2 million to R1 073,7 million.

Imports from Asia increased slightly from R836,4 million to R843,9 million, but exports to Asia increased from R764 million to R1 040,5 million.

## Oceana

Imports from Oceana dropped from R94,4 million to R66,3 million and exports to Oceana increased from R47,9 million to R53,8 million.

Imports of other unclassified goods dropped from R22 million to R21,5 million and exports from R2,8 million to R1,9 million.

Exports of ships' and aircraft stores increased from R27,6 million to R36,2 million.

In Cape Town Mr. Van Wyk said: "Although military and oil imports are not included in the published figures, they are significant. And if this improvement is considered together with the welcome increase in the gold price, especially during the last quarter of 1977, it looks as though a surplus on the current account of the balance of payments of about R1 000 million can be expected."

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SUNDAY TIMES, Business Times, January 22, 1978.

# Standard-PEBS linkup disquieting

**THERE is nothing puzzling about the Standard Bank's new association with the Prudential Equity Building Society, but it does give formal recognition to a trend that might have disquieting implications.**

Perhaps it would have been more prudent for the authorities in Pretoria to have stalled their approval pending exploration of the implications by the De Kock Commission.

So far as the Prudential's management is concerned, the association was clearly born out of frustration at years of near stagnation. Its new chief, Brian Caldecott, must have felt he had to do something and a link with the name of such a large institution as Standard must carry marketing clout.

## Rapid

Certainly, Trust Building Society's association with Trust Bank must have contributed to its very rapid growth since its inception. Presumably, Prudential hopes to repeat Trust's experience.

For Standard there must be a small marketing advantage in the association as it can now offer tax-free investments and mortgage bonds and probably it will be able to rely on Prudential as a depositor.

But these will no doubt be outweighed by the commissions it will earn from the tied business that will flow from those who have housing bonds from the Prudential.

It is no secret that the large clearing banks, finding earnings from loans to be inadequate, are making an all-out drive for commission business.

So it's a safe bet that future Prudential bond-holders will have, as an unwritten condition of their loans, to insure their houses through the Standard's insurance brokers, be under persuasive pressure to finance household purchases through Stannic's HP facilities and buy their travellers' cheques from ... guess who?

By NIGEL BRUCE

In plain language this is known as conditional lending which, if experience elsewhere is anything to go by, will bring short-term gains and breed long-term resentment.

At present all commercial banks need commission and loan income more than they need deposits.

But when monetary conditions change, are other more powerful building societies who are large depositors now going to view Standard's facilities in the same light as Barclays' and Nedbank's, other things being equal?

## Correcting

Be that as it may, any stultification of competition arising from this association is best left to the correcting influences of the market mechanism.

The difficulties arise, however, from the need to keep quite independent the deposit structure of two different types of lending institutions.

As a bank lending short-term and administering a payments mechanism, Standard has to have a high degree of liquidity in its deposit structure.

Prudential, as a long-term lender, needs to fund its portfolio from secure long-term funds. For it, or any building society to become involved in the payments mechanism (as they have been doing) without adequate liquidity safeguards is hardly prudent.

There is yet another difficulty. There are times when the interests of commercial banks and building societies are opposed. Deposit rate control is a case in point.

The banks usually don't want it as it impedes competition, while the building societies plead for it because of the need to hold down the mortgage rate.

When this question arises again, as inevitably it will, which side is the Standard going to be on and which side the former Prudential men? Whose interests will prevail, those of Standard's shareholders or those of Prudential's bond-holders?

This is not a new dilemma for bankers and building society men. It exists already.

For instance, it must be faced by Philip Sceales, chairman of the UBS and vice-chairman of Barclays; Frans Cronje, chairman of Nedbank and chairman of the Permanent Building Society; and Albert Marais, of Saambou and Volkskas.

## Formal

But none of the bank-building society relationshipss implicit in these cross directorships have been given formal expression before.

Perhaps, therefore, now is the time for an official examination of this whole question so that increasingly the distinctions between these very different types of institutions do not in time become so blurred that there is a possibility of instabilities inadvertedly creeping into the financial system, or that the interests of certain sections of the population become unfairly subjected to others.

# KREDIETBANK MOET ANDER NAAM KRY

SAKE-RAPPORT 22/1/78

58

**KREDIETBANK van Suid-Afrika (die groep in Bankorp-groep wat die ou Sasbank, Federale Bank en nou ook die Bank van Johannesburg insluit) sal nou 'n nuwe naam moet soek.**

'n Aansoek deur Kredietbank van Suid-Afrika teen 'n beslissing van die Registrateur van Maatskappye dat hy vir hom 'n ander naam moet kry, is Vrydag in die Randse Hooggeregshof met koste deur regter P.J. van der Walt van die hand gewys.

Dit het gevolg op 'n vroeëre aansoek deur die Kredietbank-groep van België dat Kredietbank van Suid-Afrika verbied word om hierdie naam te gebruik.

Die aansoek het as grondslag gehad die vraag of die registrasie van Kredietbank van Suid-Afrika onwenslik is al dan nie.

## Onderskeidend

Volgens regter Van der Walt is dit duidelik dat die naam Kredietbank in Europa onderskeidend is. En hoewel „krediet" 'n woord is wat beskrywend van 'n aspek van die bankwese is, is dit na sy mening nie so algemeen beskrywend en omvattend van die bankwese nie.

Gekoppel met die woord bank, het die eenheidsbegrip „Kredietbank" 'n nuwe betekenis verkry kragtens waarvan dit nie meer dui op 'n bank wat krediet verleen nie, maar as naam onderskeidend geword het van 'n besondere bank en bankgroep in Europa en elders.

Regter Van der Walt sê dat daar voldoende gegewens voor hom geplaas is om aan te toon dat die Europese groep 'n reg in die gebruik van die naam Kredietbank verwerf het. Hulle is na sy mening in daardie hoedanigheid ook voldoende bekend en bedrywig op die gebied van finansiering in Suid-Afrika om hier op beskerming van hul handelsnaam, Kredietbank, te kan aanspraak maak.

Oor die aanspraak dat daar hier geen moontlikheid van naamsverwarring kan wees nie, het regter Van der Walt verwys na voorbeelde van verwarring wat aan hom voorgelê is. Hier is daar onder meer 'n geval waar 'n Australiese bank by Kredietbank in Brussel per teleks navraag

teit van 'n Kredietbank in Johannesburg met wie hul sake gedoen het en gedink het hulle was daar in verbinding met die verteenwordiger van die Europese groep.

Regter Van der Walt kom dan tot die gevolgtrekking dat die bevel van die Registrateur van Maatskappye op 25 Februarie verlede jaar dat Kredietbank van Suid-Afrika sy naam moet verander, bekragtig word omdat die registrasie van daardie naam na sy mening onwenslik is.

# Man fined for sapping 'lifeblood'

Star 25/1/78

**Pretoria Bureau**

(58)

Foreign exchange restrictions had adversely affected every man in the street, a Reserve Bank official said in a trial of a man charged with contravening exchange control regulations.

The official, Mr J E Neethling, told a Pretoria magistrate of the importance of strict control over foreign currency exchange.

He was giving evidence in the trial yesterday of Joao Da Silva Ferreira (25), a shop assistant, of Clark Street, Brooklyn, Pretoria.

Ferreira was fined R500 (or 250 days) plus 12 months' imprisonment suspended for five years for illegally buying 600 US dollars and trying to send the money to Madeira.

"Foreign currency is the lifeblood of any country and in the event of a shortage no country can properly develop or prosper. As a developing country South Africa requires and uses more than is earned from exports," Mr Neethling said.

## OPERATION

Ferreira's defence counsel, Mr V Marinus, asked the court for a lenient sentence. He said Ferreira did not deserve to be severely dealt with because he had not tried to send money overseas to be enjoyed at a later date.

"He sent the money to his other sister so that she could have an operation to prevent her from going blind," he said.

The magistrate, Mr G J V Jordaan, said it was clear from Mr Neethling's evidence that there were serious consequences resulting from contraventions of the exchange control regulations.

"And the legislature also views these offences in a serious light by providing for a maximum fine of R10 000.

"This type of crime is committed very often these days and there have been numerous cases of this nature being tried in these courts," he said.

Mr Jordaan said Ferreira's punishment was also meant to act as an incentive for him not to be tempted to contravene exchange control regulations in the future.

**TRUST BANK** FM 27/1/78 (58)

# Implementing the rights offer

**Exactly how to** inject Sanlam's R25m into Trust Bank as permanent, formal share capital has been exercising the financial brains of Sanlam and Senbank ever since the lifeboat was announced in August. After playing around with various permutations, it has now been decided to proceed with a rights offer in Trust of R25m of 11,5% cumulative prefs, automatically convertible into 50m new Trust ordinary shares by December 1984, with the option to convert earlier in December of 1982 and 1983. Trust currently has 47m ordinaries in issue, so ultimately the shares in issue will more than double.

But this is only the first leg of the transaction. Bankorp owns 60% of Trust and will underwrite the offer free of charge. Bankorp will only be able to proceed with its own piggy-back rights issue once the response of Trust minorities to the rights issue has been finalised. Sanlam's ultimate commitment will thus be less than R25m, the extent depending first on what percentage of Trust minorities follow their rights, and then again on how much is taken up by Bankorp minorities in the next leg of the transaction.

As the prefs are automatically convertible they can be classified (and are acceptable to the Registrar) as ordinary equity capital, yet reward the providers of the capital with a fixed commercial return over the period required to get Trust back into a dividend paying position. Putting a definite time horizon on this is impossible, but judging by the final date for conversion, December 1984, this looks to be the outside limit.

Provision has been made for Trust coming right sooner by allowing for conversion as early as December 1982. But at least until that date, I would think that ordinary shareholders should prepare themselves for no return on their investment.

On the face of it, the 11,5% coupon seems a stiff rate for Trust to pay after tax on what is essentially equity. But it can be rationalised: if the R25m of new capital in Trust is back-to-backed with a similar short-dated preference issue (the JCI pref issue for example), then dividend income simply washes in the one side and out the other. Meanwhile, the asset base of the bank is restored to a level where it can support the existing banking business.

Trust ordinaries are now quoted at 40c, and for those who believe in the resurgence of Trust appear poor value when compared to the automatically convertibles. These effectively cost 50c per share today with the discounted value (at 10%) of the dividend over the next five years being 22c, while providing exactly the same gearing to a recovery. Assuming the ordinaries pay no dividend over this period, which seems probable, then they are relatively overpriced.

**Prof Fred du Plessis . . . restoring Trust's capital base**

This calls for a switch out of the ordinaries into the convertibles. Holders can either wait until they qualify for the rights before selling the ordinaries, or sell immediately with a view to a re-entry once the convertibles are listed

*Richard Stuart*

# R0,5m may be spent on harbour

3/11/78

58

EAST LONDON — If Parliament approves, more than R500 000 will be spent on the East London Harbour to provide facilities for roll-on, roll-off shipping.

Ro-ro shipping will give East London a direct contact with Scandinavia and the major ports of Germany, Holland, Belgium, France and the United Kingdom — a service which East London has sorely missed since the phasing out of the mailships.

"This is a new concept in shipping and we are very excited about this development," the System Manager for Railways, Mr D. Butler, said.

"Subject to the approval of Parliament, we will start demolishing sheds at K-Corner to provide storage space for the ro-ro cargo and this should be ready by the end of the year when the new ships will start calling here."

Mr Butler said the ro-ro ships would increase the traffic to East London Harbour without affecting the other workings of the port.

The president of the East London Chamber of Commerce, and shipping specialist, Mr T. S. Peters, said the ro-ro concept would mean East London would be served with a direct service with both containers, including refrigerated containers, as well as break-bulk cargoes in the form of pallitised and unitised freight.

"This means the ro-ro ships will carry containers as well as cargo suitable to be carried on pallets or single pieces of cargo.

"This service is in addition to the container and coaster services that are planned and ro-ro ships are expected to call in East London every 21 days."

Mr Peters said there would be full ro-ro facilities at East London and the buildings which are now used as the harbour cafe, offices and part of I shed would be dismantled.

"This area, along with the parking space, will give adequate space for the layout of export cargo."

Mr Peters explained that no harbour mechanisms would be needed by the ro-ro ships as the four ships planned would all have their own gear for the landing and loading of cargo, including a huge ramp from the stern and forklift trucks that would handle any sort of cargo, including a 40 ft container, with no difficulty.— DDR

(Star) 3/1/78

58

# Town drops bank, buys bonds

The Heidelberg town council decided last night to withdraw its investment from Barclays Bank and use the money to buy Defence Bonds.

The step follows Barclays' recent controversial decision to sell its Defence Bond investment. The Heidelberg council had R15 000 lodged with Barclays.

"It was just a short-term investment, but we decided to use the money to buy Defence Bonds," the town clerk, Mr Chris de Witt, said today.

"Barclays' decision to stay out of Defence Bonds was not discussed in open council, but there was some talk about it.

"In the end we decided that as a result of their withdrawal we would invest in bonds ourselves."

Mr de Witt said Heidelberg had several investments with other banks and building societies.

"We invested R20 000 in Defence Bonds just the other day," he said.

# Botswana returns fugitive millionaire

(58)

Millionaire Mr John Patrick Wall, left, escorted across the Botswana border by Superintendent J Cullian of the Botswana Police.

# End of run for Wall

Cape Times 1/2/78

Own Correspondent

**JOHANNESBURG. – Fugitive millionaire Mr John Patrick Wall was yesterday escorted across the Botswana border straight into the hands of the South African Police.**

The Johannesburg business whizz-kid escaped to Botswana at the weekend – he was on R20 000 bail while facing fraud charges involving hundreds of thousands of rands.

He puffed a pipe as he walked jauntily between his escorts.

Yesterday's sunset drama followed a day of top-level negotiations between South African and Botswana authorities.

Police in both countries had been negotiating since the previous day, but it was not till late yesterday that Botswana revealed that Mr Wall had been declared a prohibited immigrant.

The Botswana Commissioner of Police, Mr Simon Hirschfield, revealed that Mr Wall had been ordered to be deported after South African Police contacted him. (Mr Hirschfield.)

"Representatives of the SAP left my office at 3.15pm, and as far as I am concerned Mr Wall is on his way back to the country he came from," Mr Hirschfield said.

Before he was deported Botswana police spoke to Mr Wall after a newspaper report revealed that the millionaire was in Gaborone and hoped to fly to Zambia.

Mr Wall was traced to Botswana after he failed to report to John Vorster Square on Saturday morning – a condition of the bail.

Commercial Branch detectives and Botswana police are still investigating how he crossed into Botswana and whether he was able to obtain another passport. It is suspected that he may have flown from South Africa and been aided by accomplices.

Commercial Branch detectives left Johannesburg on Monday night for the Tlokweng border post to fetch Mr Wall. It is believed he will be held on a fresh warrant of arrest and will appear in the Johannesburg Magistrate's Court soon.

The fraud charges facing Mr Wall involve foreign exchange control regulations.

Other prominent Johannesburg businessmen have been questioned by detectives, who earlier raided and searched Mr Wall's luxury home in Sandhurst.

Mr Wall's wife and children flew to Britain after his arrest and court appearance last week.

**Footnote:** Mr Wall, 41, is a British subject *who, till* recently, was *chairman and* managing director of Ryan-Nigel Corporation – for three years the fastest-growing company in South Africa. He was arrested within days of planning to return to Britain from *South Africa* where he has been living since 1965.

● South African Police *yesterday strongly denied* a Johannesburg Newspaper report that four prominent businessmen had been arrested in connection with the investigation involving Mr Wall.

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Som

(b) Jaarlik

11. Kontant

12. Ander b

(a) Vleis:

58

C T. 3/2/78

# Temple resigns from National Acceptances

JOHANNESBURG. — Mr Michael Temple, who is on R15 000 bail on currency charges, resigned his directorship of National Acceptances (Pty) last Friday.

Mr Bill Balsdon, managing director of National Acceptances, said yesterday that Mr Temple had tended his resignation from the board ahead of his court appearance and had sold his substantial shareholding in the company.

Mr Balsdon added that Mr John Wall, who faces fraud charges, had no connection with National Acceptances, but he had been invited to take an equity stake in the group.

It was now certain, said Mr Balsdon, that Mr Wall would not be taking a shareholding in National Acceptances.

Mr W A "Jimy" Jones, a director of National Acceptances has moved to Johannesburg to take temporary control of money market operations which were formally the responsibility of Mr Temple.

Mr Balsdon said Mr Jones was in Johannesburg to head a market drive for National Acceptances and that the money market operations in which he was an experienced operator would form part of an additional — if temporary — responsibility.

National Acceptances is believed to be negotiating for a full time replacement for Mr Temple.

National, Acceptances moved aggressively into the money market yesterday and will again be making its weight felt today.

The trauma which National Acceptances suffered through the arrest of two people closely connected with its identity will, says Mr Balsdon, not affect its plans to become a major force in the money market, managed leasing and corporate finance.

8. Hoe lank op

Aan toevallige/kontrakarbeiders alleenlik:

9(a) Permanente tuiste

(b) Jaarlikse tydperk op die plaas

(c) Jaarlikse tydperk tuis

(d) Bedrywigheid vir die res van die jaar

(e) Hoeveel keer reeds op die plaas gewerk

10. Aan alle werkers

(a) Werkure:

| Maan-Vry | Begin | Uitskei | Pouse(s) |
|---|---|---|---|
| Sat. | " | " | " |
| Son. | " | " | " |

(b) Jaarlikse verlof deur boer betaal
onbetaal

11. Kontantloon (weekliks)

12. Ander betaling (weekliks)

(a) Vleis: hoeveelheid
prys (as nie gratis verskaf word nie)
waarde aan boer
waarde aan werker

Que )

2. Have you as n refused?

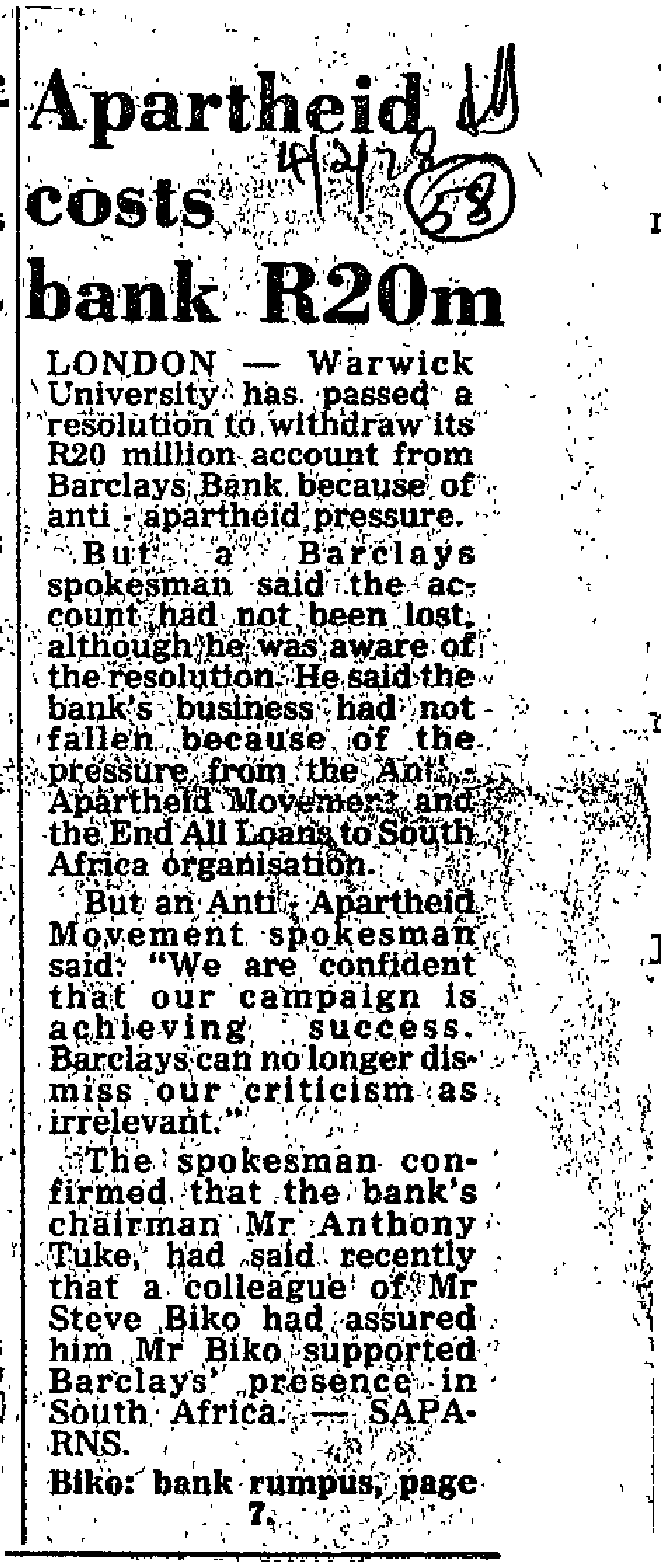
If yes, giv

3. What proble r work?

4. What do you lems?

Do you disc workers on this or on other far

Have you together to get something changed?



# Apartheid costs bank R20m

14/2/78 (58)

LONDON — Warwick University has passed a resolution to withdraw its R20 million account from Barclays Bank because of anti - apartheid pressure.

But a Barclays spokesman said the account had not been lost, although he was aware of the resolution. He said the bank's business had not fallen because of the pressure from the Anti-Apartheid Movement and the End All Loans to South Africa organisation.

But an Anti - Apartheid Movement spokesman said: "We are confident that our campaign is achieving success. Barclays can no longer dismiss our criticism as irrelevant."

The spokesman confirmed that the bank's chairman Mr Anthony Tuke, had said recently that a colleague of Mr Steve Biko had assured him Mr Biko supported Barclays' presence in South Africa. — SAPA-RNS.

**Biko: bank rumpus, page 7.**

To occasional and contract workers only

Will you try to come back to this farm?

Why/Why not?

# Man pleads guilty to diamond-selling

54

A MAN who said he tried to help his father with financial problems appeared in the Regional Court yesterday on a charge of attempting to sell 393 rough and uncut diamonds worth R2 788,00.

Leslie Smiedt, 25, of High Level Road, Green Point, was charged with attempting to sell rough and uncut diamonds, alternatively possession of the stones. He pleaded guilty to both charges.

The court heard that during the period November 10-11 last year, Mr Smiedt and a Mr Philip Alden, 29, of Sea Point, were arrested at the Metropole Hotel. They were caught while attempting to sell diamonds to a Mr J Borman and a Mr G W de Kock.

Mr J G Vermeulen was on the bench. Mr R B Rorich appeared for the State. Mr I B Liebenberg, instructed by Sonnenberg, Hoffmann and Galombik, appeared for Mr Smiedt.

7/2/78 RDM

(58)

# State debt up by R10 000m

HOUSE OF ASSEMBLY — The Auditor - General's report for 1976/77 provided startling information, Mr Harry Schwarz, chief Opposition spokesman on finance, said yesterday.

The report published yesterday revealed that State debt had increased R1 844 million during the year to a record R11 987 million.

Loans raised during the year totalled R9 151 million against repayments and conversions of R7 301 million.

Mr Schwarz said the report showed too that temporary loans had increased dramatically from R1 508 million in 1976 to R2 405 million in 1977.

Treasury bills had increased from R4 263 million in 1975/76 to R6 827 million in 1976/77.

"But, causing even greater concern is the drop in the total gold and foreign exchange holdings and special drawing rights from R1 205 million at the end of 1976 to R649 million at the end of 1977," Mr Schwarz said.

Apart from this he pointed out that the foreign currency adjustment account rose from R58 million to R71 million, the forward contracts contingency reserve account from R33 million to R589 million, and the gold price adjustment account from R2 million to R30 million.

"All of this is before the increases in the gold price, with gold valued in the reserves at R29,55 an ounce, but also before the franatic rise in the Swiss franc and Deutsche mark and other currencies in which South Africa and the Reserve Bank has borrowed heavily since April 1, 1977.

8\4\10

# Ex-insurance salesman guilty of R11 000 fraud

A former insurance salesman, who appeared in the Johannesburg Regional Court today, was convicted of defrauding an insurance company of nearly R11 000 which he received in commission on the sale of policies to fictitious clients.

Rodney Thomas (34), no address given, now employed as an estate agent, was sentenced to five years' imprisonment conditionally suspended for five years by Mr J P Geldenhuys.

Thomas testified that when he began the series of frauds he discovered he had "got hold of a tiger's tail and couldn't let it go." Although he received substantial commissions, he found that in order to pay monthly premiums on the false policies he had to invent new clients to take out new policies.

He pleaded guilty to seven counts of fraud against the IGI Life Assurance Company Ltd involving a total of R10 989 in commission.

Fifteen other counts of fraud were then withdrawn by the State. In a statement handed into court, Thomas said that he committed the frauds to pay for "astronomical" medical expenses for his wife.

She had a history of kidney ailments and no medical aid scheme would accept her as a client.

Mr D G Wright prosecuted. Mr J Strauss appeared for Thomas.

The Natal Mercury, Thursday, Feb

9/2/78 (58)

# Protea profits up 20 percent

**JOHANNESBURG — Profits up 20 percent, improved financial ratios and a cash flow so strong that dividends are being paid to shareholders earlier than in the past — these are the main points to emerge from yesterday's interim report from Protea Holdings.**

The company says that it is looking for the 20 percent improvement to continue for the rest of the year to June, in which event they could expect a total dividend payout for the year of 13 cents per share.

Unaudited figures for the six months ended December show that sales rose by two percent to R85,7-million. Elimination of loss-making activities that have either been sold or closed converted this into a 19 percent rise in pre-tax profits, to R6,8-million.

After tax, contributions from associates, outside shareholders, interest and the preference dividend, profits attributable to ordinary shareholders show a 20 percent rise to R3 897 000. Earnings per share are up by the same percentage, from 11 cents to 13,2 cents.

Second half earnings are forecast as being at "about the same level" which translates in numbers to some 26,5 cents a share.

Cash flow is so good that the porportion of dividends paid at the half-way stage is being increased, from 3 cents to 3,5 cents.

"Good progress" is stated as having been made towards the achievement of the internal financial objectives set at the start of the year. Some of them are spelt out in the interim report:

- Return on shareholders' funds improved from 15,7 percent to an annualised 18,5 percent, nearing the target of 20 percent as an average over the years.
- The current ratio remained better than the targeted 1,7:1.
- Cash flow to external liabilities improved from 12,8 percent at June 1977 to an annualised 16,0 percent, which managing director Mr. Aidan Beard says is "very close to the optimum" for a company like Protea.

The interim report confirms the purchase of Kempura Remedies, a Cape Town-based manufacturer of hair preparations, in the six months to December, and gives the price as R650 000.

The acquisition is said to have considerable growth potential and will offer substantial advantages for Protea's Promardis marketing organisation.

Mr. Beard says further acquisitions are being investigated, but Protea is being very selective in its choices.

Any company joining the group must fit in with its established operations and skills, and have the potential of meeting Protea's financial ratio requirements. — (Sapa.)

10/2/78 Natal Mercury

# 8 YEARS' JAIL FOR DIRECTOR

58

**Court Reporter**

**A FORMER company director who had "no respect for the rights and possessions of other people" was sentenced at the Durban Criminal Sessions yesterday to a total of eight years' imprisonment.**

2.

3.

4.

Ulrich Swart (35) was convicted by Mr. Justice Hefer on 38 counts of fraud, 11 counts of contravening the Companies Act and four counts of theft.

On each of three counts involving the fraudulent sale of a motor boat, car and caravan, Swart was sentenced to six months' imprisonment. The sentences were to run concurrently.

On another 35 fraud charges, relating mostly to false representations made to banks and investors in Randbro (Pty.) Ltd. between 1970 and 1973, Swart was imprisoned for five years.

Sentence on the theft charges was two years' imprisonment.

On seven counts of contravening the Companies Act, Swart was cautioned and discharged. He was sentenced to six months' on another count and fined R150 (or three months' imprisonment) on the remaining three.

Mr. Justice Hefer said Swart had managed to commit a large number of offences involving about R438 000 in three years.

He had not worried whom he deceived as long as he got money for his companies.

Do you discuss these problems with workers on this or on other farms?

Have you ever thought of joining together to get something changed?

<u>To occasional and contract workers only</u>

Will you try to come back to this farm?

Why/Why not?

# Sewer rat suspect 'is still in SA'

SUN, TIMES 12/2/78

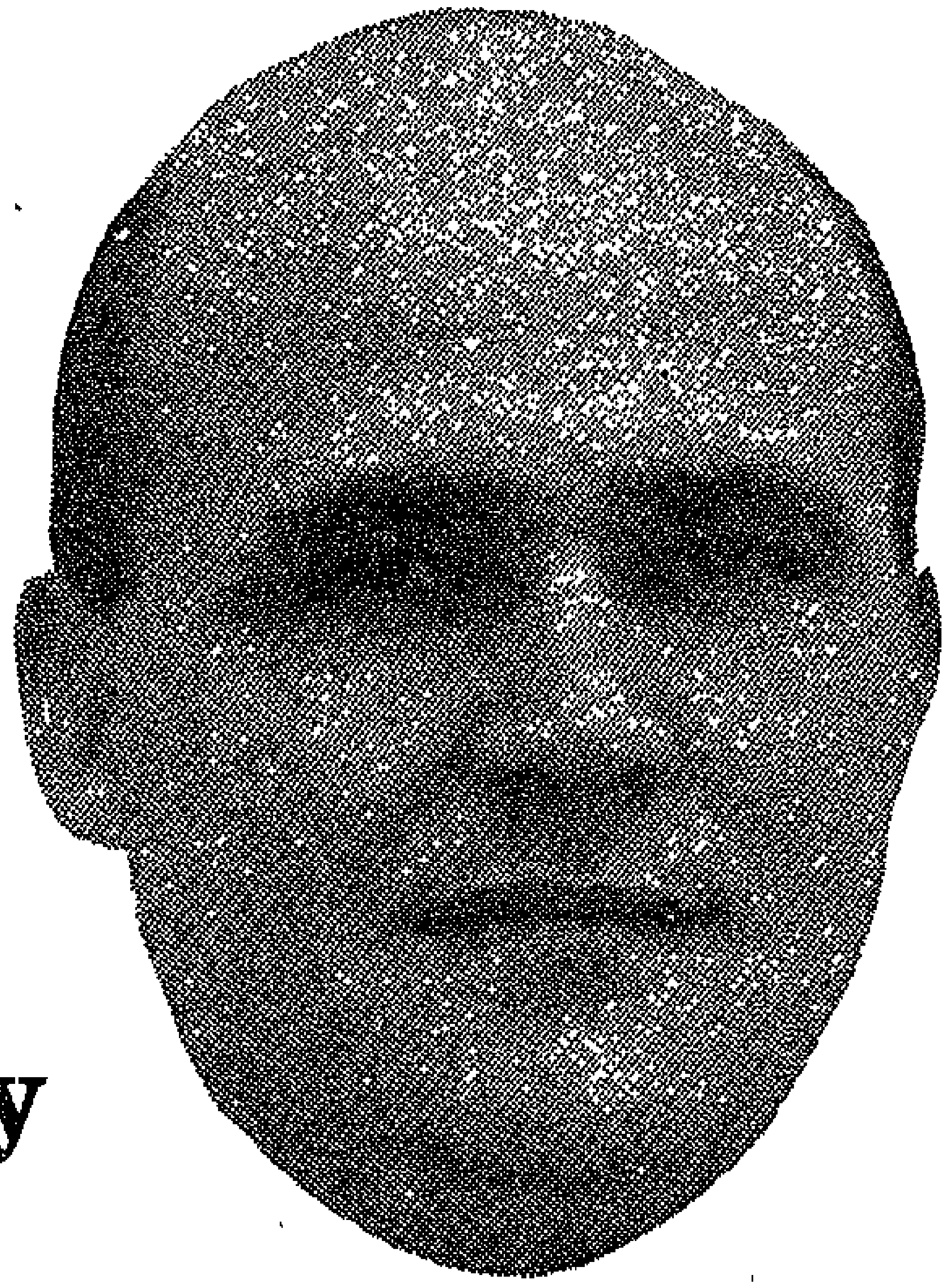
58

By GHERHARD PIETERSE

**EX-GOLD MINER Herman Broll, wanted for questioning about the Krugersdorp bank tunnel R1-million robbery, is almost definitely still in South Africa, says police chief Colonel Quartus Smit.**

Police throughout South Africa have been put on alert and all exits have been sealed, adds Colonel Smit, the West Rand CID head in charge of the robbery investigation.

## He was held by the police . . . and set free



**Broll: A genius say his friends.**

It is now confirmed that Broll was arrested in 1968 when a woman reported a suspicious looking character to police.

Broll had been seen loitering near the Krugersdorp Standard Bank, where the robbery took place last May.

### Plans

After arresting Broll police found on him a set of plans of the bank.

He was released shortly afterwards because, said a police spokesman, he had not committed a crime.

Broll, a German citizen who arrived in South Africa in 1962, has been described as a genius by people who knew him.

More than four years ago he boasted to friends that he was going to commit the perfect crime.

He would, he said, leave no trace that could be followed back to him.

After his first brush with the law in Krugersdorp Broll was convicted for theft.

He served five years in jail.

He was released on parole in 1974 and undertook to take a job offered by the Council for Scientific and Industrial Research.

He never turned up, though.

Instead he rented a flat in Hillbrow, where he set up a laboratory.

There, said friends, he could do just about anything.

A member of Edenvale's German club has denied that Broll was a member although he went there often.

"He was a quiet man who seldom mixed with other guests," said the member.

"He usually just came in for one beer which he nursed for a long time.

"He never smoked. And he kept mostly to himself."

Police describe Broll as about 40 and about 1,68 m tall.

He is said to be well built with a walk like a sailor.

Colonel Smit said that although there could be further arrests Broll was prime suspect.

"Broll is the one man we want more than anybody else at the moment," added Colonel Smit.

He declined to reveal where police got a newly-released picture of Broll.

It shows a marked resemblance to identikit pictures released by police.

It also shows a marked resemblance to an artist's impression.

This was drawn after extensive interviews with people who had seen "Mr Holmes", the accomplice of the now infamous "Mr Nightingale".

"Mr Nightingale was said to have led the gang which tunnelled from inside a rented shop into the bank vault . . . and were nicknamed "Sewer rats".

### Leads

After the robbery police found many apparent leads to the criminals.

Most of the leads came to a dead end.

Rewards totalling R80 000 were offered by police, the bank's insurers . . . and American Express, which lost several thousand rands' worth of traveller's cheques in the robbery.

● Anybody with information related to Broll is asked to phone Colonel Smit at Krugersdorp 660-4072 or 662-1227, or Lieutenant Botha at 660-4274 or Captain Le Roux at 663-3642.

SUNDAY TRIBUNE, FEBRUARY 12, 1978

## Arrest hopes in R1m raid inquiry

58

# POLICE CLOSING IN ON THE SEWER RATS

IDENTIKIT: Owen Walter Holmes

IDENTIKIT: Peter Harold Nightingale

### By Pat Taylor

A TEAM of West Rand detectives is closing in on the sewer rats who tunnelled their way to a fortune in a Krugersdorp bank last year — and then escaped without trace. There could be an arrest soon.

New information combined with the luck that has eluded them for so long has put the detectives on the trail of a German mineworker, Hermann Broll, whom they believe will be able to clear up the mystery.

A senior police officer said that new information could lead to an arrest on the Reef soon. "We don't believe Broll has left the country," he said.

The dogged determination of the team of detectives assigned to the case has astounded their colleagues. The men have sifted through piles of documents and followed up scores of false leads before coming up with the information which they hope will help solve the case.

After questioning witnesses when the tunnel robbery was discovered early in May last year, the police released two identikit pictures of the men they believed were responsible for the break-in which netted more than R1 million in cash, jewellery and travellers cheques.

The sewer rats used the names Peter Harold Nightingale and Owen Walter Holmes to hire premises close to the Standard Bank in the town.

Nightingale was the mouthpiece. Holmes, possibly because of a foreign accent, said very little within hearing distance of anyone else.

The photograph of Hermann Broll released by police this week bears a strong resemblance to the identikit drawing of Holmes.

His description also tallies with that given by witnesses in Krugersdorp.

Holmes was described as short and fair with a slight paunch. He was said to walk with a rolling gait and witnesses estimate his age as about 40.

The description of Broll, given by the police this week, says he is about 40, 1,73 metres tall, sturdily built with a slight paunch. He is balding.

In 1969 Broll was sentenced to 12 months jail by a Springs Regional Court Magistrate on each of three counts of housebreaking and theft.

Then in 1971 a Durban magistrate sent him to jail for a further 12 months for theft.

In June 1977 police put Broll on the wanted list, but the trail went cold. But the new information has again focussed attention of the bandy-legged German.

But the other member of the tunnel gang, Peter Nightingale, has disappeared without trace. A Krugersdorp detective admitted: "We don't know whether he is still in the country. We can only hope he is."

The tunnel was discovered by Mr Brian Smith, the chief teller of the Standard Bank in Krugersdorp and Mr Charl Hattingh, the assistant accountant.

Herman Broll, the man the police want to see

# New law paves the way for bail jumpers

SUN. TIMES
12/2/78
(58)

By WYNTER MURDOCH

AT LEAST four people awaiting trial on charges involving more than R3-million have jumped bail in the past six months and fled South Africa.

And new laws have made it easier for them to do so.

Under the Criminal Procedure Act, which came into effect last July, the Attorney-General's office cannot stop a court granting bail except where it can certify that the person involved will attempt to defeat justice by avoiding trial, or will interfere with State witnesses.

Mr Klaus von Lieres, Transvaal Deputy Attorney-General, admitted this week: "Our hands have been tied. We are worse off under the new Act than we were under the old. Our powers have been curtailed.

"We no longer have complete say as to whether an accused should be granted bail or not. That is left entirely to the discretion of the courts."

The Cape Attorney-General, Mr A. Lategan, said: "What it boils down to is that we don't have as much power in preventing a person from leaving the country as we did."

No tightening of the law is contemplated.

But Mr Von Lieres said he had noticed that judges and magistrates were fixing higher bail levels and adding stringent clauses to bail conditions.

Despite this the number of people leaving South Africa to avoid trial has not been stemmed.

One of the first to flee after the new law came in was Mr Josef Gubitz, 54, an Israeli.

He had been granted bail of R60 000 after appearing in the Rand Supreme Court in a R1-million illicit diamond buying case.

When he was next due to appear his lawyers said they did not think he would return. His bail was forfeited.

The next to leave was Israeli Mr Zvi Yehuda, 40. He was facing similar charges and jumped his bail of R40 000.

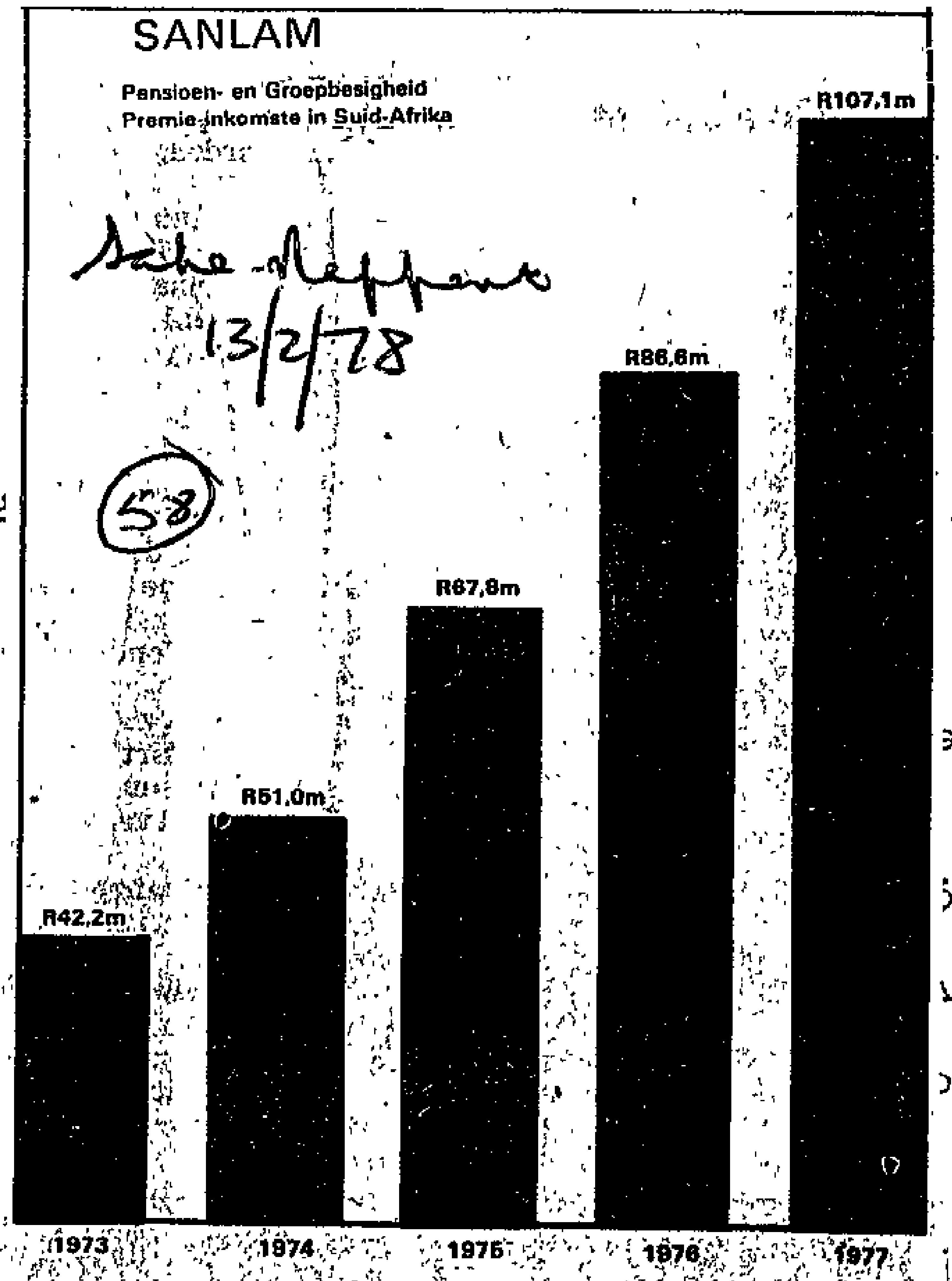
Last week Mr John Wall, 41, a millionaire business tycoon who headed the giant Ryan Nigel Corporation, forfeited R20 000 bail when he skipped while awaiting trial on fraud charges involving R1-million.

He fled to Botswana, but was declared a prohibited immigrant and handed back to South Africa.

He is now in jail awaiting trial.

This week Dr Richard Blom, a company director facing fraud and currency charges involving R37 000, forfeited bail of R5 000 when he failed to appear in the Rand Supreme Court.

He was said to have fled to South America.



Sake-Rapport
13/2/78

(58)

# SANLAM BO MET PENSIOENE

**SANLAM het die laaste paar jaar stilweg 'n baie groot deurbraak op die pensioen- en groepversekeringsplanne gemaak. Sanlam is op hierdie gebied reeds 'n paar jaar lank die grootste op die Suid-Afrikaanse mark.**

Terselfdertyd het hierdie deel van sy besigheid gegroei tot so 'n groot faktor dat dit binne die volgende jaar of drie dalk vir byna die helfte van Sanlam se totale premie-inkomste uit versekering verantwoordelik sal wees.

Mnr. Jannie Snyman, 'n assistent-hoofbestuurder van Sanlam, het vandeesweek die sluier aan Sake-Rapport gelig oor hierdie belangrike afdeling van Sanlam se bedrywighede.

In die jaar tot 30 September 1977 het Sanlam se premie-inkomste uit pensioen- en groepplanne R107 miljoen beloop, wat sowat 43 persent van Sanlam se totale premie-inkomste van R251 miljoen in Suid-Afrika was.

Dit is baie duidelik dat hierdie afdeling besig is om tot 'n groot krag in die Sanlam-groep te ontwikkel. Drie jaar gelede was dit net 30 persent van sy totale premie-inkomste.

Mnr. Snyman het aan Sake-Rapport gesê dat Sanlam verwag om vanjaar sy groei op hierdie gebied te handhaaf. Hy wou geen voorspelling gewaag het nie. Maar dit lyk egter of 'n syfer van R150 miljoen binne bereik kan wees.

Mnr. Jack van Wyk, senior hoofbestuurder van Sanlam, skryf 'n deel van Sanlam se sukses op hierdie gebied toe aan die sterk steun wat by Engels-georiënteerde maatskappye verkry word.

Die feit dat Sanlam bereid is om net 'n deel van 'n maatskappy se pensioendienste oor te neem, is ook volgens mnr. Van Wyk 'n rede vir hul welslae. So bv. is Sanlam bereid om net die beleggingsaspek te hanteer. Die betrokke maatskappy kan dan steeds die administratiewe deel behartig, wat 'n duplikasie en dus hoër koste uitskakel.

Mnr. Snyman skryf Sanlam se welslae met pensioenplanne toe aan die dienslewering wat aangebied word.

„In die jongste tyd is die soeklig fel op die beleggingsresultate van die miljoene wat deur die pensioenfondse hanteer word. Die besef het deurgedring dat 'n geringe toename in die beleggingsopbrengs oor die lang termyn 'n ingrypende uitwerking op die koste van pensioenvoorsiening kan hê."

Sanlam verskaf op die oomblik dekking van byna R6 000 miljoen onder sy groep- en pensioenfondse aan meer as 380 000 werknemers wat aan sowat 1 400 fondse en planne behoort.

Star 15/2/78

# Fraud charge against subsidiary of bank

(58)

A fraud charge against a Trust Bank property company is being laid with the Johannesburg police today.

The charge concerns a land deal in Wavecrest, the controversial holiday township developed near Jeffreys Bay, Eastern Cape, and marketed by the Trust Bank company, Jeffreys Bay Property Holdings.

Mr E Miller, manager of township developments in the Trust Bank's property department, said today that a stipulation in the contract — concerning flat rights — was wrong.

However, he said they were willing to cancel the contract and to refund to the buyer all the money he had paid.

### STATEMENT

The buyer of the eight stands in question, Mr G J Smith of Florida North, Johannesburg, said today, however, that he was not interested in the offer. He had already drawn up a statement and was laying a fraud charge with the police today.

He had bought the land from the Braamfontein branch of the Trust Bank in 1971. After investigations and correspondence with the Jeffreys Bay municipality, Mr Smith said, he found that his buy differed in two aspects from the stipulations on the contract:

- The total size of the land was 928 square metres smaller than the contract stated.
- The stands had no flat rights, as stipulated in the contract.

Mr Miller explained that the eight stands were sold to Mr Smith as a group-housing scheme, and the sizes of each of the plots were stated on the contract.

Mr Miller said, however, that a stipulation concerning flat rights in the contract was wrong. "As a result it was decided at a board meeting on February 9 to cancel the contract and refund all Mr Smith's money."

# PROFIT ON MOTOR INSURANCE

NM 17/2/78

(58)

JOHANNESBURG — S.A. Eagle Insurance Co. announced that underwriting results were generally good and in particular, motor insurance returned to a profit situation last year.

"The company announced a premium income of R56,265 million (1976: R43,847m), underwriting profits of R3,106 million (R1,018 m), and investment income of R3,737 million (R3,478m).

Net distributable profits for the year amounted to R3,779 million (R3,020 m).

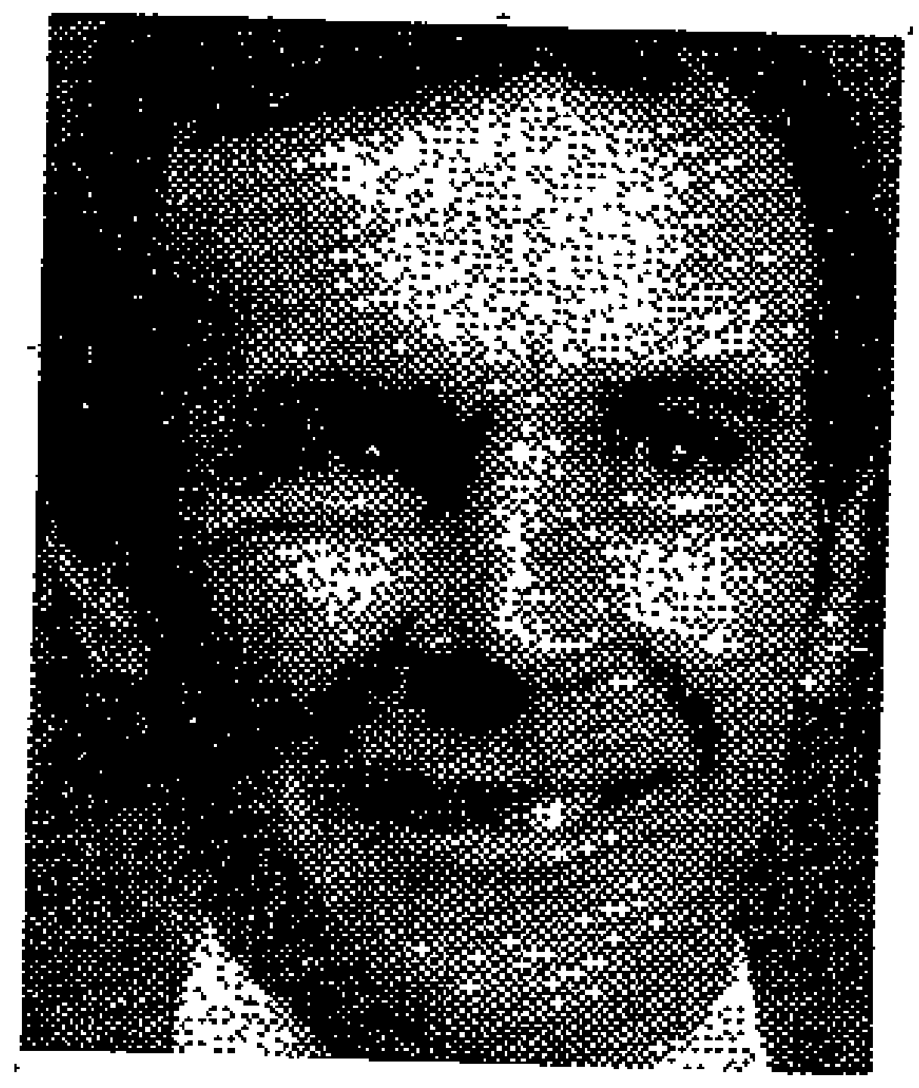
The increase in investment income was achieved in spite of the absence of a dividend from African Eagle Life Assurance Society, who are continuing to fund their rapid expansion from internal sources," the company statement said.

A dividend of 22c (20) a share has been declared. — (Sapa.)

SUNDAY TIMES, Business Times, February 19, 1978.

# Institutions are key in the market

58



**Roy McAlpine, who gives some pointers to share price trends this year, heads one of the most — if not the most — successful institutional investment teams in the country.**

**TODAY the South African equity market is dominated to an increasing extent by the institutional investors, especially the life insurance companies and private pension funds.**

With the exception of political influences, the investment actions of these institutions will probably be the dominant factor in determining share prices this year.

This is in sharp contrast to the late sixties and early seventies when the actions of overseas investors and, to a lesser extent, mutual fund managers were the major factors. General disenchantment with equities and adverse political factors have changed all that.

The growth in the assets and cash flow of life insurance companies and the private pension funds over the past few years has been very sharp. At the end of 1970 their combined assets amounted to approximately R4,4-billion, with an annual cash flow of almost R600-million.

By December 31, 1978, their combined assets are expected to have increased to about R12-billion, with an annual cash flow exceeding R1,700-million.

These figures clearly illustrate the financial muscle of these savings institutions, and although approximately 50 per cent of their cash flow must be invested in the gilt-edge sector, it is clear that their influence on the investment scene is already very large and can only increase.

As institutional investment managers are extremely conscious of the fact that the funds under their control represent the savings of many thousands of policy holders and pensioners, they will not take undue risks and will avoid speculative counters.

Equity investment will be restricted to those companies which have a proven record of good management and which offer a reasonable immediate return and prospects of genuine long-term growth. Marketability is a very important factor. For this reason, institutional managers restrict investments to companies of a reasonable size.

The question that must be asked is whether South African equities, at current levels, still offer good value and whether insurance companies and pension funds are likely to be substantial buyers this year. If the answer is positive, then it is reasonable to expect that the equity market will rise.

The accompanying chart shows the increase in prices of ten of the best known South African quoted companies, representing a cross-section of the major blue-chip counters, over the past year.

It is particularly significant to note that, over the past 12 months — a particularly troublesome year for South Africa — the average increase in price of these ten counters was 32,1 per cent. Over the same period, the RDM index increased by only 16 per cent, which clearly reflects the extent to which the rise in the equity market was led by the major companies.

In fact, 1977 saw the development of a well-defined "two-tiered" market with the differential in yields between the prime blue chip counters and the secondary counters being noticeably widened.

It is also important to note that company profits over the past year have not been particularly inspiring (with a few notable exceptions) and that, with a growth rate of approximately 3 per cent for the economy as a whole being forecast for the current year, a significant improvement in company profits cannot be expected in 1978.

Why, therefore, did equity prices rise so sharply in 1977? In retrospect, it is patently obvious that the level of equity prices at January 31, 1977, substantially overdiscounted the economic and political problems facing the country at that time. What we have seen over the past 12 monnhs has been a major correction of this situation.

It would clearly be over-optimistic to expect equity prices to increase at anything approaching the same rate during 1978, particularly as the outlook for certain sectors, such as construction and motors, is still extremely gloomy. The institutional investment managers will therefore be highly selective in their equity investment programme.

A year ago it was possible to acquire prime blue chip shares on dividend yields of around 10 per cent, but this is not the case today. The average yield on the accompanying portfolio of ten major companies is down to 6,8 per cent.

For a long-term savings institution, it is a matter of debate as to whether an investment in such equities is preferable to an investment in a fixed interest debenture with an interest rate of 13 per cent a year.

A further factor which will influence equity prices during 1978 is the probability of some major rights issues. The dull equity markets of the past few years have not been conducive to successful rights issues and they have therefore been avoided. However, with the sharp upturn in prices during 1977, together with increased activity on the Johannesburg Stock Exchange, the climate for rights issues has improved dramatically.

For many companies, the need for a rights issue has become extremely pressing, since their financial structure contains a disproportionate amount of debt relative to equity. It can be expected, therefore, that companies will take advantage of the improved investment climate to strengthen their equity base and reduce borrowings.

As rights issues are usually placed at a 15 per cent discount on the ruling market value, it can be expected that the institutions will, in most cases, take up their rights. A considerable proportion of institutional cash flow earmarked for equities in 1978 will, therefore, be absorbed by rights issues.

The price of gold will be a further factor of importance in assessing the likely trend of equity prices. A strong bullion price not only adds substantially to the country's export earnings and, therefore, assists the balance of payments, but also induces overseas buying of SA gold shares and, therefore, improves sentiment.

With the structural imbalances of the major Western economies becoming more apparent every day, and with America incurring a steadily increasing balance of payments deficit which it is financing via the printing press, the prospects for a further rise in gold bullion must be good.

During 1978, activity in gold shares is therefore likely to remain at a high level. However, as the stimulus will emanate from overseas investors, who are disinclined to take anything other than a very short-term view of South Africa, the market in gold shares will remain volatile and highly speculative. For this reason, the majority of South African institutions will not invest directly in gold shares.

The market in industrial shares, on the other hand, will be very much more stable and, as it will be dominated by the long-term savings institutions, activity wil be concentrated on the prime blue chip counters with the "two-tier" structure likely to become more pronounced.

Institutional managers will concentrate their activity on those sectors which will be among the first to benefit from the anticipated upturn in the economy. Under this category come such sectors as the banks and stores.

Therefore, although it can be expected that the general level of equity prices is more likely to be higher than lower by the end of the year, investment opportunities may not be as prevalent as they were in 1977.

Recent trends in the equity market, with the action mainly confined to the quality stocks, will be even more pronounced in 1978. It is most unlikely that institutional managers will invest in anything other than top quality companies.

Small investors would do well to think very carefully before adopting a contrary policy.

**● JEREMY WOODS will resume this column next week.**

s Times, February 19, 1978.

SUNTIMES

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# Secret talks stir up money market

By NEIL BEHRMANN

**LONDON. — Behind the uncertainties that helped push the price of gold to new highs and which dominated foreign exchange trading this week were several secret meetings of Finance Ministers and central bankers representing the five leading industrial nations.**

The talks were held in Paris last weekend and extended to the normal monthly discussions of central bankers in Basle, culminating with a meeting between the US Treasury Secretary, Michael Blumenthal, and West German Chancellor, Helmut Schmidt, in Bonn.

From the information which leaked out of these meetings, it is evident that currencies and economics have been dominated by political questions worrying the US authorities, especially since Mr Blumenthal disclosed that he held secret bilateral talks with the Saudi Arabian Finance Minister in Paris as well.

Foreign exchange market observers feel that the political questions range from Saudi Arabian deals with America, to US fears over European communism, which have been heightened by the French elections coming up next month. All this uncertainty contributed to the strength of gold.

In considering the Saudi Arabian question first, it must be noted that the Saudis are America's main oil suppliers and they invest heavily in dollar assets. Towards the end of last year, the dollar declined sharply on leaks that Saudi Arabia and other oil-producing countries intended diversifying their investments from dollars into Deutschemarks and other hard currencies.

One of the sources of this information was the International Currency Review and these views were reported in Business Times at the time. The latest quarterly report of the Bank for International Settlements (BIS) confirms that oil producers were, in fact, shifting investments out of dollars in the third quarter of last year — in line with the weakness of the dollar at the time.

BIS stated that members of the Organisation of Petroleum Exporting Countries (Opec) reduced their deposits in the Eurocurrency markets by $1,1-billion and at the same time built up their non-dollar deposits by $1,4-billion. BIS published the confirmation of the Opec moves on February 8 and the foreign exchange markets received the news calmly.

But on Friday, February 10, the markets gained wind of the information that there would be a secret meeting of Finance Ministers. The dollar began its slide, but this week US Treasury Secretary disclosed that he had met the Saudi Arabian Finance Minister secretly.

Mr Blumenthal said that out of the discussions he had gained information that the Saudis and other major oil exporting nations would not move out of the dollar. Nor were the Saudis and other Opec members intending to price oil in terms of a basket of currencies rather than in dollars.

At the same time, the US State Department announced that it would sell jet fighters to Saudi Arabia and Egypt. According to reports, US administration officials said that among the factors influencing their decision was US dependence on Saudi Arabian oil and, consequently, Saudi goodwill.

The editor of International Currency Review, Christopher Story, feels that West Germany is also connected in the deal. The US is placing extensive political pressure on the Saudis to keep themselves and other oil-producing nations in dollar assets. Mr Story says that in early January, Saudi Arabia asked Chancellor Schmidt to pressure the United States into allowing the Saudis to invest oil revenues in German marks and other harder currencies.

He says that for some time there has been friction between the United States and the German Bundesbank. The January swap operation to support the dollar inflates the German money supply at a time when the German authorities are determined to curb inflation.

Mr Story believes that a large proportion of the $20-billion swap facility has already been used to support the dollar. The US authorities are also bitter with the Germans and this leads to the second foreign exchange market political theory about the latest meetings. This theory is that the United States wants the Germans to reflate Fast growing German and Japanese economies would boost France and Italy and reduce the shift towards communism in those countries.

# 'Rich man' in fraud hearing

Star 23/2/78

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A member of a gang of "fraud criminals" pretended to a bank that he was an American millionaire and so induced the bank to open an account of R1-million for him, a Joannesburg regional magistrate heard today.

Mr Basil Myers (26) and Mrs Shirley Patricia Jennings (23) were appearing before Mr F Z Krynauw on various counts of fraud, forgery, uttering and theft.

Mr Myers pleaded guilty to three counts of theft, two counts of forgery, one of uttering and one count of theft.

Mrs Jennings pleaded guilty to one count of fraud, two of forgery and one of utterning.

The court was told by the prosecutor, Mr L G MacIntosh, that Myers, "a member of a gang of fraud criminals," falsely obtained 40 cheques from Nedbank for R1-million.

Mr Myers and Mrs Jennings, allegedly told Mr J J van Heerden, manager of Nedbank, Kruis Street, Johannesburg, that he was Allen Patrick Laws, a wealthy American citizen.

Mr Myers, who said that he was employed by Kentucky Fried Chicken, induced Mr van Heerden to open an account for R1-million in the name of A P Laws, the court was told.

To do this, Mr Myers allegedly forged "a letter of credit and bank guarantee for A P Laws."

The forged letter of credit read: "Mr A P Laws, an American visitor, is currently in South Africa representing several wealthy American entrepreneurs.

"Mr Laws", the letter went on, "has deposited in his account the sum of R1-million and has been issued with 40 cheques. Each of these cheques is guaranteed payable . . . for the amount of R25 000.

"Mr Laws is a valued client of the bank and heads a party of 83 American millionaires due to tour South Africa in April 1978," the letter concluded.

The hearing continues on March 21.

25/2/78 (158) M

# Teller stole R5 000

EAST LONDON — A former bank teller with Volkskas, Cambridge Street, was found guilty in the Regional Court here yesterday on 27 counts of theft of R5 030,64 of clients of the bank.

Mr Winston Gysman, 35, of Zone Four, Mdantsane, pleaded guilty to all the counts when he appeared before Mr S. van Zyl.

The State alleged the monies were taken between October 15, 1975, and November 10 last year.

In a written statement, Mr Gysman admitted that he did on or about the dates or during the periods mentioned in the charge sheet steal the amount as reflected from the persons mentioned in the charge sheet.

He further admitted he had no right to do so and that he appropriated the funds for his own use.

Mr Gysman, in mitigation of sentence, said some of the people mentioned had benefited because he paid them monies out of his pocket when they returned to query certain shortages in their bank books.

He also said the R871,13 which the bank retained was part of his pension he had paid in.

Before passing sentence, Mr Van Zyl said the offence he committed was of a serious nature as he was in a position of trust and that he had worked with a lot of money.

He broke the trust his employers had in him and also that of the people he dealt with. The fact that he "had pleaded guilty showed he was genuinely sorry for what he had done.

It was also quite possible that he had lost out on the deal because he had paid out monies to some of the people from his own pocket, Mr Van Zyl said.

Taking all the counts as one for the purpose of sentence, Mr Van Zyl sentenced him to two years' imprisonment, conditionally suspended for five years.

A further condition was that he repay the bank a total of R4 159,51 at R80 a month from March 1 — DDR.

Sunday Times
BUSINESS TIM

FEBRUARY 26, 1978.

Sunday Business Times 26/2/78 (58)

# Small banks rock grey market boat

By JOHN GILMORE

**THERE has been a heated squabble going on between the large banks on the one hand and the small banks on the other over the latter's grey market poaching activities.**

In essence, the big banks are sore at the small banks' nibbling at their lending business to the extent of R200-R400-million at a time of declining loan demand.

At least one large commercial bank has attempted to galvanise its fellows into concerted action against the small banks — but with a marked lack of success.

Nor has there been any success in persuading the authorities that what has occurred is an undesirable banking practice.

Moreover, some bankers believe that the forthcoming De Kock Commission report will not look unfavourably upon grey market activities in view of Dr De Kock's known commitment to using the market mechanism as a regulator, rather than direct controls, to achieve monetary policy ends.

One influential bank has replied to the commission's detailed questionnaire on the money market with the comment that in its opinion the grey market is an essential part of any financial system and that it will flourish in times of high liquidity, despite its falling outside the direct control of the monetary authorities.

The major banks involved in this issue all point out that the grey market activity causing the large banks the most embarrassment, and probably the greatest loss of business, occurred when the smaller banks borrowed from the commercial banks at a privileged rate of interest between month ends and passed the loan proceeds on to a prime corporate customer at a higher rate, but one that was nevertheless below prime overdraft rate of 12,5 per cent. The corporate borrower then repaid its own overdraft to the major bank.

When the month-end approached, the smaller bank called in the loan to repay the commercial bank and for the period of one day the company reverted to overdraft financing. At the beginning of the next month the stratagem was repeated.

The small bank makes a turn on the transaction and does not have to keep the normally necessary liquid assets to match the liability. The customer clearly gets his money at a rate below that of prime overdraft.

The commercial bank, however, sees its overdrafts shoot up at the end of the month at a time when it might anyway be right up against its credit ceiling. Moreover, it gets overdraft revenue from the initial advance for one day only, while it has to keep liquid assets for the full period against the amount taken out for the day. It introduces a considerable element of lending uncertainty.

A variation on this theme, which also bypasses normal banking channels, is used by companies with a large monthly cash flow, such as insurance companies and pension funds, which push loans through a small bank or broker to corporate borrowers.

In this instance the institution gains a higher rate than the commercial banks can offer, the broker takes a turn, and the borrower obtains credit at a slightly cheaper rate.

Furthermore, a large market exists for inter-company borrowings, which one banker estimates could account for as much as 50 per cent of the total grey market loans.

These inter-company loans can be made directly, as accommodation finance, as straight transfers of short-term funds, or indirectly through the medium of a small bank or broker.

These are quite different from the bridging bonds favoured by the public corporations, Iscor and Escom, and the municipalities. Though the use of the term bridging is something of a misnomer since their life can extend up to two years. Their great value is that they have been designated prescribed assets and as such are eagerly sought.

The real reason for this grey market lending is that the inconsistency of monetary policy has resulted in a widening of normal banking margins. This has occurred mainly because of the very high liquid asset ratios banks have to keep — 75 per cent of short-term liabilities have to be invested in these low-yielding assets — but also because of other artificial controls.

Apart from the loss of lending that these grey market activities have caused the large banks, the considerable cushion of liquid asset holdings that they necessitate places a severe squeeze on some of their margins.

The Reserve Bank requires that 75 per cent of liquid assets must be kept on short-term deposit with the authorities. Eight per cent is taken by the Reserve Bank and earns no interest, 7 per cent is lodged with the National Finance Corporation at around 7,7 per cent, 25 per cent must be in Government stock, returning as low as 5,5 per cent and 35 per cent must be held in other short-term assets.

Thus, as average returns on liquid assets can be as low as 6,5 per cent, banks can actually be losing money on 75 per cent of these investments, unless the remaining 25 per cent can be so invested to yield about 12,5 per cent.

# Man steals R32 000

STAR 1/3/78

(58)

An unknown man withdrew R32 000 from a Potchefstroom bank yesterday and disappeared without trace.

The man apparently phoned the main branch of Volkskas in Potchefstroom yesterday morning and asked to speak to the teller who worked at the Kock Street branch.

He told the teller, Mr A Fuller, he was employed by a construction firm and he wanted R32 000 in R10 notes. These should be kept for him.

Later he phoned Mr Fuller to find out if the money was ready, came to the bank, signed for the money, walked out and disappeared.

He signed himself as Beukes, but police believe this to be a false name.

# R2 000 for robber ‘in a hurry

658

Star 1/3/78

**Bill Smith,**
**Crime Reporter**

A robber "in a hurry" today escaped with R2 000 after talking his way into the South African Permanent Building Society, Glenhazel, Johannesburg, an hour before it opened.

The neatly dressed robber was waiting outside the building society, with an S A Perm savings book in his hand, when Mrs L Navra (40), arrived to start the day.

The robber said he was in a "big hurry" to get to Germiston.

Once they were in the building society the robber said "give me all the money you've got." Mrs Navra handed over R2 000.

# Exported R 54 000 illegally

Star
2/8/78

(54)

the money, giving him 12 hours to make the decision.

He had offered to transfer R120 000, but Temple refused as he only required money to cover his son's education.

In January this year, after he had been approached by the police, he ordered the London stockbroker who held the money to return it to South Africa, said Temple.

Miss B G M Strydom is prosecuting and Mr M M Hodes is appearing for Temple.

(Proceeding)

# Guard, R85000 vanish

2/3/78

(58)

**Mercury Reporter**

DURBAN police are looking for a White Durban security guard who set off to deposit R85 000 at a bank yesterday but never arrived there.

A senior police spokesman said yesterday the security guard was instructed by his employers, L. Barnett & Co., to take the deposit, of which R30 000 was cash, to a branch of Barclays Bank in Smith Street.

No deposit was made and they later found the security guard's vehicle abandoned near New Kingsmead. The money was missing.

A spokesman for the firm said security guard Mr. R. van Aarde (37) was put in charge of the delivery of money belonging to Starwell Finance.

They had not heard from Mr. van Aarde since.

Police said that they had not made any arrests in connection with the missing money.

NM
4/3/78

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# Jobless man stole from flat

GERHARDUS Otto (29) was jailed for five years by Mr. H. W. Weitz in the Durban Regional Court yesterday for stealing goods worth R1 941 after breaking into a Berea Road flat.

Otto, an unemployed carpenter, of Rutherford Street, pleaded guilty to stealing cameras, clothing and other articles from the flat of Mr. Patrick Barlow of Regency Court on November 14 last year.

In mitigation, he said he had been drunk at the time and that he suffered from a drinking problem.

The Court was told by a probation officer that previous attempts to have Otto rehabilitated had failed because he had proved unco-operative.

Otto admitted previous convictions for housebreaking, driving under the influence of liquor, assault on the police and possession of dagga.

Passing sentence, Mr. Weitz said Otto had not availed himself of previous opportunities to pull himself together.

He had a formidable list of previous offences.

Mr. E. Boswarva appeared for the State.

# Gaurd snatches cash 'on impulse'

SUN. EXP. 5/3/78

(58)

## MR X AND R30 000 DISAPPEAR ON VISIT TO TOILET

### By RUSSELL KAY

**A DURBAN** security guard who told his company he was going to disappear for a few moments to go to the toilet disappeared completely — with R30 000 in cash from the funds he was supposed to be guarding.

Police have launched an extensive search for the guard, Mr X, who had been employed by security firm Barnett and Co for three months.

He disappeared with the money and his firm's security van from outside a city centre bank on Friday.

The manager of Barnett and Co, Mr D Deavine, told the Sunday Express he believed Mr X had taken the money "purely on impulse", saying "he couldn't possibly have planned a robbery like this".

Mr Deavine said that Mr X, 37, was a driver with the company and normally never had anything to do with the handling of deposits, which were made by the firm's security vans at city banks.

"He was a nice fellow and had handled the responsibilities of his job well ever since he joinedus," he said.

"His disappearance with the money was a result of a moment's carelessness."

Mr Deavine said a security van driven by Mr X and carrying another security guard, whose job it was to make the deposits, entered the security area of the Standard Bank in West Street.

"The system we work to is such that the entire van goes into the security area and is locked in this area while the money is transferred to the bank's tellers.

"As the van stopped in the security area the depositing officer told Mr X he had to go to the toilet and asked Mr X to do the depositing for him.

"There were three containers which had to be taken into the bank for deposits; only the bank's tellers had the keys to open the containers.

"Normally Mr X would have nothing to do with the deposits — he was only a driver.

"However, when the depositing officer returned from the toilet, he was told by Mr X that all the deposits had been made and they could proceed to another bank to make the second and final deposit on their schedule.

"It has now come to our notice that Mr X had only deposited the funds in two containers and left the third one unopened, along with the two empty containers in the van.

"The depositing officer naturally assumed that Mr X had emptied all three containers and they proceeded to Barclays Bank, Smith Street, to make another deposit."

Mr Deavine said that while the depositing guard was inside the bank Mr X came on the radio to the company headquarters and said the van was not empty, the depositing guard was in the bank, and he urgently needed to go to the toilet.

He said he would be off the radio for about 10 minutes.

"That was the last we heard from Mr X. He disappeared in the van with the one full container which carried non-negotiable cheques and about R30 000 in cash."

After some time, when they could still not raise Mr X on the radio, the company sent a patrol car to search for him at Barclays Bank.

"They found the depositig guard standing on the pavement outside the bank but the van and Mr X were nowhere in sight.

"A check at the Standard Bank showed that Mr X had made deposits from only two of the containers."

Police began a road, rail, and air check when they discovered the van parked near New Kingsmead football stadium.

Inside was the container, but not the money.

The leather container had been cut open and the money removed. Non-negotiable cheques had been left in the van — along with Mr X's service revolver.

Police have established that Mr X, who is divorced, lived in South West Africa before going to Durban.

Three days before the robbery he booked in at a Point Road hotel but has not been seen since.

# Nuwe Trust-Bank mik na R15 m.

RAPPORT 5/3/78 (58)

**DIE winsgewendheid van Trust-Bank is aan't herstel. Ofskoon dit nog van vyf tot sewe jaar kan duur alvorens dividenduitbetalings hervat word, word na 'n wins ná belasting van tussen R12 miljoen en R15 miljoen teen hierdie stadium gemik.**

Hierdie afleiding kan gemaak word uit vandeesweek se tweede tussentydse winsaankondiging van Trust-Bank. Die uitvoerende voorsitter, prof. Fred du Plessis, het hierin bekend gemaak dat die bank se wins ná belasting in die ses maande tot 31 Desember R788 000 beloop het.

Hy het bygevoeg dat hy geen rede kan sien waarom die winsverbetering nie kan voortduur nie. En om hierdie mening te staaf, het hy op 'n omvattende wyse vertel wat reeds sedert September 1977 gedoen is om die bank te verstewig.

Dit het ook duidelik geblyk dat dit nou die hoofdoelwit van die bank is om sy reserwes te versterk. En daarom sal die hele wins teruggeploeg word, wat self oor die volgende vyf tot sewe jaar 'n geweldige opbou van reserwes tot gevolg kan hê.

Daar kan ook aangeneem word dat die hervatting van dividenduitbetalings nou verband sal hou met die omskepping van die pas afgelope uitgifte van voorkeuraandele van R25 miljoen.

Hierdie aandele is teen 1984 omskepbaar in gewone aandele van 50c stuk. Daar word dus aangeneem dat die prys van die gewone aandele dan minstens op daardie vlakke sal wees.

Dit sal die gewone uitgereikte kapitaal dan maklik teen daardie tyd op sowat R100 miljoen te staan kan bring, wat op 'n redelike dividend van byvoorbeeld 10 persent 'n totale dividenduitbetaling van R5 miljoen sal veronderstel.

Met 'n dividenddekking van byvoorbeeld tussen 2,5 en 3 keer sal dit weer 'n wins ná belasting van tussen R12,5 miljoen en R15 miljoen verteenwoordig. Maar dan kan dit dalk ook al moontlik gewees het om vroeër met 'n beskeie dividend te begin om byvoorbeeld 5c teen 1984 te bereik, wat 'n eerste dividend hier teen sê 1982 se koers heel moontlik maak.

Dit sal ook winste wees wat op bates verdien word wat van 'n baie hoër gehalte as die verlede sal wees. Prof. Du Plessis het dit baie duidelik gestel dat die werwing van hierdie soort bates nou die bank se hoogste prioriteit is.

Hy het verder gesê dat dit sal beteken dat die bank ook 'n baie beter verspreiding van bates oor die verskillende sektore van die mark sal nastreef.

Die dae dat Trust-Bank deposito's voor die voet „jaag", is verby. Met die nuwe inspuiting van kapitaal is dit nie vir die bank meer nodig om deposito's te jaag om 'n likiditeitsprobleem te oorbrug nie.

Dit het nou heeltemal verander. Hier sedert September 1977 het die bank hom byvoorbeeld heeltemal uit die geldmark onttrek. Die stadium is nou bereik dat ander instellings of instansies na die bank kom en aan hom verhandelbare depositosertifikate (VDS'e) aanbied.

Wat sy deposito's betref het die bank klante in kennis gestel dat die bestaande hoë rentekoerse nie gehandhaaf sal word by verstryking van die termyn nie. Aansienlik laer koerse is aangebied, wat bygedra het tot 'n dramatiese verlaging in die koste van die bank se geld.

En wat hierdie koste van geld betref, het prof. Du Plessis die interessante voorbeeld genoem dat 'n vermindering van 1 persent in die bank se koste van geld, R8 miljoen per jaar in wins kan beteken.

Die voordele by 'n verlaging in die koste van geld sal egter tyd neem om uiteindelik werklik deur die resultate weerspieël te word.

7/3/78 DD

(58)

# Bank to lose cash over SA

WASHINGTON — The 1,5 million strong United Automobile Workers Union's president has announced his union will withdraw its funds from banks and financial institutions that give loans to South Africa.

Mr D. Fraser predicted that "the present policies of the Vorster Government can only lead eventually to broad - scale economic boycotts, more repression and finally massive violent destruction."

The union, along with the International Metalworkers Federation and a number of church and civil rights groups in America, were setting aside March 13 to March 21 "as a period of campaigning against apartheid," Mr Fraser said.

Mr Fraser said he would encourage the Carter Administration to take the following steps:

End all export - import bank insurance, loan guarantees and discount loans to United States companies exporting to South Africa;

Withdraw government services to American businesses trading with or investing in South Africa;

End all discount benefits for corporations dealing with South Africa;

End all forms of nuclear collaboration with South Africa;

Discourage investment and loans to South Africa;

Follow the European Economic Community on guidelines for fair employment practices by the 300 United States companies that have invested over R1 000 million in South Africa over 20 years;

Urge international financial institutions to set human rights conditions on loans to South Africa. — DDC.

7/3/78 Stg

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# US bank won't end SA loans

CAPE TOWN — The largest bank in the United States, The Bank of America, is to continue trade financing in South Africa.

And a motion on the bank's proxy statement to shareholders is almost certain to be defeated

The motion by the anti-apartheid church group, The Interfaith Council on Corporate Responsibility, wanted to end the bank's lending activities in South Africa.

The bank, one of the largest private banks in the world, said in a statement it was not as heavily involved in South Africa as other United States banks, but had commitments of about R125 million in trade financing in South Africa.

This was a small commitment in terms of its world-wide operation, but a bank spokesman said yesterday they would reject any attempt to restrict their activities in any country, particularly as many had worse records for contravening civil rights than South Africa

The bank said the extension of credit in any country did not imply support for any particular political policy or government of a foreign country.

A three-man delegation from the bank is in South Africa and is headed by a senior vice-president, Mr J. Kearney, and a vice-president, Mr Charles Bilimyer.

They saw the Minister of Finance, Sen Horwood, and the president of Bophuthatswana, Chief Lucas Mangope, yesterday.

The delegation have also met the Opposition spokesman on finance, Mr Harry Schwarz, as well as the banned former Editor of the Daily Dispatch, Mr Donald Woods, in London.

The Bank of America has not made any short-term loans to South Africa and it is unlikely to do so, but will keep up its trade-financing operations. — PC

# 'Lost' deal for R3m

58

7/3/78

Mercury Reporter

**PIETERMARITZBURG — A sum of R2 500 was paid towards the building of a house for Mr. Jimmy Kruger, the Minister of Police, from money held in trust for former millionaire, Mr. Otto Redinger, an insolvency inquiry was told here yesterday.**

Mr. Redinger said in evidence before Mr. P. Fourie, the Deputy Master of the Supreme Court, that missing Pietermaritzburg lawyer Mr. Pieter Coetzer paid the money.

Mr. Coetzer fled South Africa last year.

Questioned by Mr. David Gordon, he said Mr. Coetzer — who held large sums of Mr. Redinger's money in trust — tendered to Mr. R. M. Wildenboer for building to be done for the minister.

Mr. Redinger said the quotation given by Mr. Coetzer had been short and he had agreed to donate R2 500 to make up the difference.

When Mr. Gordon, who was reading from an accounts sheet from Pieter Coetzer and Co., first asked Mr. Redinger why R2 500 of his money had been paid by Mr. Coetzer to the Minister of Police, Mr. Redinger claimed it was a "completely wrong entry."

The inquiry, brought by the trustees of Mr. Redinger's estate in terms of the Insolvency Act, is aimed at finding if Mr. Redinger has any assets to meet his debts.

## Millions

Questioned about an affidavit he had made to the Supreme Court late last year in opposing his sequestration, Mr. Redinger said the liquidators had not given him a chance to earn between R2 000 000 and R5 000 000 as he had claimed was possible in the papers.

Mr. Redinger confirmed that he would have earned the money as commissions for sales he was to have negotiated.

Mr. Gordon commented that he appeared to be heading for a South African record for contraventions of the Companies Act and "we will clap when you reach 100."

Questioned about Rua Vista (Pty.) Ltd — a Pretoria property development company now in liquidation, Mr. Redinger said he was not aware he was breaking the law when he ceded shares in the company twice and when he made numerous withdrawals from company funds for his own benefit.

## No link

According to a firm of chartered accountants a total of R736 875 was paid out to Mr. Redinger.

A further R380 000 was used to pay three bank guarantees but there was no link with creditors of Rua Vista.

Mr. Redinger ceded the shares a second time.

No books or documents relating to the company's affairs had been received by the liquidators and Mr. Redinger was arrested when he failed to attend the first creditors' meeting.

ring continues to-

Star 10/3/78 (58)

# Grocer fined R10 000 on currency offence

A Westonaria grocer who sent more than R18 000 in bank drafts to Switzerland was today fined R10 000 in the Johannesburg Regional Court.

Basil E Geornares (40) of Bainskloof, Glenharvie, Westonaria, pleaded guilty before Mr K K Smith to transferring R18 084,98 out of South Africa in contravention of the Exchange Regulations.

Between January and June, 1976, Geornares bought R13 000 worth of bank drafts made out in US dollars from British employees of Kloof Gold Mine, who were returning to the United Kingdom, without using their full allocation of money withdrawals.

He paid 10 percent of the value of the drafts.

### R5 000

The Union Bank of Switzerland in Sauer Street, Johannesburg, accepted Geornares's drafts and deposited them with their Zurich head office in an account in his name.

Later Geornares bought drafts worth R5 000 which were also deposited in his Zurich account.

Geornares had repatriated all the money and used it to buy defence bonds.

He was also sentenced to one year in jail, suspended for five years.

Mr D R Hammon prosecuted and Mr M M Hodes, instructed by Fluxman's, defended.

✓

(53) FM 10/3/78

# Faith in Trust

**As Trust MD and a Sanlam director, man-in-the-middle Fred du Plessis talks about the massive banking restructure now under way.**

**In 1976, Trust Bank reported after-tax profits of R7,1m, continuing a steady upward trend. For last year, you have just reported an unaudited R1,4m. Would the previous Trust management have reported a similar figure, or is there some other reason for your having bucked the trend?**

There are four basic reasons for the profit reversal. Trust was paying far more for its money during 1976 than I think it should have. Income declined through the collapse of the property market. It was unable to increase its HP and leasing business because of a lack of capital and deposits, which increased at a slower rate than necessary for sustaining Trust's previous growth pattern. Finally, certain interest payments were capitalised and taken as income in the past. We feel that, where capitalised interest is not recoverable, we cannot take it as income.

**You also have stated your opposition to fuller disclosure on grounds of a sudden profit reversal leading to a possible flight of confidence. How then, in view of this sudden reversal, can depositors and shareholders assess whether Trust is weaker or stronger than under its previous management?**

We want to boost reserves to a point where we feel comfortable, putting newly-earned profits into hidden and published reserves for the time being. This is a symptom of our more conservative policy and must be seen as a strengthening of the bank. As far as I'm concerned, hidden reserves are there to absorb ad hoc losses and smooth short-term profit fluctuations, not to disguise the longer term profitability trend.

**Sanlam's property investment team is being used to strengthen Trust's property management. Is there a management contract? If so, what is Trust paying for it?**

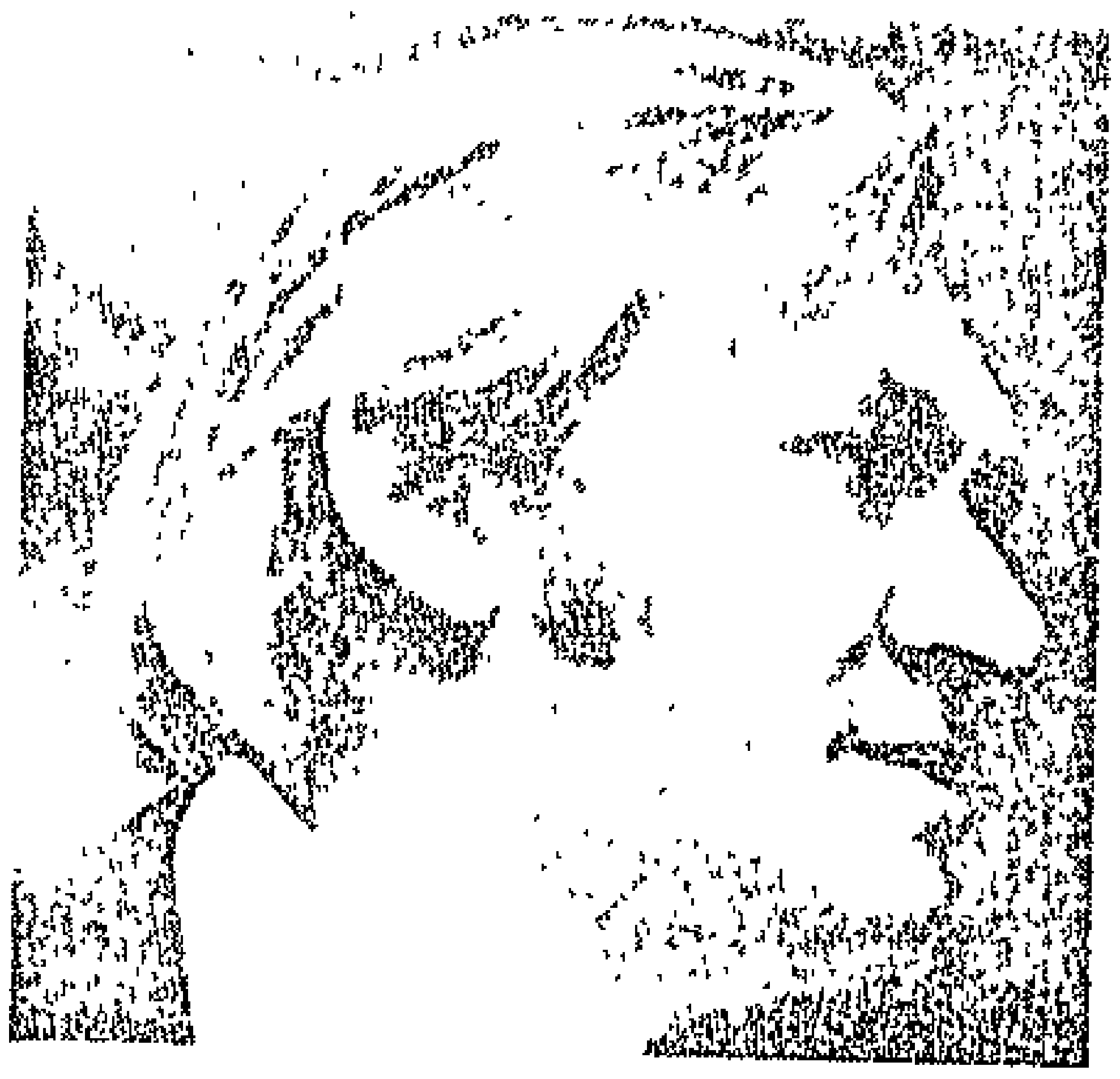
We are using the Sanlam team on an ad hoc basis. Where we want their particular expertise, such as investigating the Sandy Bay viability, we pull them in and negotiate the fee on cost.

**You have appointed three senior GMs. Is there to be a change in emphasis in the bank's objectives?**

To improve control and administration, we have severed administration from marketing. And we are going to put more marketing effort into our corporate business, to build up a side of the bank which has not been fully developed in relation to total growth.

**Trust was paying, in your words, an "extraordinarily high cost" for funds. Why were they previously so high and how have you managed to reduce them?**

Before, Trust was volume orientated, not caring too much about the cost of its money. We are more profit orientated. Instead of chasing money, we have decided particularly to let our money market activity follow a natural decline, because we are not prepared to pay extraordinary rates. This is already showing signs of success. In February, money market institutions started asking us for CDs and I think we were the only bank issuing CDs during that month at much lower rates than before. We also gave notice to some term depositors that we are lowering our rate. With R800m in deposits, a 1% interest drop could mean an R8m profit increase.



**Du Plessis . . . long wait**

**Is Sanlam pushing considerably more business Trust's way than before the Bankorp takeover? If so, how does Sanlam decide to which of its banks it will push business and what volume will go to each?**

Trust has exactly the same relationship with Sanlam as before. There is no new policy to push business our way, nor take from other banks.

**Sanlam now is effective owner and manager of Trust. It also is a substantial customer. How does Sanlam negotiate rates with itself?**

When I negotiate with Sanlam, I negotiate as Trust MD. I always look at alternatives. If I have an opportunity more attractive than doing business with Sanlam, I shall take that alternative. This equally holds true for Sanlam, which often can be a tougher customer than an outsider.

**Does any Sanlam business still go to Volkskas? If so, has it been substantially reduced since Volkskas and Bankorp severed their shareholding connection?**

There has been no change in the business relationship at all.

**When will Trust again be in a position to pay a dividend?**

This is very difficult. Given our long term plan, I don't at the moment think that it will be within the next five years, not before the option is open for conversion of the debenture. The picture can be altered by a dramatic upward swing in the property market, but this I don't forsee within the next five years.

**On present equity, what level of profitability do you consider a minimum before a dividend can be paid?**

There is no specific minimum. We shall pay only when we are satisfied with the level of our reserves and that we have sufficient capital to continue growing. Previously, the bank called on shareholders to generate capital. Our policy is to generate it within the group as far as possible.

**Sanlam has ploughed R25m into Trust. The banking norm is to show returns of around 1% on total assets and 15% on equity. Do you intend showing more? If not, and Trust will be able to pay dividends only in years to come, why should this R25m investment be good from the viewpoint of Sanlam policyholders?**

The debenture coupon rate is 11.5% which Sanlam will earn each year over the five year period before it can convert. I doubt whether there are many other investments which will show a much better return. If we eventually get the bank to 15% on equity, policyholders will be doing very well indeed.

**What is the rationale for the Bankorp/Santam deal?**

Primarily, it enables Bankorp to own and develop its own trust company.

**What further rationalisation is envisaged in the Sanlam/Santam/Bankorp/Trust family?**

We will not be revolutionaries about this. There is no master plan, though we do have an internal strategy for reorganising various combinations. But to go into that now would be dynamite.

(1)

(58)

## SANTAM/BANKORP

# Once bitten

FM 10/3/78

**When Santam** shares were suspended on January 16, the reason given was that negotiations were to take place on rationalisation of the group's insurance interests with those of Sanlam.

But what has emerged from the talks is an exchange of Santam's banking side for Bankorp shares.

The extent of the "rationalisation of the insurance interests" is that Sanlam will get voting rights in Santam proportionate to its 40% holding, once the banking interests have been hived off. Until now, because of rules relating to banks, it has been restricted to only 1% of the voting rights despite its 40% holding.

Sanlam's experience with Trust, where it was similarly hampered, have taught it that voting rights matter. This was one major motivation for the present deal.

So Santam will remain SA's biggest short-term insurer (showing over R100m of premium income last year) and will also hold 11,4% of Bankorp in place of its existing banking interests.

How were Santam's banking interests valued in the current takeover by Bankorp?

"We reckoned Santam holders were due about 1,5c of dividend from the banking operations," says Bankorp's Professor Fred du Plessis. "There were 35m shares in issue, so this would require R525 000. Bankorp's total dividend should be at least 14,5c (14c) per share this year, so, for Santam holders to receive an unchanged dividend, we worked out they would require 3,5m Bankorp shares."

There was only passing reference to net assets, says Du Plessis, as "banking assets are difficult to ascertain and, to tell the truth, we could not agree on an asset figure, so decided to concentrate on dividend potential."

Du Plessis says Santam holders are better off with their portfolio investment in Bankorp than with their Santam banking interests, as their dividend today is better covered than it was and it is derived from wider-spread assets of R2 000m, compared to R200m before.

This seems an adequate motive for Santam, which is also getting rid of a potential trouble area in Mercabank and no longer has to fill the gap in Santam International left by the late Dr Robert Smit.

Valuing its own net assets at 316c, Bankorp says it is paying R11,06m for Santam's banks. Both Du Plessis and Santam's MD Izak Steyn agree that the R11,06m is "more or less" equal to the net assets of the Santam banking operations.

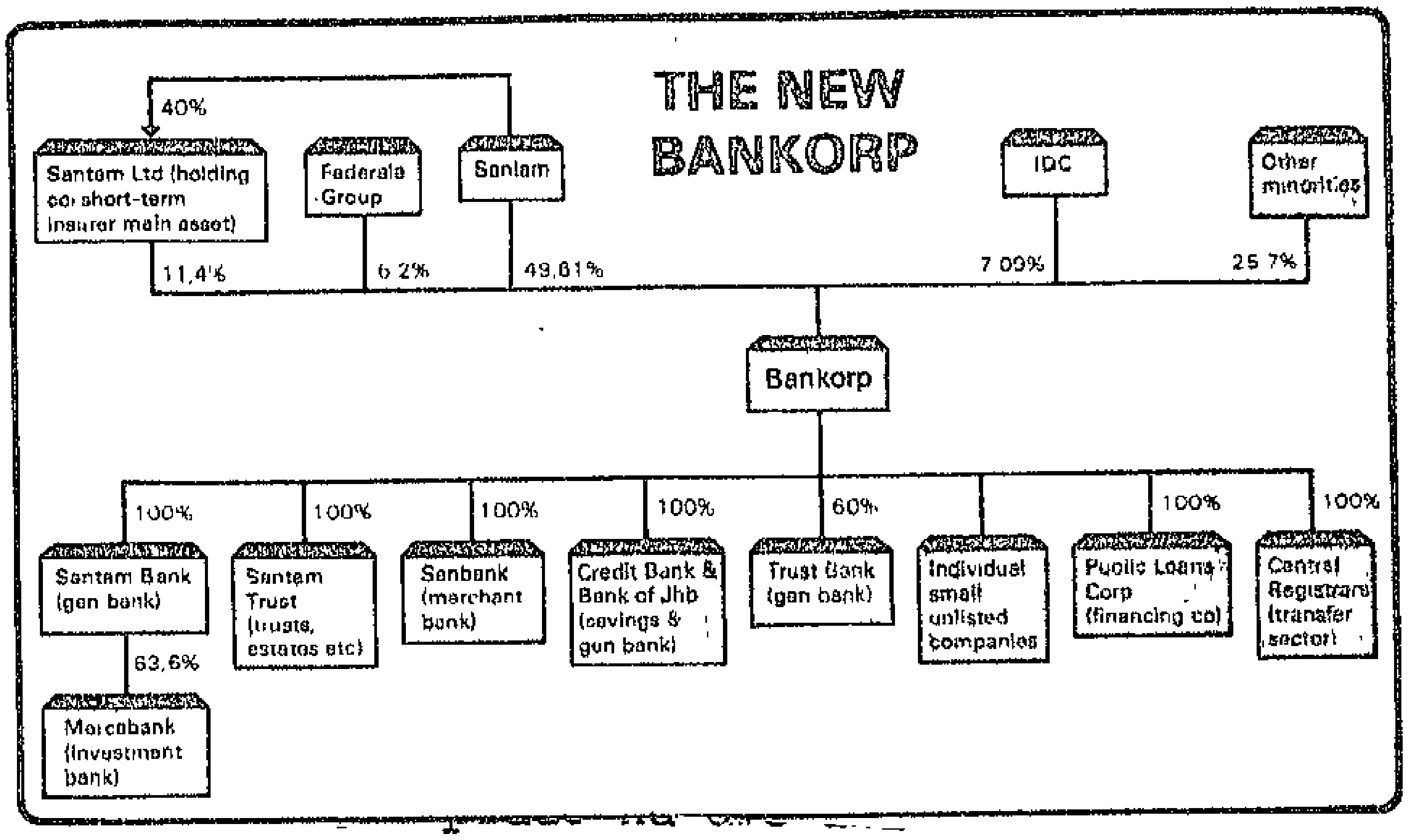
But the Bankorp share price was only 154c pre-suspension, so the market value of the 3,5m shares is only R5,4m.

According to Steyn, the unconsolidated Santam Bank balance sheet and income statement provide no clue to assets or earnings potential as the bank acts as holding company to certain insurance and hire purchase firms not affected. He estimates the net profits of the affected banking interests to be "just over R1m."

Santam's earnings are bound to suffer in the wake of the deal, for instead of

**Bankorp's Wassenaar . . . yet another bank in the fold**

(2)



(3)

consolidating R1m from the banking side, in future it will take in only the R525 000 dividend from Bankorp. However, this amount will be fully distributable.

The issue of the additional shares has cost Sanlam direct legal control of Bankorp, for its shareholding has slipped from 56% to 49,6% (see chart). This will not worry Sanlam, which does not publish consolidated accounts and which still holds the dominant stake. The Federale Group's holding has slipped from 7% to 6,2%, the IDC's from 8% to 7,1% and other shareholders' from 29% to 25,7%. Santam Insurance holds 11,4% of Bankorp. Sanlam's indirect holdings through Federale and Santam will see to it that control does not change.

Santam shares, suspended at 60c, had not been unlisted by Wednesday because the JSE deemed the arrangements for publicising the terms of the deal to be inadequate.

Each Santam share is now backed by one-tenth of a Bankorp share, or 15c per Santam. So the short-term insurance interests, which apparently produce about 3,5c of dividend income, are in for 45c. A price of 60c looks about right for the new Santam package. *David Carte*

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Star 10/3/78

(58)

# No bail for R3-m fraud case man

**A Johannesburg businessman who is allegedly involved in a R3-million currency fraud of which R1,5-million has allegedly been sent out of South Africa was yesterday refused bail by a Johannesburg magistrate.**

The court was told there was a "strong possibility" that Mr Roderick Sandcraft Atherstone (28) would try to flee the country if he were granted bail.

Mr Atherstone, owner of a used car business and director of an aircraft business, was arrested on March 3, as a result of Commercial Branch investigations that lasted for more than three years.

Captain H C J L de Kock, of the Commercial Branch, told the court that in 1975 Mr Atherstone had been arrested in connection with currency contraventions involving R1,5-million, and later released.

"He was arrested and freed, and afterwards, Mr Atherstone became involved in these charges, which involve R1,5-million," said Captain de Kock.

**OVERSEAS ACCOUNT**

"I have worked for a few years on this case," said Captain de Kock, who added that the 1975 contraventions were still being investigated.

"The total amount involved is over R3-million and the charges are fraud, involving currency," he said.

Captain de Kock said that the R1,5-million from the 1975 case had already left the country, and "there is information that there is an overseas bank account in the name of the accused or his father."

Mr Atherstone told the court that "since my arrest I have co-operated with the police — I have told them everything they want to know."

Mr Atherstone said in 1972 during his army service he hit his head on an anthill while jumping from an aircraft, and as a result suffered from epileptic fits.

The case was postponed to March 29 for further investigation.

Miss B Strydom prosecuted, Mr M Young defended.

# Jail for Indian who 'milked' his creditor

(58)

NM 11/3/78

Court Reporter

**A 52-YEAR-OLD Indian had systematically milked R19 990 from a man who had trusted and befriended him when he lent him money to assist in the winding-up of a mythical estate, a Durban Regional Magistrate said yesterday.**

Mr. J. A. Oberholzer was jailing Govindsamy Govender for three years after convicting him of fraudulently obtaining the money from Mr. Peter John Boult over a two-year period.

Evidence was that Govender — who pleaded not guilty — had approached Mr. Boult and told him he was expecting to inherit part of a large estate at Port Shepstone left to him by his father.

He told Mr. Boult that he needed money to assist in the winding-up of the estate and that the money would be returned plus interest when the estate was finalised.

Over a period between February 1976, and October 1977, he had received R19 990 from Mr. Boult, the Court was told.

None of the money had been recovered.

The Court heard too that Govender had shown Mr. Boult fraudulent communications from the executors of the so-called estate detailing the need for the various outlays.

While receiving the money from Mr. Boult, Govender had bought a car, hired a chauffeur and opened a shop in Verulam.

Mr. Oberholzer rejected outright Govender's claim that he had got the money from Mr. Boult to run a fah fee bank and that Mr. Boult owned him about R72 000 in commission.

"This estate existed only in your mind," Mr. Oberholzer said.

Govender admitted previous convictions for fraud and theft dating back to 1952.

# NUWE BEDELING BY VOLKSKAS KOM

Sake-Rapport 12/3/78

(58)

Deur **DAVID MEADES**

**'N GEHEEL en al nuwe bedeling is by die Volkskas-groep aan die kom. Dit volg op dié bankgroep se sterk uitbreiding die laaste paar jaar en sy huidige diversifikasieprogram in die bankwese. Die kern van hierdie nuwe bedeling behels waarskynlik die stigting van 'n nuwe bankbeheergroep.**

Dit is die afleiding wat gemaak kan word uit die aankondiging Vrydagmiddag dat dr. Pieter Morkel aangestel is as 'n hoofbestuurder van Volkskas Beperk.

Dr. Morkel, wat op 1 Maart by Volkskas ingeval het, was voorheen hoofbestuurder van Bankorp, waar hy veral op die gebied van beplanning 'n groot rol in die rasionalisasie van Sanlam se bankbelange gespeel het.

Sake-Rapport het verneem dat Volkskas reeds geruime tyd besig is om die moontlikhede van 'n meer stroombelynde bankgroep te ondersoek.

Die bank se vorige hoofbestuurder, wyle mnr. Wynand Engelbrecht, was baie nou by hierdie planne betrokke en sy ontydige afsterwe het 'n groot leemte gelaat. Daar kan dan aangeneem word dat dr. Morkel se aanstelling regstreeks verband hou met die voortsetting van mnr. Engelbrecht se werk.

## Bonuskor

Waar Volkskas tot 'n paar jaar gelede net regstreeks in die gewone handelsbankwese betrokke was, het hy sedertdien met sy eie aksepbank en nywerheidsbank begin.

En dan het hy ook pas regstreekse beheer oor Bonuskor verkry, terwyl die Transvaalse Suikerkorporasie reeds geruime tyd gelede 'n volfiliaal van Volkskas geword het.

Bonuskor sukkel al baie jare lank om reg te kom en dit wil voorkom of hier 'n grootskaalse reorganisasie aan die kom is. Dit kan dan ook gebeur dat Bonuskor uiteindelik die beheermaatskappy van die groot nywerheidsbeleggings van Volkskas kan word.

## Toegerus

Behalwe die Transvaalse Suikerkorporasie he Volkskas ook 'n groot belang in United Car & Diese Distributors, die maatskappy wat Mercedes Benz in Suid-Afrika vervaardig en bemark en reeds 'n omset van sowat R200 miljoen per jaar het.

Dr. Morkel, wat later vanjaar 42 word, is baie goed toegerus om in die beplanning van die „nuwe" Volkskas 'n waardevolle rol te speel. Hy was sedert 1972 hoofbestuurder van Bankorp en was voor dit 'n paar jaar by UDC Bank. Hy het ook al sy naskoolse kwalifikasies met lof aan die Universiteit van Stellenbosch verwerf.

Hy is getroud met 'n dogter van dr. Bob de Jongh, president van die Reserwebank.

Wat nou waarskynlik beplan word, is 'n beheermaatskappy wat byvoorbeeld op die lees van Standard Bank se beheermaatskappy, Stanbic, beheer oor die verskillende beleggings sal hou.

Hierdie beheermaatskappy sal dan 'n handelsbankfiliaal en 'n aksepbank en nywerheidsbank hê. Die drie banke sal dan onafhanklik van mekaar as lede van een beheergroep sake doen.

## Sukkel

Daar sal dan ook nie langer 'n bank wees wat beheer oor nywerheidsmaatskappye het nie en die verskillende banke sal elk op sy eie in 'n posisie wees om net op die bankwese te kan konsentreer.

'n Beheermaatkappy sal ook byvoorbeeld in 'n baie beter posisie wees om beheer oor sulke filiale soos Bonuskor uit te oefen. Die onverwagse bedanking vandeesweek van Bonuskor se besturende direkteur, mnr. Hennie Marais, hou waarskynlik verband hiermee.

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# Bank manager jailed for fraud

NM 15/3/78 (58)

**Mercury Reporter**

EMPANGENI — A former branch manager of the Western Bank who defrauded the bank to "maintain a high standard of living," was yesterday sentenced in the magistrate's court here to six years and nine months' imprisonment with an additional 27 months conditionally suspended for five years.

Charles Walter Babb (39) pleaded guilty before Magistrate, Mr. Chris Smit, on nine charges of fraud involving R18 821.

His plea was accepted by the prosecutor, Mr. W. Gibbins, and no evidence was led.

In mitigation Mr. J. Jonson, appearing for Babb, said that Babb was already in the process of being severely punished by the community.

He said that fraud has unfortunately become a prevalent "sickness of the society" where it is expected of businessmen to entertain.

Babb told the Court that he defrauded his employers during 1975/76 to maintain a high standard of living for his family and for the entertainment of clients.

"In the process I became more and more financially embarrassed," he said.

Babb admitted a previous conviction for fraud in 1969.

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Waarde aan boer

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Oppervlakte verskaf gebruik

Waarde aan boer:

Water (jaarlikse koste aan boer)

Koste van ander dienste b.v. saad, gebruik van plaasmasjinerie

(f) Klere· artikels verskaf deur boer (jaarliks)

Koste aan boer:

(g) Bonus (jaarliks)

(h) Geskenke (jaarliks: artikels

Koste aan boer:

(i) Ontspanningsgeriewe verskaf:

Koste aan boer (jaarliks):

(j) Gesondheidsdienste:

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(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

# Nog 'n komn

## Ons sê . . .

VERLEDE jaar moes die makelaars in langtermyn-versekering sien hoe die Registrateur van Versekeringsmaatskappye vir hulle maksimum-kommissies vasstel. Later vanjaar is dit die manne aan die kort termyn se kant.

Verlede jaar was daar voor die finale instelling van die maksimum-kommissies groot meningsverskil oor die uitwerking wat dit op die bedryf sou hê.

Die laer kommissies is nou egter 'n voldonge feit en ons weet nie van een makelaarsgroep wat as gevolg hiervan ondergegaan het nie.

En met die nuwe kommissies op korttermyn-versekering nou feitlik ook 'n voldonge feit, is die bedryf heelwat stiller en aanvaar hulle dit blykbaar nou in die gees waarin dit gedoen word.

Die grootste doel agter die vasgestelde kommissies is om orde in hierdie bedryf te kry. Ons hoop dat dit die resultaat sal wees en dat dit ook vorentoe tot groter hoogte deur samesmeltings en groter groepvorming bereik sal kan word.

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Sake-Rapport 19/3/78 (58)

# MINDER NA MAKELAARS

### Deur DAVID MEADES

**DIE kommissie vir makelaars wat korttermyn-versekering verkoop, gaan later vanjaar sterk gesny word — in sommige gevalle ingrypend. Dit is veral die kommissie op motorversekering wat kwaai besnoei gaan word. Dit kan vir die makelaarsbedryf 'n vermindering in inkomste van 'n paar miljoen rand beteken.**

*Mnr. Wynand Louw, Registrateur van Versekeringsmaatskappye, het op navraag aan Sake-Rapport gesê dat sy kantoor nou besig is met die finale afronding van die beoogde nuwe regulasies. Hy wou egter geen verdere besonderhede verskaf nie.*

Sake-Rapport het egter in die mark verneem dat die nuwe regulasies wat maksimum kommissietariewe sal neer le, teen Julie verwag word

Dit sal volg op soortgelyke regulasies vir langtermyn-versekering wat verlede jaar in werking gestel is.

Wat die korttermyn-versekering betref, is die plan glo om die maksimum-kommissie vas te stel op 12,5 persent vir motorversekering.

Dit sal vergelyk met die vorige maksimum-kommissie van 22 persent, 'n syfer wat volgens makelaars in sommige gevalle tot 27 persent by sekere versekeringsmaatskappye beloop het. Die gemiddelde kommissie wat in die bedryf gehef is, was egter nog altyd heelwat minder as 20 persent.

Op die ander soort korttermyn-versekering sal die maksimum-kommissie verminder word van die huidige 23 persent tot 20 persent. Om die bedryf die geleentheid te gee om hom hierby aan te pas, sal hierdie vermindering glo oor 'n tydperk van drie jaar met 1 persent per jaar verminder word.

## Lloyds

Ten laaste is daar ook nog die kwessie van kommissie wat op Lloyds-versekering gehef word. Oor hierdie aspek is daar glo nog nie duidelikheid nie, en die bedryf is nog besig om met mnr. Louw se kantoor hieroor te gesels.

In teenstelling met langtermyn-versekering is die kommissie op die korttermyn-sake baie hoër. Dit het in baie gevalle aanleiding gegee tot 'n mate van wanorde in die mark, veral omdat van die kleiner versekeringsmaatskappye dikwels baie hoë kommissies betaal het.

Van owerheidskant is gevoel dat hierdie buitensporig hoë kommissie-tariewe die kostestruktuur onnodig hoog opstoot, en daar is ook gevoel dat daar groter orde in die bedryf moet wees.

Een van die makelaarsgroepe wat waarskynlik sover dit die vermindering van die kommissie op motorversekering, die swaarste getref gaan word, is Trust-Bankmakelaars.

Volgens markinligting beloop die premie-inkomste op korttermynversekering wat die groep hanteer, sowat R20 miljoen per jaar. 'n Baie groot deel daarvan kom weens Trust-Bank se omvattende betrokkenheid in huurkoop van motorversekering af.

Mnr. Koos Kotzé skakelman van Trust-Bank, het aan Sake-Rapport gesê dat Trust-Bank nog nooit die maksimum-kommissietariewe by versekeraars beding het nie. Dit was so omdat die bank nog altyd daarin geglo het om tot die voordeel van sy klante net sake met die land se voorste versekeringsmaatskappye te doen.

In die verlede het die makelaarsmaatskappye ook die grootste deel van die administratiewe werk op korttermyn-versekering by die versekeraars oorgeneem. Die grootste deel hiervan sal nou waarskynlik terug na die versekeraar gaan, wat 'n aansienlike besparing vir die makelaars sal meebring, het mnr. Kotzé gesê.

Dit sal egter geensins beteken dat die diens aan die klant hoegenaamd skade sal ly nie. En dan sal daar ook opnuut na verdere moontlike kostebesparings gekyk moet word.

In die geheel kan dit dus moontlik word dat die vermindering in inkomste tot groot hoogte geneutraliseer sal word deur 'n vermindering in koste, het mnr. Kotzé gesê.

# Sancura en Trust byeen

Sake-Rapport 19/3/78

58

**OFSKOON daar nog geen amptelike besluit geneem is nie, staan die Bankorp-groep glo op die punt om Trust-Bank se versekeringsmakelaarsbedrywighede by dié van Sancura-Makelaars in te skakel, het Sake-Rapport verneem.**

Weens die baie groot omvang van Trust-Bank se sake op hierdie gebied, sal dit Sancura dadelik een van die grotes in die land maak. Hy sal verreweg die land se grootste makelaar op die gebied van motorversekering wees.

Dit sal ook een van die uitvloeisels wees van die oorname deur Bankorp van al Santam se bedrywighede buiten versekering. Dit sal ook groot moontlikhede tot kostebesparing inhou, wat veral nou met die oog op die nuwe verminderde kommissie-tariewe (sien berig hiernaas) sal help om vir 'n daling in inkomste te vergoed.

Dit sal ook tot gevolg hê dat die Sanlam-groep twee van die land se grootste makelaarsgroepe onder sy sambreel sal hê. Die ander een is natuurlik die Price Forbes-groep, waarin Federale Volksbeleggings, wat deur Sanlam beheer word, die grootste belang het.

Hierdie groep het tot stand gekom deur die oorname van Price Forbes deur Federale en Volkskas-makelaars. Daardeur het Volkskas ook 'n belang in die nuwe groep gekry, terwyl Price Fobes van Brittanje 'n minderheidsbelang gehou het.

As 'n deel van hierdie transaksie het Volkskas ook weer volle beheer oor Volkskas-Makelaars verkry, wat hoofsaaklik op langtermyn-versekering konsentreer.

Die algemene gevoel is ook dat die vermindering in kommissietariewe op korttermyn-versekering nog verdere oornames en samesmeltings tot gevolg gaan hê.

Die C.E. Heath-groep het onlangs die McDonogh-groep van Pretoria oorgeneem en die besturende direkteur, mnr. Terry McDonogh, sê dat daar te veel versekeringsmakelaars in die land is.

58

Star 20/3/78

# Acquitted of R99 000 fraud

An elderly taxi driver, who admitted being "totally uneducated," was today acquitted by a Johannesburg regional magistrate on charges of stealing a cheque for R99 491, and then trying to cash it.

Mr Louis Myers (62), a Germiston taxi driver, had pleaded not guilty before Mr G Steyn to the charges of theft and fraud.

He was arrested outside the Standard Bank in Braamfontein last July with a suitcase full of telephone books.

The court heard that on July 27 an unidentified man presented a letter to a clerk at the Standard Bank. The letterhead was from Fowler Construction (Pty) Ltd.

The letter, which was forged, said R99 491 would be required by the firm the next day in various denominations.

The following day Mr Myers arrived at the bank and handed over the cheque. He was given a suitcase with the words Fowler Construction embossed on it, and he left the bank.

He was arrested outside and the suitcase was found to contain telephone books.

Mr Myers told the court that he had been asked by a Mr Steyn to pick up the money at the bank. He knew nothing of the stolen cheque or the forged letter.

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Waarde aan boer

(e) <u>Grond</u>

Oppervlakte verskaf gebruik

Waarde aan boer:

Water (jaarlikse koste aan boer)

Koste van ander dienste b.v. saad, gebruik van plaasmasjinerie

(f) Klere: artikels verskaf deur boer (jaarliks)

Koste aan boer:

(g) Bonus (jaarliks)

(h) Geskenke (jaarliks: artikels

Koste aan boer:

(i) Ontspanningsgeriewe verskaf:

Koste aan boer (jaarliks):

(j) <u>Gesondheidsdienste</u>:

Jaarlikse koste aan boer van: doktersrekeninge betaal

medisyne

vervoer na en van geriewe

ander

(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

# Three jailed for R37 000 emerald snatch

Star 20/3/78 (58)

Three robbers who snatched a handbag containing more than R37 000 worth of emeralds were today each jailed for 18 months.

Irene Angela McChlery, (36), and Albrecht Langenburg (29), both of Windsor, Randburg, and Josef Lorenz (25) of Hillbrow, Jhbg, were convicted by a Johannesburg regional magistrate, Mr N V B Andrews, of robbing Mrs M F da Graça Mourao of 100 emeralds worth R37 333,80c on January 24.

McChlery told the court she was helping Mrs Mourao to sell her emeralds for a commission. Together with Langenburg and Lorenz she had arranged to rob Mrs Mourao with herself being assaulted in the process to avoid suspicion.

### ASSAULT

Langenburg and Lorenz robbed Mrs Mourao as she was sitting in a car with McChlery. The court found that Langenburg had assaulted Mrs Mourao and Lorenz snatched the handbag with the emeralds.

After the robbery Mrs Mourao and McChlery went to the police station to lay a charge, but McChlery broke down and confessed.

Mr Andrews disagreed with the defence arguments that the accused should receive deference sentences.

He sentenced them to another 18 months each, suspended for five years.

ens anders vir

4 5 6

(i) Werk wat vir boer
gedoen word (b.v.
gedurende skool
vakansies)

(j) Jaarlikse tydperk
gewerk (dae of weke)

(k) Jaarlikse betaling:
kontant

ander

# ‘Walter Mitty’ guilty of R1-m fraud attempt

star 21/3/78

(58)

## IN COURT

A criminal “Walter Mitty” and his female accomplice were today convicted by a Johannesburg Regional magistrate of numerous counts relating to the forgery of cheques worth R1-million.

Basil Roy Myers (26) and Shirley Patricia Jennings (25) had pleaded guilty before Mr F Z Krynauw on various counts of fraud, forgery, uttering and theft.

Myers was convicted on three counts of theft, two counts of forgery, one of uttering and one count of theft.

Jennings was convicted on one count of fraud, two of forgery and one of uttering.

At a previous appearance the prosecutor, Mr L G McIntosh, told the court that Myers — “a member of a gang of fraud criminals” — falsely obtained 40 cheques from Nedbank for R1-million.

To do this Myers passed himself off as Alan Patrick Laws, a wealthy American citizen.

He forged “a letter of credit and bank guarantee for A P Laws”.

The forged letter of credit read: “Mr A P Laws, an American visitor, is currently in South Africa representing several wealthy American entrepreneurs.”

“Mr Laws,” the letter went on, “has deposited in his account the sum of R1-million and has been issued with 40 cheques. Each of these cheques is guaranteed payable for the amount of R25 000.

“Mr Laws is a valued client of the bank and heads a party of 83 American millionaires due to tour South Africa in April 1978,” the letter concluded.

Giving evidence in mitigation Mrs Beatrice Cohen, mother of Myers, told the court that her son had suffered feelings of insecurity due to his weight problem.

Mr Norman Gaffen, proprietor of Norman's Grill and the Grand Station Hotel, told the court: “I have known Roy for many years and have every confidence in him.”

Addressing the court, Myers' defence counsel Mr G A Alexander SC said the crime which Myers had perpetrated was “a crime which could well be described as a “Walter Mitty type of venture.”

(Proceeding)

(58)

26/8/78

Sunday Tribune

Finance + Property

# Major banks angry at grey market operations

### By TONY HUDSON

GREY MARKET operations by a number of large corporations are seriously distorting lending patterns of some of the major banks.

Durban bankers told Tribune Finance this week that large national firms were placing call money out at between eight and 10 percent — more than two percent below the bank prime rate of 12 percent.

Net result is that companies are borrowing this money in order to reduce, or wipe out, their overdrafts for 29 days out of 30. The money is removed overnight at the end of the month.

The effect on the big banks is that their monthly reports to the Reserve Bank show a highly distorted lending position.

Bankers say that while this operation has existed for many years, it has increased during the last few months because of the static economic situation.

Main offenders, say the major banks, are the smaller banking operations which cannot commit themselves over extended periods but which borrow short and lend very short. They pay about eight percent and lend at around 10 percent.

As the larger banks are paying between five and six percent for call money, the proposition from the smaller operator is much more attractive for a business with a sizeable amount of spare short term cash.

The small banks are limited to monthly loan periods, for the liquid asset ratio requirements of the Reserve Bank makes it impossible for them to have large amounts of money out on call over the reporting period to the Governor of the Reserve Bank at the month end.

And the major banks have their hands tied, for there is no legislation preventing this sort of operation.

"It is easy to spot the offenders. One only has to look at who uses their overdrafts on one day a month and then take a look at the cheque used to settle the amount a day later," said one banker.

Another aspect of the matter is that in many cases the small banks are missed out of the cycle and the loans are organised on an inter-company basis, although there is a legal restriction than no company may hold more than R500 000 in call money from non-banking sources.

If, however, the amount required is over this figure, the deal must be organised through one of the banks, as there is no limit to the amount that may be borrowed from this source.

Hansard 8 31 March 1978
Question 12 Cols. 475 & 476.

### Report which appeared in the *Sunday Times*

*12. Mr. J. W. E. WILEY asked the Minister of Finance:

(1) Whether he has had any reply to his letter to the Chairman of the Johannesburg Stock Exchange about the report on certain South African companies alleged to have been in financial difficulties and which appeared in the *Sunday Times*; if so, what was the nature of the reply;

(2) whether he will make a statement on the matter.

The MINISTER OF FINANCE:

(1) I have received a written reply to a request for comment from the Chairman of the Johannesburg Stock Exchange The Committee of the Stock Exchange points out that it does not normally interfere with investment advice offered by brokers to their clients. In this particular case the Committee is of the opinion that the advice provided by the member firm can be regarded as fair commentary but that that does not mean that the Committee either agrees or disagrees with the conclusions reached The Committee is not happy about the impression which the original report in the *Sunday Times* created and states that in its view the responsibility for any embarrassment caused lies "squarely with the newspaper concerned".

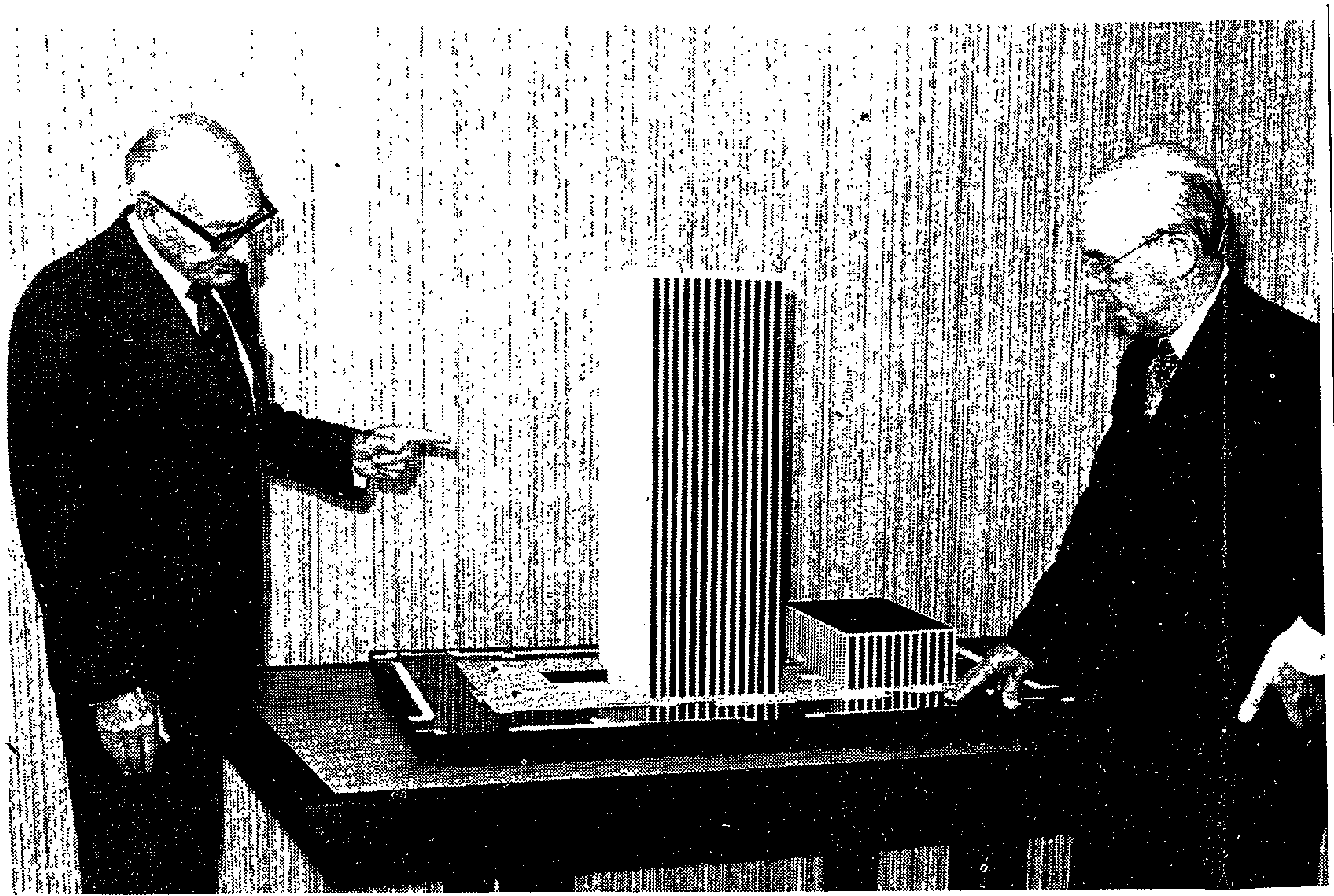
(2) I continue to take a serious view of the action of the *Sunday Times* in this case. I incline to the view, however, that the wide publicity given to the undesirable aspects of the matter will have a salutary effect and in the circumstances I am prepared to leave

the matter at that, at any rate for [illegible] present.

58

„'n Stryd wesentlik oor SA se voortbestaan"

# LANDSBELANG EERSTE, DAN EIEBELANG, SÊ SANLAM-HOOF



Dr. Andreas Wassenaar (links), Voorsitter van SANLAM, bespreek 'n aspek van die argitektuur van 'n model van Sanlamsentrum, Johannesburg, met mnr. Pepler Scholtz, Besturende Direkteur.

**In die afwesigheid van 'n oorkoepelende plan om die land se kapitaalbronne optimaal aan te wend, lyk dit of elkeen in Suid-Afrika voortgaan om geld aan projekte te bestee wat hulle die meeste aanstaan en dat in die geheel gesien, eiebelang nie noodwendig die beste met landsbelang versoen word nie.**

**Hierdie punt is deur dr. A. D. Wassenaar, voorsitter van SANLAM, beklemtoon op dié maatskappy se jaarvergadering in Johannesburg. Dit lyk vir hom of Suid-Afrika sommer vanselfsprekend aanvaar dat projekte wat gerief, status, aansien, vertoon en politieke voordeel inhou, terselfdertyd as noodsaaklik beskou word en nie uitgestel kan word nie.**

Dr. Wassenaar het gesê dat hy verlede jaar al 'n oorkoepelende plan bepleit het. Kapitaalbesteding vind plaas deur 'n groot aantal ondernemings, uiteenlopende bedrywe in die private sektor en deur verskillende owerheidsvlakke en onderafdelings in die openbare sektor. "Die skaars spaargeld tot ons beskikking word tussen 'n groot aantal aansprake verdeel. Die grootste ekonomiese en maatskaplike voordele met die aanwending van die spaargeld kan net bereik word as die voorkeurlys waarvolgens dit belê word, vooraf deeglik beplan word."

Dinge soos die kunsmatige omstandighede waarin sommige rentekoerse tans bepaal word, is beperkend en behoort volgens dr. Wassenaar verwyder te word. Rentekoerse behoort die werklike aanbod/aanvraag-situasie van kapitaal te weerspieël. Dit mag meebring dat rentes hul werklike vlakke sal bereik en openbare sowel as private instansies dwing om strenger dissipline oor hul bestedingsprogramme te handhaaf en sekere nie-noodsaaklike kapitaalprojekte uit te skakel of uit te stel. Ook mag dit tot gevolg hê dat groot kapitaalbeleggings minder aantreklik word en dat meer arbeidsintensiewe produksietegnieke sal baat en weer vir die snelgroeiende bevolking groter werkgeleenthede sal skep.

## ALMAL BETROKKE

Almal in Suid-Afrika sal betrek moet word in die stryd wat in wese om ons voortbestaan gaan. Die Staat moet die land beveilig en vir rus, orde en gesonde ekonomiese groei die regte klimaat skep. Die sakegemeenskap moet met hernieude ywer die beskikbare hulpbronne so doeltreffend moontlik aanwend deur behoorlike beplanning en deur produktiwiteit te verbeter. Finansiële instellings moet die spaarpoging verder uitbou en die spaargeld tot die beste voordeel van die land belê. Die individu moet op sy beurt met minder luukse tevrede wees, meer spaar en by voorkeur Suid-Afrikaans koop.

Dr. Wim de Villiers (links), Adjunk-voorsitter van SANLAM en dr. Kobus Loubser, Hoofbestuurder van die Spoorweë, twee van Suid-Afrika se topsakemanne, by die SANLAM-jaarvergadering. Dr. Loubser het die voorstel vir die goedkeuring en aanvaarding van die Inkomsterekening en Balansstaat gesekondeer.

# NUWE MYLPALE

[illegible] Dr. Fred du Plessis, Voorsitter

Sanlam / Santam

# NOUE, VRUGBARE SAMEWERKING IN VOORUITSIG

Na die voorgestelde insluiting van die bank- en trustbedrywighede van die Santam-groep by die Bankorp-groep sal die oorblywende deel van die Santam-groep hom toelê op korttermynversekering, hoofsaaklik deur middel van Santam-versekering[illegible]

# Spoorweghoof oor nouer skakeling met private sektor

"Vir sukses in die tye wat voorlê sal dit nodig wees dat ons land se [illegible]

# FINPLAN MAAK SY MERK

Die beste diens, sowel met die reëling van die kliënt se voorsorg as daarna, [illegible] die jaar onder beskouing bereik is:

**Premies:** Die R250 miljoenkerf is vir die eerste maal oorskry. Die R255,2 miljoen wat ontvang is, verteenwoordig 'n toename van 16% bo dié van die vorige jaar.

**Beleggingsinkomste:** 'n Styging van 25% tot R107,3 miljoen.

**Totale bates:** Die nuwe totaal (September 1977) is R1 350

teenwoordig.

Dr. Wassenaar het gewys op die hoë rentekoerse op beleggings in die openbare sektor in 1977. Dit is benut en meer fondse is in dié rigting belê (R100 miljoen) as wat vir 1977 voorgeskryf was. Dit beteken dat die bedrag wat die maatskappy in 1978 in die openbare sektor moet belê (teen rentekoerse wat gedaal het), verminder kan word.

**SANLAM), links, luister na 'n stelling gemaak deur mnr. Kerneels Human (Ondervoorsitter en Besturende Direkteur van Federale Volksbeleggings).**

ring aanvullend is tot Sanlam se lewensversekeringsdienste en omdat Sanlam die grootste enkele aandeelhouer in die Santam-versekeringsgroep sal wees, verwag ons 'n baie noue, vrugbare samewerking tussen die twee organisasies in die toekoms.

Die transaksie waarvolgens Bankorp beheer oor Trust Bank sou verkry en Sanlam enersyds 'n groter belang in Bankorp en andersyds 'n kleiner belang in Volkskas sou hê, is gedurende die afgelope jaar afgehandel. Aansienlike vordering is ook reeds gemaak met die rasionalisasie van bedrywighede in die Bankorp-groep.

Met die beplande inskakeling van die bank- en trustbedrywighede van Santam in die Bankorp-groep, word laasgenoemde groep verder wesenlik uitgebou. Te oordeel na die gesonde vordering wat in die Bankorp-groep gemaak word, en met inagneming van die jongste ontwikkelings, is dit duidelik dat ons nog groot dinge van hierdie bankgroep kan verwag.

# vir werknemergroepe van alle rasse

Groepversekering het die afgelope aantal jare vinniger gegroei as versekering deur die enkeling aangegaan.

Dr. Wassenaar het gesê hy skryf dit gedeeltelik daaraan toe dat werkgewers gedurig beter voorsiening maak vir die geldelike sekuriteit van hul werknemers van alle rasse. Sanlam moedig dié soort voorsiening aan. "Die feit dat ons premie-inkomste uit groepversekering die afgelope vyf jaar met gemiddeld 24% per jaar gestyg het, spreek van die sukses van ons pogings."

bewussyn van en 'n aktiewe strewe na 'n breër landsvoordeel sal moet openbaar."

Hierdie stelling was een van die uitgangspunte van dr. Kobus Loubser, Hoofbestuurder van die Spoorweë, toe hy die voorstel vir die goedkeuring en aanvaarding van die inkomsterekening en balansstaat gesekondeer het.

As iemand wat met die een voet in die markplek en die ander in Regeringskringe staan, is hy maar té terdeë bewus van die noodsaak van nouer skakeling tussen die owerheid en die private sektor.

In hierdie samewerkingsaksie sou dit goeie vrugte afwerp as die private sektor in 'n groter mate as tans die inisiatief neem.

Verwysend na persoonlike besparing het dr. Loubser gesê dat die Spoorweë se werknemers jaarliks meer as R23 miljoen aan lewensversekeringspremies betaal deur middel van aftrekorderfasiliteite.

Hy is dit met dr. Wassenaar eens dat weë gevind moet word om te verseker dat oorkoepelende prioriteite vir kapitaalbesteding bepaal moet word. Dr. Wassenaar se pleidooi vir 'n oorkoepelende nasionale strategiese plan word dus ten sterkste ondersteun.

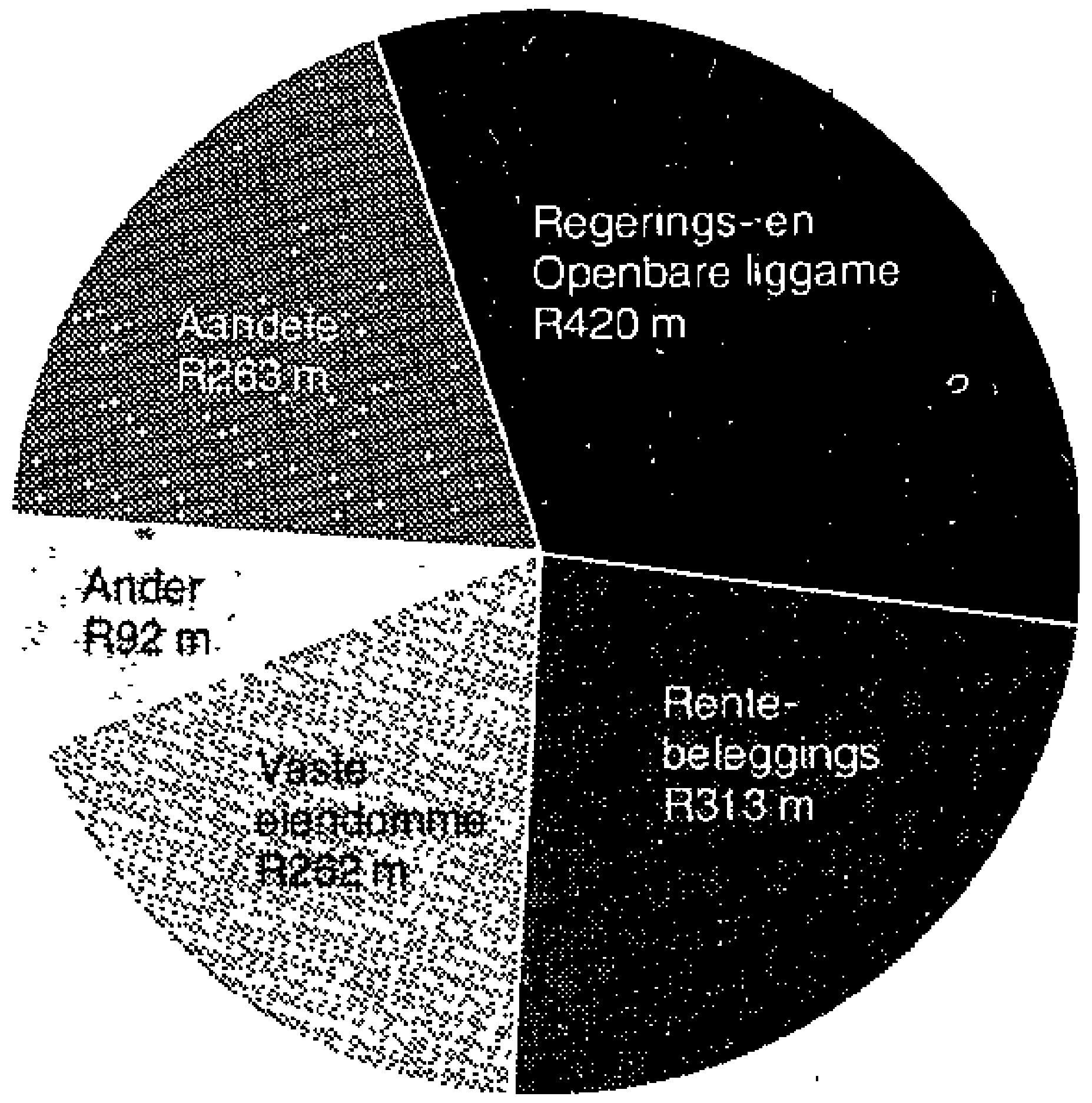
Dr. Loubser het die aandag gevestig op Sanlam se drie groot bemarkingsbeginsels, naamlik sekuriteit, beste waarde vir geld en beste diens. Omdat die S.A. Spoorweë ook in die dienssektor staan, weet hy hoe moeilik dit is om 'n diens te bemark waarvan die kwaliteit eers bepaal kan word nadat die diens gelewer is. In wese kom die bemarking van 'n diens neer op die skep van vertroue by die kliënt. Hierdie vertroue word by Sanlam onderskraag deur die groot gebalanseerde portefeulje wat die nodige sekuriteit daarstel en die bonusverdienste wat aanduidend is van die waarde vir geld. Die kritiese toets is egter die mark en in hierdie opsig gee die resultate van Sanlam bewys van die kwaliteit van die Sanlam-diens.

stel op *behoeftebevrediging;* nie die verkoop van polisse nie. Vir dié doel is die unieke FINPLAN-program geskep. In dié program word menslike kundigheid en die elektronika verenig.

Hierdie gehaltebemarking word reeds weerspieël in 'n merkbare afname in die aantal polisse wat in hul eerste jaar verval het. Veral in die lig van die moeilike finansiële omstandighede dui dit op 'n toenemende mate van kliëntetevredenheid.

## Desentralisasie

Die proses om die meganisasie van roetinewerk verder te verfyn en om te desentraliseer, gaan voort. Sô word diens bespoedig en nader aan die polishouer gebring. Tegelykertyd stel dit hande vry om persoonlike aandag te gee waar persoonlike aandag nodig is.



**Bates soos op 30.9.77**

# VOORSITTER SE DANK

My hartlike dank aan my mededirekteure en ons personeel vir hul toegewyde werk en die prestasie wat daarop gevolg het. Ek wil in die besonder hulde bring aan wyle dr. W. J. Pretorius, ons vorige adjunk-voorsitter, wat teen die einde van verlede jaar oorlede is. Hy het oor baie jare 'n besondere bydrae tot Sanlam se groei en vooruitgang gelewer.

Ons is dankbaar dat 'n man soos dr. Wim de Villiers hom in hierdie amp kon opvolg.

Aan versekeringsmakelaars sê ek baie dankie vir hul ondersteuning van die afgelope jaar. Ook aan die koerante, finansiële tydskrifte en die S.A.U.K. baie dankie vir hul volgehoue belangstelling in Sanlam en vir die billikheid wat byna sonder uitsondering in hul beriggewing oor ons doen en late te vinde was.

# Voordele van meer as R2 miljoen per week uitbetaal

Polishouers van SANLAM, en hul afhanklikes, het vir die eerste keer in die geskiedenis meer as R110 miljoen aan voordele in 'n enkele jaar ontvang; meer as R2 miljoen per week. Aan die afhanklikes van polishouers is R47 miljoen uitbetaal. Ongeveer 'n derde van hierdie bedrag kom uit versekering wat nog nie drie jaar bestaan het nie.

Polishouers het R22,5 miljoen ontvang op die uitkeerdatums van hul polisse.

*Van links na regs:* **In drukke teetydgesprek gedurende die jaarvergadering: Mnre. Willem Fogwell (Provinsiale Bestuurder, SANLAM), Carel van Aswegen (Voorsitter van Santam en pas aangestel as direkteur van SANLAM), Marinus Daling (Assistent-Hoofbestuurder, SANLAM) en senator Flip la Grange (Direkteur van SANLAM).**

## VERGELYKING VAN BELANGRIKSTE BEDRYFSYFERS VAN SANLAM OOR DIE AFGELOPE TIEN JAAR TOT DIE NAASTE MILJOEN RAND

| | Premies | Beleggings-inkomste | Uitbetalings aan polishouers | Bedryfs-uitgawes | Bates |
|---|---|---|---|---|---|
| 1967 | 52 | 20 | 25 | 10 | 334 |
| 1968 | 58 | 22 | 28 | 11 | 375 |
| 1969 | 65 | 25 | 33 | 12 | 421 |
| 1970 | 73 | 29 | 40 | 15 | 469 |
| 1971 | 92 | 33 | 41 | 20 | 529 |
| 1972 | 115 | 38 | 51 | 24 | 606 |
| 1973 | 142 | 44 | 61 | 28 | 702 |
| 1974 | 173 | 54 | 64 | 33 | 828 |
| 1975 | 187 | 71 | 76 | 37 | 973 |
| 1976 | 219 | 86 | 94 | 39 | 1 143 |
| 1977 | 255 | 107 | 110 | 40 | 1 350 |

# EKONOMIESE ADMINISTRASIE LEWER GOEIE OES

Weer eens het Sanlam die styging in sy bedryfsuitgawes tot 'n minimum beperk. As verkoopsvergoeding buite rekening gelaat word, het bedryfsuitgawes met 7% gestyg. Dit vergelyk uitstekend met die groei van 18% in ons bates, 19% in ons totale inkomste en 17% in polisvoordele wat betaal is; veral as ons in ag neem dat die heersende inflasiekoers meer as 11% per jaar is. Ons het aanduidings dat Sanlam se bedryfsuitgawes in verhouding tot die uitgawe van sakevolume van die laagste in die lewensversekeringsbedryf is.

## Bonusprestasies

Die waarde vir geld wat 'n lewensversekeraar sy polishouers kan bied, hang hoofsaaklik af van die beleggingsopbrengs wat hy op hul fondse kan verdien en van sy vermoë om bedryfsuitgawes te beperk. Die sukses wat ons in hierdie opsig behaal het, het ons in staat gestel om die verhoogde bonuskoers van verlede jaar te handhaaf en om in sommige gevalle selfs daarop te verbeter. Die eiswaarde van 'n gewone uitkeerpolis by Sanlam sal teen die huidige bonuskoerse – as hulle onveranderd bly – na 17 jaar verdubbel en na 24 jaar verdriedubbel.

Rapport 2/4/78 (58)

# SA pensioenbates R11 000 M.

Deur DAVID MEADES

**DIE pensioenfondsbeweging het oor die laaste paar jaar baie sterk in Suid-Afrika ontwikkel en beheer nou bates ten bedrae van sowat R11 000 miljoen. Dit het 'n magtige mobiliseerder van kapitaal geword wat verlede jaar 'n inkomste van waarskynlik meer as 3 000 miljoen gehad het.**

*Die jongste amptelike syfers van die Registrateur van Pensioenfondse is vir die jaar tot einde 1975. Die sterk pensioenafdeling van Sanlam, die grootste in die land, het egter vir Sake-Rapport 'n paar projeksies gemaak wat op heel interessante ontwikkelinge dui.*

Hiervolgens het die totale bates van die land se pensioenfondse in 1977 sowat R10 961 miljoen beloop, teenoor die amptelike syfer van R7 813 miljoen in 1975.

Die aantal fondse het na raming van 9 546 tot 11 309 toegeneem en die ledetal van 3 460 000 tot 4 364 000. Die bydraes van hierdie lede het na raming van R1 199 miljoen tot R1 827 miljoen gestyg.

En dan is daar ook nog die beleggingsinkomste wat verdien word. Hier is daar net die private fondse se opbrengs wat bekend is, en dit beloop sowat 9 persent.

As hierdie opbrengs op die beweging as 'n geheel van toepassing gemaak word, moes die beweging verlede jaar 'n beleggingsinkomste van byna R1 000 miljoen gehad het.

Dit plaas die beweging se totale inkomste dan op byna R3 000 miljoen, waaruit 'n geraamde R883 miljoen aan voordele uitbetaal is. In 1975 het die beweging byna R600 miljoen aan voordele uitbetaal.

In 1975 was daar 208 000 pensioentrekkers, hulle het na raming verlede jaar 248 000 beloop.

Die private fondse verteenwoordig verreweg die grootste deel van die pensioenfondsbeweging. Hierdie sektor se pensioenbates het in 1975 altesame R3 694 miljoen beloop, wat na raming tot R5 559 miljoen verlede jaar gestyg het.

Dit vergelyk met die Regeringsfondse se R2 950 miljoen in 1975 wat tot 'n geraamde syfer van R3 715 miljoen verlede jaar gestyg het. Die private fondse se bydraes het van R451 miljoen tot R671 miljoen gestyg, terwyl die staatsfondse se bydraes van R397 miljoen tot R601 miljoen toegeneem het.

Die bates van versekerde fondse het van R1 097 miljoen in 1975 tot 'n geraamde R1 580 miljoen verlede jaar gestyg. Vir buitelandse en nywerheidsooreenkomsfondse het die syfer van R72 miljoen tot R107 miljoen gestyg.

Volgens mnr. Marinus Daling, assistent-hoofbestuurder van Sanlam (pensioene), is die projeksies tot 1977 waar moontlik bepaal deur die waardes soos verkry uit die Registrateursverslae van 1971 tot 1975 te ekstrapoleer.

In die gevalle waar 'n ekstrapolering nie sinvol voorgekom het nie, bv. waar daar groot skommelings was, is die waardes geprojekteer met behulp van die gemiddelde groei van 1974 tot 1975.

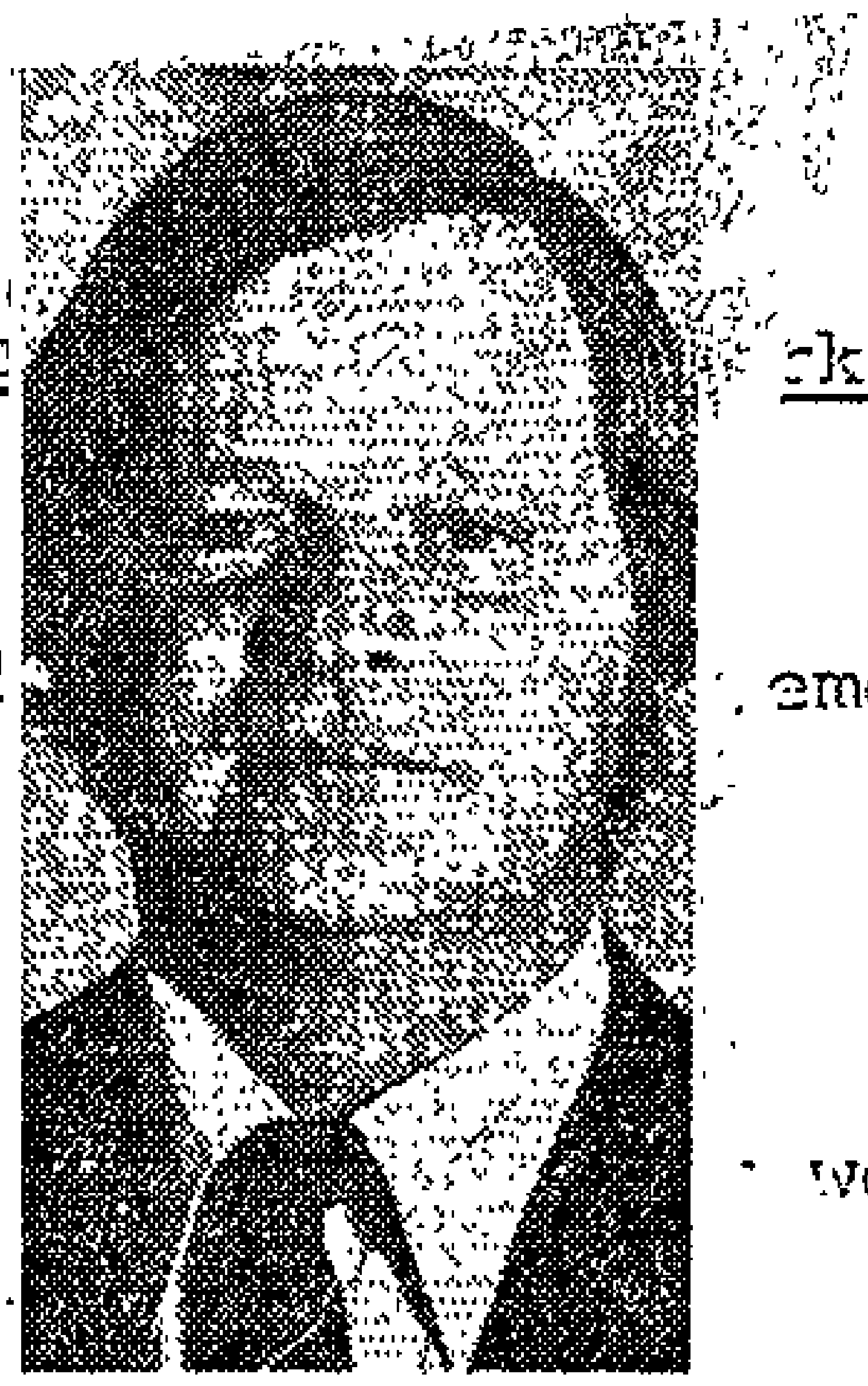
Wat die versekerde fondse betref, toon die Registrateursverslag 'n afname van 6 persent vir die bates teenoor 1974. Daar word gevoel dat dit nie realisties is om hierdie afname in 'n projeksie te gebruik nie. Die bates is volgens die 1975-verslag geprojekteer teen 20 persent groei per jaar, die gemiddelde groei van 1971 tot 1974.

Vri kers (2)

1. Wat doen u gewoonl eme op te los?

Bespreek u die pr werkers op die plaas of op ander plase?

Het u al ooit ge et ander werkers saam te span om iets te



Mr T D (David) Cullinan has been appointed as development and marketing manager of Cullinan Properties.

## Barclays chairman challenged on Biko

Star 5/4/78

(58)

Van toevallige en kort enlik

1. Gaan u probeer om as te kom of nie?

Waarom/Waarom nie?

**The Star Bureau**

LONDON — An allegation that the dead South African black activist, Mr Steve Biko, would nave supported the presence of Barclays Bank in South Africa is to be queried at the bank's annual meeting today.

End Loans to South Africa, which is co-ordinating an attempt to get the bank to withdraw from South Africa, says that considering Mr Biko's views and the fact that he can no longer refute the statement attributed to Barclays' chairman Mr A F Tuke, "Eltsa strongly objects to the use of Biko's name in any rationalisation for investing in apartheid."

Eltsa also expects shareholders, including churches and borough councils, to question the bank about the impact made by the Nigerian Government's announcement that public funds would be withdrawn from Barclays Bank Nigeria because of its links with South Africa.

### DANISH VIEW

And in Copenhagen, The Star's correspondent writes that the East Asiatic Company, the major Danish trading and industrial company, will not reduce its investments in its subsidiaries in South Africa.

Mr Mogens Pagh, the chairman, told the annual meeting of shareholders that this was the company's reaction to an action adopted by the Nordic companies to cut back on investments in South Africa.

"In our view, which is shared by important leaders of the black majority in South Africa, the foreign companies setting a good example can contribute to a positive development," said Mr Pagh.

AILY DISPATCH, THURSDAY, APRIL 6, 1978 — 9

58

# Bank: our view on apartheid not changed

LONDON — The Nigerian Government took its decision to withdraw its funds from Barclays Bank through a misunderstanding that Barclay's policy about South Africa had changed, Mr A. Tuke, chairman of Barclays Bank, said here yesterday.

He said: "Barclays' view is that apartheid is indefensible. This attutude has not changed. One thing that is different in South Africa to other countries where there is racial discrimination is that South Africa actually enshrines racial discrimination in its law."

Mr Tuke was speaking at the bank's annual meeting which developed into a polite lengthy interchange between Mr Tuke and about a dozen anti-apartheid dissidents.

During the interchange on investment in South Africa, Mr Tuke was handed a scroll containing Mr Steve Biko's actual speech where he argued against investment.

Mr Tuke said that opposed as the bank was to apartheid, withdrawal of investments would not solve problems or help the situation, but would only hurt those blacks the bank was trying to help.

"Loans to quasi-Government institutions in South Africa are outstanding and, in fact, are reducing," he said. "We propose to stay in South Africa, but the amount of our investment will decrease. The amount of shareholding in Barclays in South Africa by Barclays International has decreased from 100 per cent to 64 per cent.

"We, as a foreign bank in South Africa, foresee that our percentage will eventually decrease below 50 per cent.

"We have no plans to increase our loans to the South African Government. But we face a quandary. Soweto has no electricity. Should we or should we not give money towards the financing of that project?

"Faced with problems like this I cannot say that we will never again lend any money to South Africa."

Mr Mike Terry, executive secretary of the Anti - Apartheid Movement, alleged Mr Tuke had misrepresented the view of Mr Biko when he had said Mr Biko was in favour of foreign investment in South Africa.

Mr Tuke said he had been to South Africa and had spoken to many blacks there and this was their view. He had not spoken personally to Mr Biko.

Mr S. G. Mogford, vice-chairman of Barclays, said that the bank had already checked on this. Mr Percy Qoboza, following his detention, had told a gathering of businessmen that blacks wanted foreign investment in South Africa.

An ordinary shareholder said it would be difficult to gauge the opinions of black leaders for many were banned, imprisoned or detained.

Mr Tuke replied: "One can see a person who is in detention."

He issued the challenge that if the speaker knew of anyone in detention who was generally regarded as a black spokesman, the bank would make it its task to visit that person and ask his views. — DDC.

# Barclays to trim its SA connection

6/4/78 Star (58)

**The Star Bureau**

LONDON — A strong hint that Barclays Bank will reduce its stake in Barclays National of South Africa from 64 percent to under 50 percent was given yesterday.

Mr Anthony Tuke, chairman of the R35 765-million Barclays group, Britain's biggest bank, told shareholders at the annual meeting here: "My guess is that over five to 10 years, it (the stake in Barclays National) will come below 50 percent. But this would be a commercial judgment."

South African law obliged Barclays to cut its shareholding in Barclays National to 50 percent and "whether we go below depends on commercial judgment," he said in answer to a question.

Mr Tuke faced the usual barrage of questions and demands from anti-aparthied lobbyists — who were themselves barracked by some of the other 300 shareholders present — over Barclays' South African connection.

In a supplementary statement, Mr Tuke said the Nigerian Government's decision to withdraw public sector accounts from Barclays, Nigeria (52 percent State-owned) was a reaction to his annual report in which he said Barclays would continue to operate in South Africa.

"We have stated on many occasions that in our view, South Africa's apartheid policy is morally indefensible," he said.

"Nigeria may have misinterpreted my comments (to remain in South Africa) as meaning that we intend to increase our investment in South Africa. Nothing could be further from the truth," he said.

Barclays Bank's interest in Barclays National had come down as planned from 100 to 64 percent. "It is our policy to continue this reduction," he said.

Mr Tuke said Barclays had no loans outstanding with the South African Government, while those with quasi-Government organisations such as Escom were "small and reducing and we have no plans to add to them."

But despite Nigeria's action there was no change in the Barclay policy on South Africa, that it was better to remain in the country and use its influence for change from within.

VOLKSKAS-BANKOVS ( [redacted]

7/4/78

# A case of [illegible]

**Volkskas** is "not seriously" negotiating the takeover of Bankovs. Of this both parties are adamant. But I have it unofficially that Volkskas is having an "informal" look at the idea. It's so exploratory at this stage that the shares were not suspended.

The attraction for Bankovs would seem to be Volkskas's financial muscle, while Volkskas could conceivably use a general banking license. The main common interest between the two is Bankovs' 20% stake in Volkskas Merchant Bank (VMB). Volkskas also manages Bankovs' insurance broking operation.

Bankovs probably has most to gain from a deal. Volkskas does not really need a general bank. It already has VMB and Volkskas Industrial Bank and does HP and leasing - Bankovs' chief business — through its 580 branches all over SA, though Volkskas's leases are worth only R40m, so it might be interested in Bankovs' leases of R70m. Bankovs has nine branches in areas where Volkskas is already represented.

A key figure in arranging any deal could be Rentmeester's Joggie Vermooten. Rentmeester companies hold 21% of Bankovs and the Iscor Pension Fund, of which Vermooten is chairman, another 10%, making up by far the biggest block of holdings.

**Squeezed by giants**

As one of the last little banks caught between the giants, Bankovs is inevitably paying more for its deposits than the big four. The public sector and local authorities have continuously held a high proportion of the bank's deposits — so much so, it looks as if they could be steered there by the paternalistic authorities.

Bankovs has shown a chronic liquid asset shortfall and, since the Trust Bank debacle, has had to borrow from the Reserve Bank on occasion and trim its lending. It has also closed a number of branches and marketing offices.

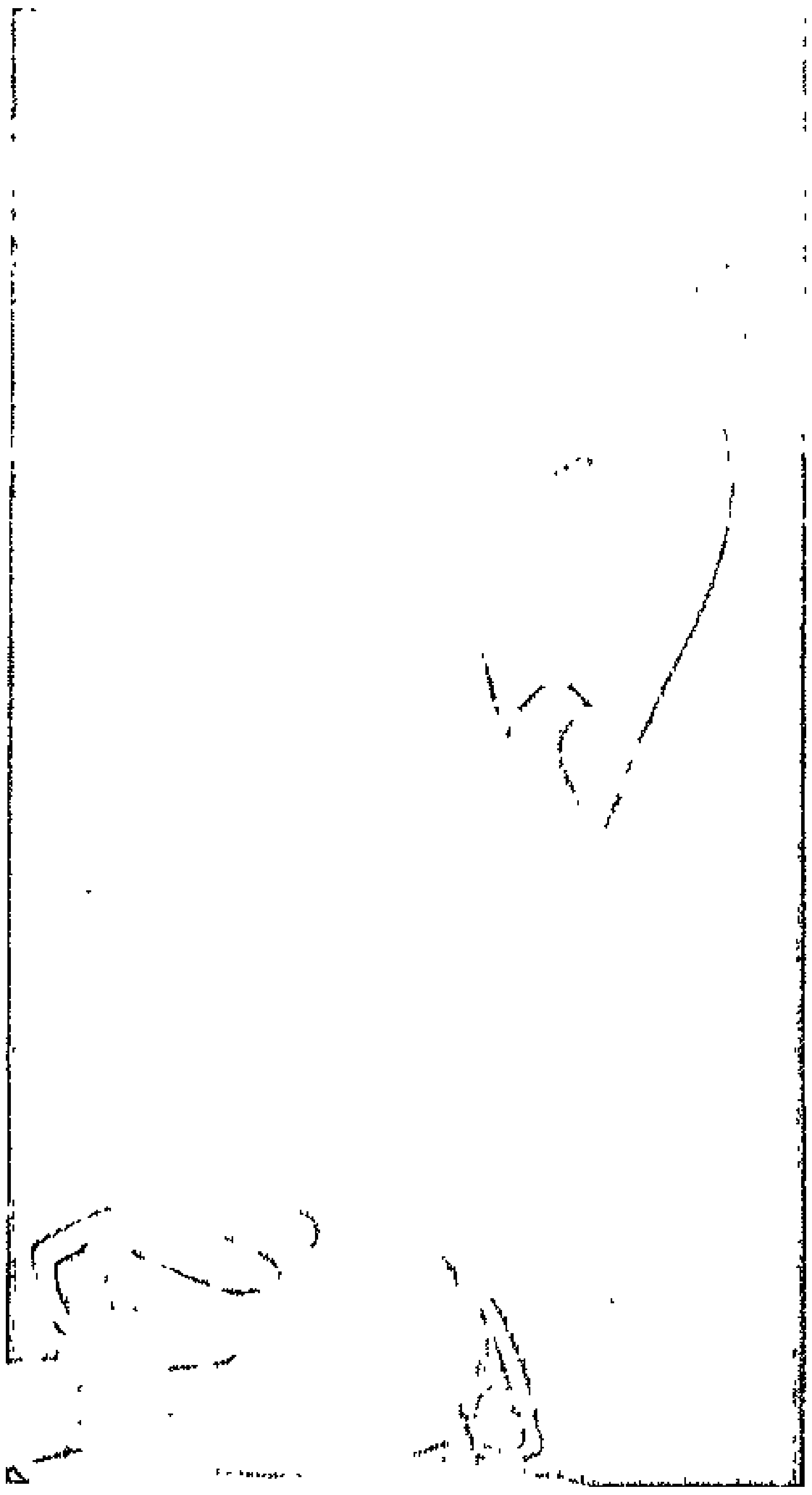
In the December quarterly statement, Bankovs had advances of R95m against capital and reserves of R7m. Its liabilities to the public were R108m, made up of R5m in short-term deposits, R59m in medium-term deposits and R44m in long-term deposits. The advances comprised R70m in leases, R12m on HP and R13m in other loans.

The bank looked overtraded even though chairman Professor H J Samuels told me this week: "We have no problems."

But if only 5% of the advances turned sour capital and reserves would fall to R2.[illegible]m

Clearly Bankovs could use a big brother. The Reserve Bank and Registrar would probably be all for a takeover by one of the big banks.

Of course Volkskas is not the only big bank that could take over Bankovs. Bankovs is nominally neutral in the north south rift in Afrikaner business. Though there would be a "culture gap," in the words of one insider, a get together with the southerners is not entirely out of the question on this score. But Bankorp already has a formidable problem rationalising its present welter of banks and would not want another to fit into the jig-saw.



Rentmeester's Vermooten . . .
man in the middle

Perhaps Barclays or Standard would also be interested. Bankovs would enhance their Afrikaner links and reduce their foreign shareholdings slightly.

The Bankorp share price, which at 44c values the bank at R2,2m, has moved up 4c on the takeover rumour. But victim banks in recent takeover situations have not been treated generously so there is unlikely to be much gain for speculators.

*David Carte*

Financial Mail April 7 1978

## VENDALAND COPPER MINE ASSAY DISPUTE FOR SUPREME COURT

# Bank gets R1,75-m demand for damages

**AN extraordinary dispute between a mining company, African Copper and Mineral Holdings, and its bankers over an assay report has resulted in the company sending a letter of demand for R1 750 000 to the Standard Bank of South Africa for alleged damages the company suffered.**

The bank has denied liability, and will no doubt defend the action which the company intends to bring before the Witwatersrand Supreme Court soon.

The claim is based on an assay report by the bank in 1969 on a copper find in Vendaland.

The assay was done by the then Chief Assayer of the Standard Bank, Mr V O Lobb.

The company alleges it invested more than a million rand on the strength of the report.

According to African Copper and Mineral Holdings, it concluded from the assay report that it was sitting on one of the richest deposits in the world. Subsequently, the company's wholly-owned subsidiary, African Copper Corporation (Pty) Ltd, which was to have operated the copper mine, was placed in liquidation.

**By DESMOND BLOW**
**Chief Reporter**

The Standard Bank has refused to comment ever since the matter was raised at the company's annual general meeting on July 7 last year.

Mr Roy Terry, a spokesman for the bank, described the matter as "sub judice", even though no legal action had been instituted between the company and the bank at that time.

This week the bank again refused to comment.

The action being taken by the company is a sequel to the annual general meeting of shareholders on July 7 last year.

The meeting was informed by the chairman, Mr George Spedding, that many investors in the shares of the company had suffered financial loss and hardship.

The bank had allowed African Copper Corporation (Pty) Ltd a quarter million rand in overdraft.

Mr Spedding said in his report to the meeting: "I am strongly of the opinion that the Minister of Mines should have the (assay) report investigated."

According to Mr Spedding's report, plus a copy of a contract, Union Corporation had offered to purchase the claim area for R6-million and to give African Copper and Mineral Holdings a large participation in a company to be formed to mine the copper.

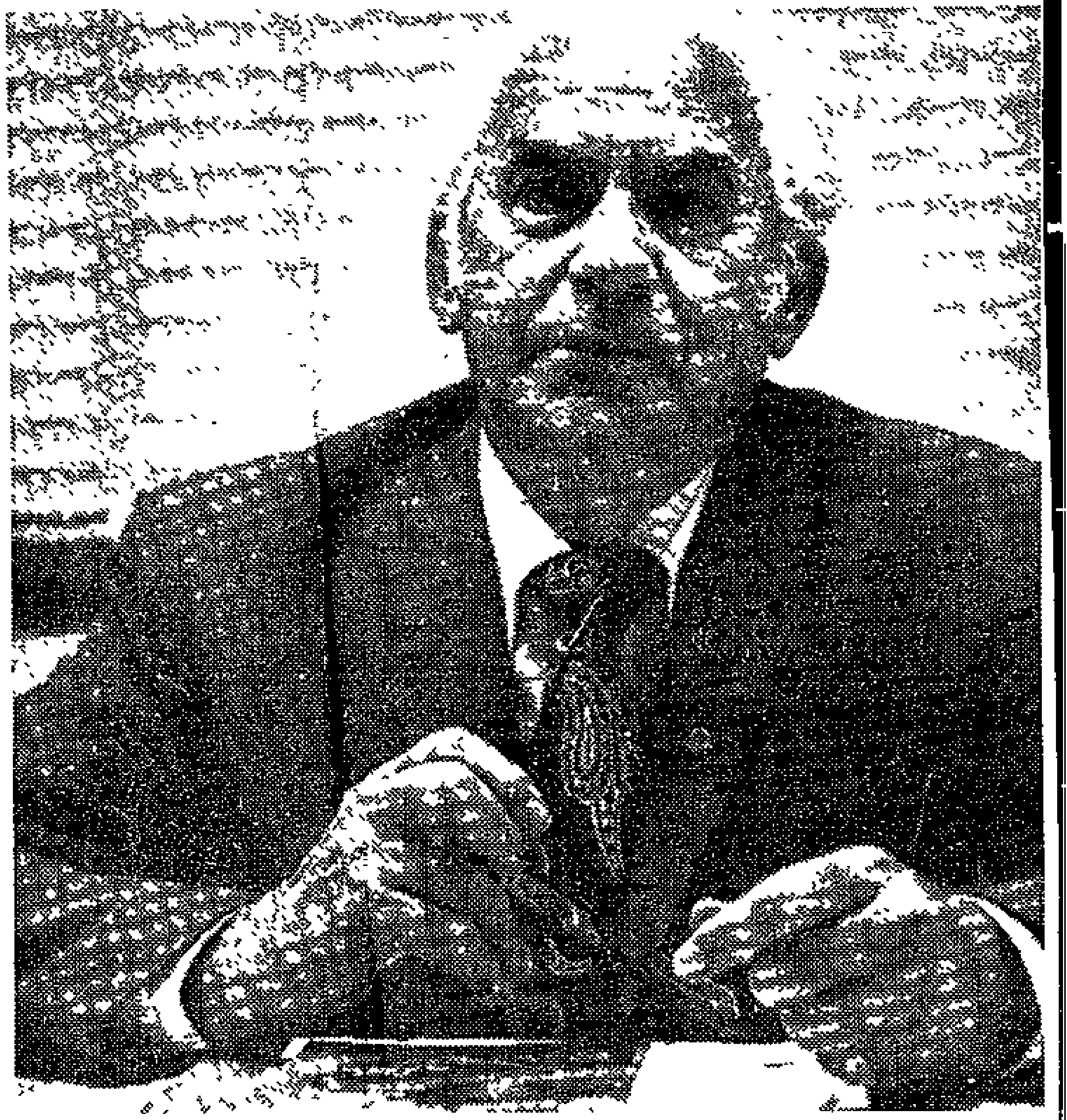
Union Corporation paid R5 000 for the first option, but after further tests, said Mr Spedding, they withdrew.

The meeting recommended that the company bring an action for damages against the bank.

The company, through its attorneys, sent a letter to the bank demanding to know whether they considered their assay report correct or not.

On November 7, 1977, the bank replied: "We regret that we are not in a position to certify the reports to which you refer. Our Assay Office was closed down on May 31, 1975, and we no longer have officers with this type of expertise on our staff."

A fortnight ago the company sent the Standard Bank a letter of demand for R1 750 000 to be paid within 10 days, failing which they would take whatever action was deemed necessary.



● Mr George Spedding — wanted the Minister of Mines to investigate.

# FINBANK DRAAI BY R1 MILJ.

Rapport 9/4/78 (58)

**Deur WILLEM LAUBSCHER**

**MET die volle sowat R250 000 van Half Price Stores (nou onder voorlopige likwidasie) uit sy lyf, plus die gebruiklike ander voorsienings, het Finansbank sy boekjaar op 31 Maart met 'n verhoogde wins van R700 000 (R600 000 verlede jaar) afgesluit.**

As 'n mens met dié voorsienings (Half Price se potensiële verlies is nie die enigste nie) rekening hou, was die wins ná belasting vanjaar 'n frisse sowat R1 miljoen, soos die Finansbank-manne self sê, nie sleg vir 'n klein bankie in die jaar dat die krisis in die bankwese die sektor behoorlik op die krop van die maag getref het nie.

Dit was as't ware 'n vertraagde reaksie op die hou wat reeds maande tevore toegedien was met die teenspoed wat Randbank en Rondalia-Bank getref het.

Finansbank — sy temalied is dat hy die enigste werklik onafhanklike sakebank in die land is — se winsstyging beteken 'n persentasiestyging van 16,7. Uitgedruk in verdienste per aandeel beteken dit 26,5 sent per aandeel teenoor 22,7 sent verlede jaar.

Vir die klante en potensiële klante van Finansbank beteken sy stel syfers weliswaar 'n paar dinge:

- Enersyds dat hy ondanks sy teenspoede met o.m. Half Price Stores nog genoeg stamina gehad het om sy wins bo verlede jaar op te stoot — en in moeilike omstandighede vir sy sektor.
- Dat sy deposito's met byna 25 persent gestyg het van R48,9 tot R61,6 miljoen.
- Dat sy bates met 22,2 persent gestyg het van R66,8 tot R81,7 miljoen.

Die kapitaal en reserwes is voorts in die boekjaar met 'n verdere sowat R300 000 tot R4,4 miljoen versterk.

In sy algemene oorsig van die ekonomiese toestand in die land sê die voorsitter, mnr. Piet Liebenberg, dat Suid-Afrika in die afgelope jaar daarin geslaag het om veral twee krisisse wat op ekonomiese gebied onpeilbare skade kon aanrig, die hoof te bied. Die een was om die aansienlike tekort op die lopende rekening van die betalingsbalans te omskep tot 'n oorskot, en in die tweede plek die tydige optrede om verdere mislukkings in die bankwese te voorkom.

Mnr. Liebenberg sê dié soort optrede het ver in die buiteland weerklank gevind. Dit het vertroue gegee in kringe waar vertroue soms gewankel het. En vertroue is juis dié ding wat ons in hierdie dae so broodnodig het.

Die politieke beeld van Suid-Afrika in die buiteland is uiters ongunstig en het 'n direkte nadelige uitwerking op sakebedrywighede. Daarom het dit gebiedend noodsaaklik geword dat 'n gekoördineerde poging aangewend word om hierdie ongunstige beeld te verbeter ten einde vertroue van die buiteland, sowel as in sommige plaaslike kringe, te herstel.

En daarin sal mnr. Liebenberg graag 'n bydrae van elke faset van die sakelewe wil sien.

# Volkskas se spruit ‚ontplof’

(58)

Rapport 9/4/78

Deur DAVID MEADES

**DIE Suid-Afrikaanse aksepbankwese is waarskynlik nog nooit so deur 'n „nuwe” aksepbank geskud as wat die geval die afgelope jaar met Volkskas-Aksepbank (VAB) was nie. Hy het sy bates in een jaar van R9,5 miljoen tot R46,1 miljoen opgestoot en sy wins ná alle voorsienings van R77 000 tot R450 000 verhoog.**

Hierdie bank maak vandag sy resultate voor oudit vir die jaar tot 31 Maart 1978 bekend en die ringkoppe daar by Volkskas in Pretoria sal nie anders kan as om hoog in hul skik met die nuwe spruit in Johannesburg te wees nie.

Onder die leiding van mnr. Laurie Korsten, besturende direkteur van VAB, het hierdie aksepbank sedert sy werklike ontstaan daar in Junie verlede jaar die finansiële toneel met mening aangedurf. Behalwe die talle oornames en samesmeltings waarin die bank 'n rol gespeel het, het hy ook lang- en korttermynlenings ter waarde van byna R200 miljoen vir sy klante gewerf.

VAB het aan die einde van Mei verlede jaar ontstaan toe Volkskas 'n belang van 60 persent in Bankovs-Aksepbank verkry het. Die naam is in Volkskas-Aksepbank verander en Volkskas het sy belang later tot 80 persent opgestoot. In Junie het Volkskas ook die bestuur van VAB oorgeneem en mnr. Korsten as besturende direkteur aangestel.

## Groei

In die ses maande tot einde September is 'n wins ná belasting van R120 000 verdien, wat beteken dat die tweede ses maande 'n wins van nie minder nie as R330 000 gelewer is.

Die direksie sê in vandag se winsaankondiging daar word verwag dat die kapitaal in die lopende jaar weer eens verhoog sal word en dat die wins 'n bevredigende groei sal toon.

Met die resultate van die afgelope ses maande as grondslag, lyk dit dus na 'n veilige afleiding om in die lopende jaar 'n wins van meer as R600 000 te toon.

En dan kan ook aangeneem word dat VAB waarskynlik heelwat beter gedoen het as wat die aangekondigde resultate toon. Omdat die bank jonk is met geen groot opgeboude reserwe nie, kan aanvaar word dat Volkskas hier 'n baie konserwatiewe rekeningkundige beleid ingestel het en 'n mens sou wat wou gee om te weet wat die oordrag na die geheime reserwe was. 'n Oordrag van tussen R200 000 en R300 000 is waarskynlik nie te ver van die kol nie.

## Inkomste

En wat VAB se vertoning die afgelope jaar nog merkwaardiger maak, is die feit dat hy hierdie skitterende resultate behaal het ondanks die feit dat sy inkomste uit rente-draende lenings en voorskotte uiters beperk moes gewees het. Dit is hoofsaaklik weens die kredietplafon en die gedempte vraag na krediet en daarom moes die bank waarskynlik baie swaar geleun het op die verskaffing van gespesialiseerde finansiële dienste.

Hier sit VAB met 'n sterk span van sestien bestuurders en dit is duidelik dat spanwerk vir die grootste deel van die bank se welslae verantwoordelik was.

Dit was waarskynlik sulke spanwerk wat dié jong bank in staat gestel het om instrumenteel te wees in die oorname van C. J. Fuchs deur Barlow Rand, Fuchs Consolidated deur die Carl en Emily Fuchs-Stigting, SA Druggists deur Fedchem, Bonuskor deur Volkskas en Alumina-Ontwikkelingskorporasie deur SA Druggists.

Die kapitaal van die bank is die afgelope jaar in gereelde stadiums van R1 000 000 tot R4 250 000 verhoog. Dit sal vanjaar waarskynlik weer sterk verhoog word. Dit is binne bereik van VAB om binne die volgende agttien maande bates van R100 miljoen te hê en 'n wins van R1 miljoen te toon.

'n Dividend van R200 000 is vir die afgelope jaar verklaar. VAB spog ook met 'n stewige opbrengs van 20 persent op sy gemiddelde aandeelhouersfondse, wat met sowat 13 tot 14 persent vir die aksepbankwese in die geheel vergelyk.

# JONG BANK

Rapport 9/4/78

58

## Ons sê . . .

DIT is binnekort weer mielieprystyd. Vir hierdie sektor van die landbou, wat tot groot hoogte die wel en die wee van die hele bedryf bepaal, bly die mielieprys altyd ’n netelige saak.

Daar is altyd so baie menings wat in ag geneem moet word dat die Minister van Landbou en sy kollegas in die Kabinet werklik soms na die wysheid van ’n Salomo moet smag.

Vanjaar sal geen uitsondering wees nie en ontevredenheid sal daar wees — ook onder die boere wat mielies as veevoer gebruik.

Die huidige wêreldprys is die grondslag van vanjaar se probleem deurdat die verlies op die uitvoer van mielies iewers gefinansier moet word.

Dit wil voorkom of dié verlies dus vanjaar deur die boer sowel as die verbruiker gedra sal word — die verbruiker omdat hy heelwat meer sal moet betaal en die boer omdat hy nie die verhogings sal kry wat hy meen hom toekom nie.

Vir die land sal egter ondanks die uitvoerverlies waardevolle valuta verdien word en ’n mens kan net hoop dat onderlinge begrip vanjaar die wagwoord sal wees.

# Afrikaner veg hard terug

**DIE Afrikaner se bankbelange het die afgelope jaar of meer ’n paar keer kwaai slae gekry. Maar dit was net ’n tydelike terugslag. Van die jonger banke is besig om hard terug te veg en veral die resultate van twee hiervan vir die afgelope jaar bevestig dit.**

***Hulle is mnr. Piet Liebenberg se Finansbank en mnr. Laurie Korsten se Volkskas-Aksepbank (VAB). Dié twee banke se resultate vir die afgelope jaar tot 31 Maart word vandag hiernaas bekend gemaak en vertel ’n heel ander storie.***

Finansbank het ondanks ’n terugslag van Half Price Stores sy wins van R600 000 tot R700 000 opgestoot, terwyl die jong VAB sy wins van R77 000 tot R450 000 verhoog het. Finansbank het sy bates met 22 persent tot R82 miljoen verhoog en dié van VAB het van R9,5 miljoen tot R46 miljoen gestyg.

MNR. PIET LIEBENBERG

Dit is ook heel ironies dat die twee manne in beheer van hierdie banke albei oud-Trust-Bank-manne is. Mnr. Liebenberg was die eerste besturende direkteur van Trust-Aksepbank, met mnr. Korsten as een van sy adjudante.

MNR. LAURIE KORSTEN

So ’n paar jaar gelede het daar meningsverskil bestaan tussen Trust-Aksep se topbestuur en die hoofbestuur van Trust-Bank. Mnr. Liebenberg wou ’n eie, onafhanklike identiteit handhaaf en die hoofbestuur van Trust-Bank het gemeen dit bots met die een-stop-idee.

Gevolglik het mnr. Liebenberg en ’n paar van sy topmanne (o.a. mnr. Korsten) bedank en hul eie bank, Finansbank, begin. Mnr. Korsten het daarna op sy beurt weer weggebreek om sy eie ding, Corporate Acceptances, te begin. En dit was van hier dat hy in Junie verlede jaar deur Volkskas ingetrek is om besturende direkteur van VAB te word.

Hierdie twee banke se mooi syfers volg op ’n jaar waar drie Afrikaner-bankgroepe, Trust-Bank, Randbank en Rondalia-Bank deur diep water moes gaan.

Maar dan moet ’n mens ook byvoeg dat volgens alle aanduidinge die afgelope jaar vir die meeste aksepbanke ’n baie goeie een was. Dit sal oor die volgende paar maande waarskynlik bevestig word wanneer van die ander aksepgroepe hul winssyfers bekend maak.

In die algemeen is die verwagtinge egter vir volgende jaar nie so rooskleurig nie sover dit geldmarkbedrywighede betref.

# Saambou verby R600 milj.

Rapport 9/4/78

58

VOLGENS voorlopige syfers het Saambou-Nasionale Bouvereniging se bates in die afgelope finansiële jaar tot 31 Maart 1978 met meer as R56 miljoen gestyg om te staan te kom op R628 miljoen.

Dit verteenwoordig 'n styging van 9,7 persent, sê dr. J. A. Hurter, voorsitter van die bouvereniging en is die beste groei vir die afgelope ses jaar.

Dr. Hurter het gesê die besondere groei is bereik ondanks die stram ekonomiese klimaat en is baie gunstig vergeleke met die algemene groei wat die bouverenigingbedryf in gemelde finansiële jaar getoon het.

Hy het die verwelkom dat die mooi groei in nuwe fondse Saambou-Nasionaal nou in staat stel om 'n veel meer aktiewe leningbesigheid te doen as wat tevore die geval was, selfs met in agneming daarvan dat die bouverenigings die afgelope jaar nuwe lenings ter waarde van sowat R84 miljoen toegestaan het.

STAR 14/4/78

58

# Armed bandits grab R45 000 in shootout

**Vereeniging Bureau**

Armed robbers forced a Fidelity Guard van off the road and made off with just over R45 000 after a brief shoot-out with the guards in Vanderbijlpark today.

The van was delivering a payroll to the Cape Gate Company in Nobel Boulevard at about 5.15 am when another van swung in front of it and forced if off the road.

As the van stopped the security van skidded to a halt behind it. The occupant of the front van began firing on the two guards, Mr G C Nel (48) and Mr J du Preez (36), who was wounded.

Mr Nel returned the fire until he was overpowered. He later told police that there were four or five robbers, all wearing balaclava caps.

They forced him to open the van and then loaded the steel trunk containing the money into a metallic green Chevrolet El Camino light delivery vehicle, TV 1555 and sped off.

According to police the van was recently reported stolen in Vereeniging.

# VIB staan nou op eie bene

RAPPORT 16/4/78

58

**Deur DAVID MEADES**

**DIE jongste lid van die „nuwe" Volkskas-groep, Volkskas- Industriële Bank (VIB), is nou ook deeglik gespeen en staan op sy eie bene. Hierdie volfiliaal van Volkskas het sewe maande gelede as 'n dop begin en het in hierdie tydperk 'n wins na belasting van R180 000 getoon.**

Terselfdertyd het hy oor hierdie tydperk bates ten bedrae van R14 miljoen opgebou en as dit nie vir VIB se relatiewe klein belastingbasis was nie, sou hy waarskynlik nog baie beter gevaar het.

VIB het op 1 September 1977 met sake begin toe die Trans-Oranje-Finansierings- en Ontwikkelingsmaatskappy oorgeneem en die naam in VIB verander is.

Met mnr. Ron Rundle, 'n oud-Credcor/Nedfin-man as Besturende direkteur, het Volkskas met hierdie bank 'n heel nuwe terrein betree, nl. groothandel-bruikhuur en huurkooptransaksies.

VIB is as 'n huurkoopbank geregistreer, maar spits hom net op groothandelsake toe. Die kleiner huurkooptransaksies word deur Volkskas se gewone banktakke hanteer.

Mnr. Rundle het aan Sake-Rapport gesê dat VIB hom in die eerste ses maande van sy bestaan veral daarop toegelê het vir die daarstelling van gespesialiseerde administratiewe stelsels sowel as die ontwikkeling van 'n kompermodel om die groter bruikhuur- en huurkooptransaksies te hanteer.

Hy is nou besig om ten volle te konsentreer op die bemarking van die dienste wat hy aanbied en mnr. Rundle is vol vertroue dat dit nie te lank sal duur voor VIB sy plek inneem as een van die leiers op die gebied van bruikhuur en huurkoopfinansiering nie.

Weens sy relatief klein belastingbasis moes VIB die afgelope sewe maande 'n groot aantal bruikhuurtransaksies waar belastingkortings 'n belangrike rol gespeel het, na Volkskas en Volkskas-Aksepbank oorplaas.

Die vooruitsigte is ook besonder goed vir die komende jaar, sê mnr. Rundle. Daar is meer as R30 miljoen se transaksies reeds in die pyplyn en as aansoeke om nuwe sake in aanmerking geneem word, behoort dié syfer R100 miljoen te bereik.

Die bank was ook in staat om die laaste paar maande 'n baie sterk bestuurspan saam te stel, wat almal uit manne bestaan wat omvattende ondervinding op hierdie gebied van die bankwese het.

# Director will serve 2 years for fraud

R.D.M

(58)

19/4/78

**Chief Court Reporter**

A FORMER Johannesburg director of companies who had established foreign investments for Transkei, and established contracts for the country worth millions was sentenced in the Rand Supreme Court yesterday to serve a two-year jail term.

Peter Benjamin Levin, a director of Image Construction (Pty) admitted issuing false progress payment certificates which were signed by his brother, for work on two building contracts in Johannesburg.

He pleaded guilty to two counts of fraud, involving the issue of false certificates for payments by Standard Bank Financial Nominees (Pty) totalling about R844 000 in respect of the two contracts, and to a charge of stealing R84 968.

The court was told, however, that the stolen money had been repaid and the progress payments had been accounted for.

In mitigation, Levin, who said he had been sequestrated, explained he had suffered "deep remorse" and had tried to bring foreign capital to South Africa to rehabilitate himself.

He had made a number of trips overseas and had undertaken negotiations with the Transkei Development Corporation and American and English companies, as a result of which industries are to be established in Transkei.

He had negotiated foreign exports for Transkei worth R10 750 000 a year for 10 years.

He had also assisted with establishment of two plants manufacturing laminated beams in Transkei, and establishment of an Israeli company in Johannesburg, manufacturing army coats and sleeping bags for Nato.

Mr Justice Irving Steyn, passing sentence, said the offences were serious, and he had a duty to the public.

It was with a "heavy heart" that he could not suspend the whole sentence, as requested.

He sentenced Levin to four years' jail, two years of which he suspended conditionally for five years.

Mr Justice Steyn refused an application for leave to appeal, saying he had been "extremely lenient."

He allowed bail of R1 000 to stand conditionally, pending a petition to the Chief Justice for leave to appeal.

66 5995

## NOTICE 299 OF 1978

## DEPARTMENT OF FINANCE

## SECTION 12 (1) OF THE BANKS ACT, 1965

## CHANGE OF NAME.—THE AFRICAN BANK OF SOUTH AFRICA LIMITED

It is hereby notified for general information that The African Bank of South Africa Limited, which is provisionally registered as a general bank, has changed its name to The African Bank Limited.

(21 April 1978)

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## KENNISGEWING 299 VAN 1978

## DEPARTEMENT VAN FINANSIES

## ARTIKEL 12 (1) VAN DIE BANKWET, 1965

## NAAMSVERANDERING.—THE AFRICAN BANK OF SOUTH AFRICA LIMITED

Hierby word vir algemene inligting bekendgemaak dat The African Bank of South Africa Limited, wat as 'n algemene bank voorlopig geregistreer is, sy naam in The African Bank Limited verander het.

(21 April 1978)

SUN-TIMES BUS; 23/4/78

**NIGEL BRUCE**

IF THE proposed changes to the law relating to savings accounts are any guide, as I think they are, it is possible that they point to far-reaching implications for the future structure of the banking industry and for the cost of housing.

The most important change is the proposed requirement that both banks and building societies invest in an amount of liquid assets more equivalent to the volatility and short-term nature of certain savings deposits, in particular the proposed new "transmission" deposits.

This should mean that instead of building societies and banks holding relatively small amounts of low-yielding liquid assets against certain savings deposits, they will have to invest 75 per cent of these deposits into short-term official securities, assuming that both these types of financial institution are to be put on a par.

I understand that the legislative changes will give the authorities powers to do this, but, of course, the extent to which they will choose to exercise them remains to be seen.

At any rate, the important point is that the principle seems to have been accepted that banks and building societies will in future be treated equally when their respective business activities coincide.

Depending on the degree to which the new transmission accounts are used by the public, the increased liquid asset requirement will mean that the cost of deposits to these institutions will rise without necessarily an equivalent rise in incomes.

For the banks which are part of large groups this is not too serious because of the wide spread of their business activities. But for the building societies, particularly the less cost-efficient ones, it might mean that a higher mortgage rate becomes vital if present operating margins (the difference between the cost of deposits and income from home loans) have to be preserved.

It could also mean that it should no longer be necessary for building societies to apply minimum deposit requirements to savings, because all the volatile funds will be in transmission accounts and a higher liquid asset requirement should make them superfluous.

Having accepted the principle of equal treatment for banks and building societies, the next logical step is for Pretoria to dismantle deposit rate control, which is there to protect the building societies from competition for deposits from the banks so that they do not have, in consequence, to raise the mortgage rate.

Under present economic circumstances, by denying depositors a commercial return on their savings, and so keeping down the mortgage rate artificially, the authorities are forcing savers to subsidise a plush level of white housing.

The immediate result of discarding these controls would probably be a rise in the mortgage rate which will remain high during the lean years but will fall dramatically during those of plenty. This is what happens in other sophisticated western economies.

But it will also mean the apportionment more appropriately of scarce capital resources by the market mechanism. And it should mean that in future the financial system is more attuned to respond to changes in monetary policy without Church Square having to resort to draconian direct controls.

Of course, it is possible that the proposed system of differing mortgage rates for different-sized loans will mean a higher income for building societies which might offset the increased costs of higher liquid asset requirements.

That would be a better system than we have now, one that would subsidise white housing much less. But in it will remain elements of all the objections to the present system I have outlined.

Another difficulty is that the building societies are about to start financing black housing, which deserves a large measure of subsidy.

However, rather than continue to misallocate resources and subsidise whites, whose housing is sumptuous by any standards, perhaps it would be more appropriate to seek some other institution to answer black housing needs.

There is, of course, the Department of Community Development, which could be given more by Parliament to spend in this regard. But it is not popular among blacks.

Perhaps, instead, it might be worth considering turning the African Bank into a state-subsidised home mortgage bank for blacks. This has two advantages. First, the bank would be able to find borrowers, which is a constraint at present. Second, the housing subsidy would no longer be disguised as it is now.

Personally, I would not be surprised if the De Kock Commission has already drawn up plans along these lines. After all, the logic is not difficult. But selling it all to government may be another matter.

23/4/78 SUN. TIMES BUS.

(58)

# Story that threw the savings market

By NIGEL BRUCE

THE BUILDING societies and general banks were besieged with telephone calls, the Registrar of Financial Institutions, Wynand Louw, was inundated from all parts of the country, and generally in the savings market confusion reigned.

That, we are told, is the result of a story in Business Times last week that plans are afoot to outlaw savings accounts offering unlimited withdrawals and five free cheques.

The object of the Department of Finance in drafting this legislation was that an increased velocity of withdrawals on some savings accounts was turning them effectively into current accounts without any of the financial safeguards applicable to the latter.

This is plain fact which has subsequently been reconfirmed by Registrar Louw.

If there is any confusion over this then it has arisen because two different types of financial institutions both offer 8 per cent savings accounts and both call them special savings accounts, although some offer unlimited withdrawals and no minimum deposit and others do not.

Those that do not offer these unlimited withdrawals are only partly affected by the proposed legislative changes.

To be quite specific, the general banks that offer an 8 per cent savings account with unlimited withdrawals and five free cheques are the ones whose accounts the legislation aims to outlaw.

The building societies also offer savings accounts which they call special savings accounts and which offer an 8 per cent per annum return, but do not offer unlimited withdrawals and which require a certain minimum deposit.

In the view of the Registrar these latter type of savings accounts are more accurately termed special savings accounts and not those offered by the general banks.

The Association of Building Societies feels that in referring to special savings accounts with unlimited withdrawals we should have made clear that they do not offer this type of facility in terms of an agreement between all its members.

There are general bankers, however, who say that some building societies have not adhered strictly to this agreement; that they do allow more than one withdrawal per month, and do issue cheques against the accounts.

Subsequently the Association of Building Societies confirmed that some of its members do in fact draw cheques for third parties against these special savings accounts, and to that

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SUNDAY TIMES, Business Times, April 30, 1978.

# Hopes that Govt will aid big-ticket leasing

**LARGE-scale financial or leveraged leasing is one of the most important financing media of modern times and it is to be hoped that the authorities will do everything possible to foster more "big-ticket" leasing in the years to come.**

Reserve Bank statistics published at the end of December showed Stannic to be a market share leader in both leasing and hire purchase. Its share of the leasing market amounted to 23,33 per cent while hire purchase was 21,35 per cent.

Stannic has made further headway during the first financial quarter of this year. With the acquisition of UDC on the cards, this will add a hefty 5 per cent to Stannic's share of the leasing market and 4,6 per cent to hire purchase.

The Iscor lease features among recent large transactions. In this article, Mr K. H. Gager, managing director, looks particularly at big financial leasing, particularly leveraged leasing.

Mr K. H. Gager

Leasing is one of the most important alternatives to traditional forms of financing and it is fit and proper that in a modern state commerce and industry should have a choice of financing instruments for capital development.

According to the latest Reserve Bank statistics, the leasing market is of the order of R1-billion. Given suitable conditions there is no doubt whatever that this figure will grow very significantly during the next few years.

One of the factors influencing such growth, at least in the short-term, is the difficulty now being experienced in raising development capital overseas.

The public sector and entrepreneurs in the private sector are likely to be looking to the banking industry for much of the development capital needed during the course of the next two to three years.

There is no reason why local sources could not provide the necessary funds provided that South Africa's balance of payments position continues to make a positive contribution to this growth.

The Iscor lease, a syndicated transaction, is an example of a very large public

undertaking resorting to a South African bank for substantial development capital.

The syndicated, or shared, lease can be attractive to both lessors and lessees under certain circumstances.

Two or more lessors would share in a lease with the tax incentives being divided in proportion to the interest held in the lease by each lessor. All would achieve an equal rate of return.

In large leases where productive plant and equipment is concerned a large "tax base" is required and an adequate "base " must be also be projected for the period of the lease.

Normally, apart from the lease document itself, there would be two basic agreements, firstly that which

conditions of the partners to the syndicate regarding the extent of their investment and liabilities.

Then there would be documentation whereby the Receiver of Revenue would agree to the sharing of the tax incentives and depreciation proportionately among the lessors.

The structuring of a large lease takes a great deal of hard work and requires the delicate balancing of a number of factors in order to ensure that the financing bank will enjoy a fair return, and the prospective lessee a fair rental cost matched to the risk and appropriate to the standing of the lessee in the market.

The principal factors to be carefully weighed by the financing bank in deciding the terms and conditions

tion will be based are: the return on equity it requires, the additional (marginal) funding it will require to finance the lease and the mix of those funds (short, medium and long), as well as additional share capital requirements, and a view of the market for funds over the financing period, tax rates, and availability of incentive allowances for taxation purposes.

If the asset to be leased comprises productive plant and machinery attracting the allowances, the financing bank must look carefully at its estimates of pre-tax profits over the period during which the allowances will be claimable.

Depending upon the size of the lease, care must be taken to ensure that the bank will have available a tax

ly the plant and machinery leasing requirements of its general body of customers where the incentive allowances are to be applicable.

It would be standard practice for the bank to obtain from the Secretary for Inland Revenue written confirmation that the leased assets would attract the incentive allowances, recording the rate of wear-and-tear allowance which would be granted in respect of the particular plant being financed.

The calculation of the rentals is a sophisticated process, employing discounted cash flow techniques and invariably requiring the services of a computer programmed with all the finesse essential to the derivation of accurate pricing.

This pricing will be based upon certain factors which are likely to vary during the currency of the lease. The financing bank will, therefore, always protect itself against the consequences of changes in major variables by "linking" the rentals to the variable factors.

The objective will be to ensure that the lessor continues to receive his fair rate of return; the lessee undertakes to accept possible chan es in rental

crease as much as an increase.

In the case of very large leases it would be normal for the lessor to declare to the lessee the fair yield upon which the rentals have been based, and this makes for the strongest possible measure of co-operation between lessor and lessee in the subsequent administration of the lease in future years.

If the lease is to be a leveraged lease then other and sometimes more complicated considerations apply. Decisions have to be reached as to how much of the equity in the leased asset is to be retained by the financing bank, and how much debt is to be raised, usually from institutional investors.

Modern-day leasing programmes will have a built-in feature which will optimise the lessor's yield and the amount of equity required to produce that yield.

Raising of the debt participation will require a marketing effort and the prospective lessor's marketing experts will be contacting likely institutional investors — insurance companies, pension funds, and the like — in order to try to sell to them a participation in the particular lease

debt participant will look carefully at the prospective lessee, his standing and rating in the market, and will want to be satisfied on the complicated documentation required in the formation of a leveraged lease.

The rate of interest to be paid to the loan participants is a crucial factor in the whole structuring, and considerable negotiation may precede a final agreement on the interest rate.

Institutional investors normally invest long, and a leveraged lease often provides a most suitable avenue for the employment of such an investor's long-term funds, at most acceptable interest yields.

Loans are normally in the seven to 15-year range and are often offered on the basis of a mortgage type amortisation of principle over the loan term.

It is equally possible to structure a leverage lease with fixed loan participants who require to wait until the end of the primary lease period for redemption of their loan capital.

In this case the structuring of the lease must provide for a sinking fund financed from the rentals and calculated to ensure the provision of the required capital redemption at the end of the lease term.

lease or a leveraged lease is a most interesting, even exciting, exercise, requiring first-class expertise in the financial mathemetics involved.

One can imagine a lease which is required to embody rental features which will accommodate payments to the estimated cash flow of a company erecting a new plant which is not expected to become profitable for, say, three or four years (see example).

In the early years of the lease the lessee would obviously like to see his monthly expenditures reduced as much as possible, and if the lessee is a first-class risk the lessor would normally be willing to tailor the whole lease in a way which would best accommodate the requirements of the lessee.

The lease may therefore have as one of its features an accelerating rental pattern for, say, two years. For, say, the next five years the rentals would be even. At the same time a ten or 20 per cent residual value at the end of the lease could be built in or, alternatively, a balloon payment provided at the end of the lease.

Add to this the necessity to evaluate carefuly the income tax benefits arising from the initial and investment allowances, and from the depreciation allowances by the Receiver of Revenue, and you have the ingredients for a discounted cash flow evaluation exercise in which the timing of the various inflows and outflows involved in the lease

Star 13/5/78

# Man fined for corruption

(58)

A Johannesburg man who received R20 000 in commission from about R2-million invested on behalf of the National Mutual Aid Association of Railways, Airways and Harbours Servants (SA) was convicted on 24 counts of corruption in the Johannesburg Regional Court yesterday.

Gert Petrus Viljoen (49) of Seventh Street, Linden, who worked for a civil service benevolent society, was fined R12 800 (or 640 days) with a further 200 days suspended on condition that he repays R8 050 to the society.

NM 5/5/78

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# Police swoop nets R500 000 diamond deals

Mercury Correspondent

**JOHANNESBURG — Six businessmen — including two diamond exporters and a diamond cutter — have been arrested by police in connection with alleged illegal diamond deals involving over R500 000 rands.**

The first major arrest, which the Press was asked not to publish because investigations were still in progress, was made in Johannesburg on April 21 and involved R60 000 in uncut diamonds.

A pensioned American army colonel, Ben Armstrong (55) from Pretoria, and a Durban diamond cutter, Mr. David Scholdhamer were arrested and charged in court the same day after an alleged payment of R20 000 in a Johannesburg deal.

Colonel C. W. Kroukamp, deputy head of the South African Gold and Diamond Squad said that six days later — on April 27 — police cracked what is alleged to be the largest illegal diamond deal in months.

Two diamond exporters were arrested in Cape Town in connection with the alleged buying of diamonds valued at R490 700 for R305 600.

They are Mr. David Johannes Botha (43) of Yalvin Road, Boksburg, and Jose Luis Martins (35) of Glengower, Johannesburg.

On the same day a Randburg factory owner, Mr. Palo Zappa (51) was arrested in Johannesburg in connection with the alleged buying of R56 000 in uncut diamonds for R30 000.

Police also arrested a Rhodesian farmer, Mr. Johannes P. Meintjies in Pretoria in connection with the alleged buying of R43 000 in uncut diamonds for R20 000.

## BUILDING SOCIETIES

(58)

# Big gets bigger

FM 5/5/78

**United Building Society** seems firmly to have entrenched its position as by far the biggest helping hand in the land. According to MD Hans Hefer, it has increased its share of the building society market over the past financial year from 28,7% to 31,8%.

For the first time, total deposits exceeded the billion rand bench mark. At R1 045m, they were 12,2% up on the previous year's R931m. Also past the billion mark is total share capital, at R1 086m (R995m). And a record R92m (R83,6m) was paid out in dividends.

So massive has UBS become that it lent nearly R1,4m in home loans every working day of the year. It attracted 115 000 new investment accounts, taking its total to 1,8m.

In anticipation of further expansion, Hefer this week re-organised his top management team. Two new GMs, three deputy GMs and five assistant GMs were appointed.

"We are dealing not only with more money but more people," states a proud Hefer. "We aim to achieve R3 000m in total assets by March 1981." This will be no mean task, for its total assets now stand at R2 245m (R2 032m). They increased by R1 000m over the past five years and Hefer is looking to the next four for another R1 000m increase.

As if to celebrate its record performance, UBS today moves its headquarters to its own United Towers, the former Sandglen building, in Johannesburg's Main Street.

RDM 5/5/78 (58)

# When too much cash is just heavy, man

By SHEILA WING

BRING back the popular paper rand is the plea of a public which feels the replacement R1 coin should be abandoned as a bad investment.

In a snap survey in Hillbrow, Johannesburg, yesterday, people gave the thumbs up sign to the Minister of Finance, Senator Owen Horwood, for agreeing to find out whether it's feasible to thicken the R1 note and lengthen its life.

Senator Horwood gave the undertaking in Parliament this week in reaction to a request by Mr Pen Kotze (NP Parow).

Mr Kotze said the R1 coin was unpopular and made small change of the country's national currency unit.

Yet the circulation of the cumbersome new coins is creeping up daily. The Reserve Bank has exhausted its stock of R1 notes and those in use are gradually being phased out.

The return of the R1 note would receive a heartfelt welcome from many members of the public who would like nothing better than to see R1 coins abolished, dumped or just left to rot — lifting a weight from pockets and purses.

"The note is so much better — you can see what it is at a glance," said Mrs Elizabeth Green, of Hillbrow.

"The coin is so confusing. If you have one, you keep your eye on it so you don't get short changed," she added.

"Stronger paper money would be a good idea," said Mr Haskard Banda, who lives and works in Johannesburg.

"Black people don't like the R1 coins. They are too heavy and you can't distinguish them easily from 50c pieces".

A Hillbrow record-bar owner, Mr Leonard Berold, "enjoys" giving the coins away.

"We hate them — they're a nuisance to count. And they're too heavy. We need assistance to carry them to the bank."

Mr Dave Schlossberg, a salesman, regards the coins as nothing but a "nuisance".

"They should all be dumped. There was nothing wrong with the notes and I'd like to have them back again," he said.

A Hillbrow housewife, Mrs M Diamond, agreed: "R1 coins should be left to rot. They're confusing and too heavy to carry."

Mr Bernard Kaplan, a bakery assistant, said customers were conditioned to using notes and it would take time before they got used to the coin.

Only one man wasn't much bothered about the coin-note controversy. "It doesn't make any difference to me — it's all money," he said.

SOUTHERN AFRICA LABOUR AND DEVELOPMENT RESEARCH UNIT

## AMAPROP (58)

## Time to exit

FM 12/5/78

**Activities:** *Property finance company controlled by Anglo American.*

**Chairman:** *G H Waddell; managing director: C D M Melville.*

**Capital structure:** *20,8m ordinaries of 50c; 10,7m deferred ordinaries of 50c; 31,4m 7% cum convertible red prefs of 50c. Market capitalisation: R3,5m (ordinary shares only).*

**Financial:** *Year to March 31 1978. Borrowings: long and medium term, R47,1m. Net cash: R19 000. Debt:equity ratio: 115%. Current ratio: 0,6. Group cash flow: R229 000. Capital commitments: nil.*

**Share market:** *Price: 17c (1977-78: high, 37c; low, 16c; trading volume last quarter, 156 000 shares).*

**After the latest** 18-month period, the accumulated loss has risen to R5,7m and arrear preference dividends to R5m. Underlining the group's difficulties, the directors see no possibility of profits reaching a level at which redemption of the prefs can start on due date in 1980 and be completed by 1990. It is now proposed that pref redemption be deferred for completion by 2020. Shareholders who are expected to vote on the proposal on May 25 are faced with Hobson's choice.

The operating loss has risen to R655 000 (1977: R206 000) and reversal does not seem possible in the foreseeable future. Industrial site sales at Prospecton to offset negative cash flow elsewhere are non existent. Now deconsolidated, Marina da Gama continues to sell stands at a book loss to generate cash flow and the unconsolidated Carlton Cent remains a non revenue producing asset. All Carlton Centre's cash flow is being earmarked for repayment of its loans and debenture redemptions.

Net worth attributable to ordinary and deferred shareholders continues to deteriorate. After subtracting arrear pref dividends, nominal net worth is R17,1m, equivalent to 54,4c per share. But this takes the Marina da Gama investment at book value. Auditors Coopers & Lybrand have again qualified the accounts, largely on fears over Marina da Gama's worth. If the rest of the group had been on a profitable footing, a sensible move would have been to write down the asset. Under present circumstances this is not possible and the auditors' qualification looks like remaining a semi permanent aspect.

In addition, pref dividends are accumulating at an annual rate of R1,1m. If there are no payments before February 29 1980, when there should have been a start on pref redemptions, R7,2m will be outstanding. And there seems little point for Anglo, which holds the prefs, to exercise its conversion rights even though it might advance the date when any benefit flows to the ordinary shareholders. It will be better served by eventual redemption and payment of arrear dividends.

As far as the ordinary shareholders are concerned, their investment is worthless. As the shares are being traded at 17c in the market, this is as good a time as any to make an exit.

*Jim Jon*

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Cape Town

December 1976.

14/5/78 ⑤⑧

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19/5/78

## EXCHANGE RATE

(58)

# Jitters in the market

**Seldom has a** commission of inquiry excited so much nervousness in the financial community. Though the De Kock inquiry into monetary policy only started hearing oral evidence this week, fears that its recommendations will mean an effective rand devaluation set off loud alarm bells last Thursday and Friday.

"We have had a surge of forward cover applications," says a Barclays spokesman, noting that business in the first 10 days of May exceeded that for the whole of April.

A Standard Bank man confirms "there was a tremendous amount of forward covering last week." At least one of Standard's branches, we learn, was phoning customers advising them immediately to make sure their exchange risks were covered.

A leading merchant banker says: "Virtually all our customers were calling for advice on forward cover."

Who and what started the scare? Some say it was only the small banks looking for business.

There was also the latest International Monetary Fund report on SA, which was leaked in Washington. It argues that a floating rand, managed by the authorities, "would reduce problems related to speculative or politically motivated capital outflows, thereby increasing the authorities' freedom to follow their monetary objectives and also to 'depoliticise' the issue of exchange rate changes."

Asked by the *FM* to comment on this free advice, the Minister of Finance, Owen Horwood, said:

"The managed float for the rand is one of several exchange rate policy options currently being investigated at my request by the De Kock Commission. This is being done as part and parcel of the commission's inquiry into the monetary system and monetary policy in SA.

"The commission is making good progress and hopes to submit an interim report on the exchange rate question during the second half of this year. In the meantime, no change is contemplated in our present exchange rate policy of pegging the rand to the US dollar."

That means no change at least before July 1, and probably not for several months after that.

In the meantime, other developments have raised question-marks over the rand. The gap between interest rates here and abroad has almost disappeared (page 525) and the dollar, to which the rand is pegged, has firmed, while sterling has weakened.

One banker reports many corporate treasurers had until recently become too casual about covering forward. The recent pick-up in forward cover business can thus partially be ascribed to growing awareness of the risks of uncovered remittances, rather than to a full-blooded devaluation scare.

Barclays, for instance, estimates that its current purchases of forward dollars (running at up to R20m a day) comes nowhere near the panic of late 1975, when daily trading was running at R60m-R70m.

Forex experts agree it's better to be safe than sorry, especially when the cost of forward cover (at 1% a year) is so cheap. Senbank has been advocating forward cover for import transactions since December. Adds a Standard Bank spokesman: "We don't believe a devaluation is imminent, but people with a dollar exposure should take out cover or make payment."

Financial Mail May 19 1978

*Borrowings: long and medium term, R47,6m. Net cash: R2,4m. Debt:equity ratio: 67%. Current ratio: 1,1. Net cash flow: R370 000. Capital commitments: R3,4m.*

**Share market:** *Price: 37c (1977-78: high, 56c; low, 33c; trading volume last quarter, 521 000 shares). Yields: 9,5% on earnings; 8,1% on dividend. Cover: 1,2. PE ratio: 10,6.*

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| Return on cap % .... | 10,7 | 10,7 | 9,1 | 6 5 |
| Rental Income (Rm) .... .. | 10 2 | 10,7 | 11,0 | 11,3 |
| Pre-tax profit (Rm). | 7,2 | 7,5 | 7,4 | 3,8 |
| Earnings (c) ... | 6,8 | 6 9 | 6,8 | 3,5 |
| Dividends (c) ... ... . | 5,75 | 6,0 | 6,0 | 3,0 |
| Net asset value (c).. | 107 | 107 | 108 | 109 |

**Although net** income from properties before charging interest was virtually maintained, profits at the pre-tax level were only half the previous year! A combination of factors explain this discrepancy. Operating losses from hotels, a negligible property dealing profit after R1,5m last year, lower interest receipts as the cash balances ran down, higher interest payments as previously capitalised interest was brought onto the income statement, and finally a big bad debt provision of R485 000, make the difference.

After several years of maintaining the illusion of earnings growth by increasing the contribution from property dealing, the reported profits are now much closer to a normal repeatable level. But the development programme is still R3,4m away from completion. The major item here is the Salmon Grove project in Durban, which should be finished before the end of this financial year. Interest of R1,2m was capitalised in the past year compared to R3,8m of pre tax profit. That leaves a substantial shortfall to be replaced by net property income if earnings are to be maintained this year.

Chairman Dick Goss believes there is a reasonable prospect that this will be the case. Elimination of the R485 000 bad debt that arose from the liquidation of Voysey Bond allows Retco a head start.

This year, Retco has abandoned equity accounting Longtill and Trescon. Although earnings would have been fractionally higher had they been equity accounted, there is trouble looming on this front. Longtill lost R350 000. Although the board considers that there has been no permanent impairment of the long-term value of this investment, the situation is being "closely watched." Trescon on the other hand nearly doubled earnings to R609 000.

As the maximum available cash flow is paid out in dividend, there has been no growth in book asset value for the past five years. However income has suffered as the new developments have introduced a reverse gearing factor into the portfolio.

Repeatable earnings derive from lettings. There appears "to be little prospect of meaningfully improving rentals and we will do well to recover cost inflation." But higher dealing profits could allow for a bigger payout this year. This prospect has reawakened interest in the share and could provide a convenient exit.

*Richard Stuart*

## DATES TO REMEMBER

**Last day to register for dividends:**
**Friday June 2:** Afcol 3,5c; Afrox 7,5c; Argus 75c; Bisplat 2c; Chapman 9c; Dermacult 5,5c; Ical 9c; J Orr Hld 6,5c; Metcash 36c; Otis 15c; Toyota 0,25c; Sam Steele 1,75c; Steel & Barnett 5c.

**Meetings:**
**Tuesday May 30:** De Beers Cons (Kimberley); De Beers Ind (Kimberley).
**Wednesday May 31:** ER Cons (London).
**Thursday June 1:** Sea Prod SWA (Windhoek). SWA Fish (Windhoek); Wilbarz (Windhoek).
**Friday June 2:** Metcash; Panafic (Germiston); Pick 'n Pay (Cape).
All meetings in Johannesburg unless otherwise indicated.

forms of accommodation in each of the townships, but will only really be
known when a surve The result of this
movement however here contract workers
are living in pre g down ch man indivi-
dually, an exact rd is well aware of
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sleeps in the bed he rent for that bed
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selves. Hence i been indicated whether
the type of accom local men, but this is
subject to what h ture is in any event
available.

RETCO 58 FM 26/5/78

## Away out

**Activities:** *Property group. Longtill and Trescon are 40%-owned associate companies. SA Breweries owns 32% of the equity.*

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

**Capital structure:** *65,2m ordinaries of R1. Market capitalisation: R24,1m.*

**Financial:** *Year to February 28 1978.*

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The second failing in this report is that SAR & H compounds were not thoroughly investigated, so that only the figures and the broad picture are reported here. The reason for this is that official permission to see these quarters would have taken a considerable time to come through from Johannesburg, and would have delayed this working paper unduly.

# Fraud threatened banking system

RDM

27/5/78

LONDON.—Five men were convicted in London's Old Bailey yesterday of an international fraud "so vast it could have undermined the world's banking system."

The five, belonging to a London-based gang which forged bank drafts and used them with forged passports and identity documents to swindle banks, companies and individuals out of millions of rands.

More than 40 banks were said to have been defrauded before Scotland Yard's Serious Crimes' Squad, after monitoring the gang's movements across three continents, swooped on several houses in London in August 1976.

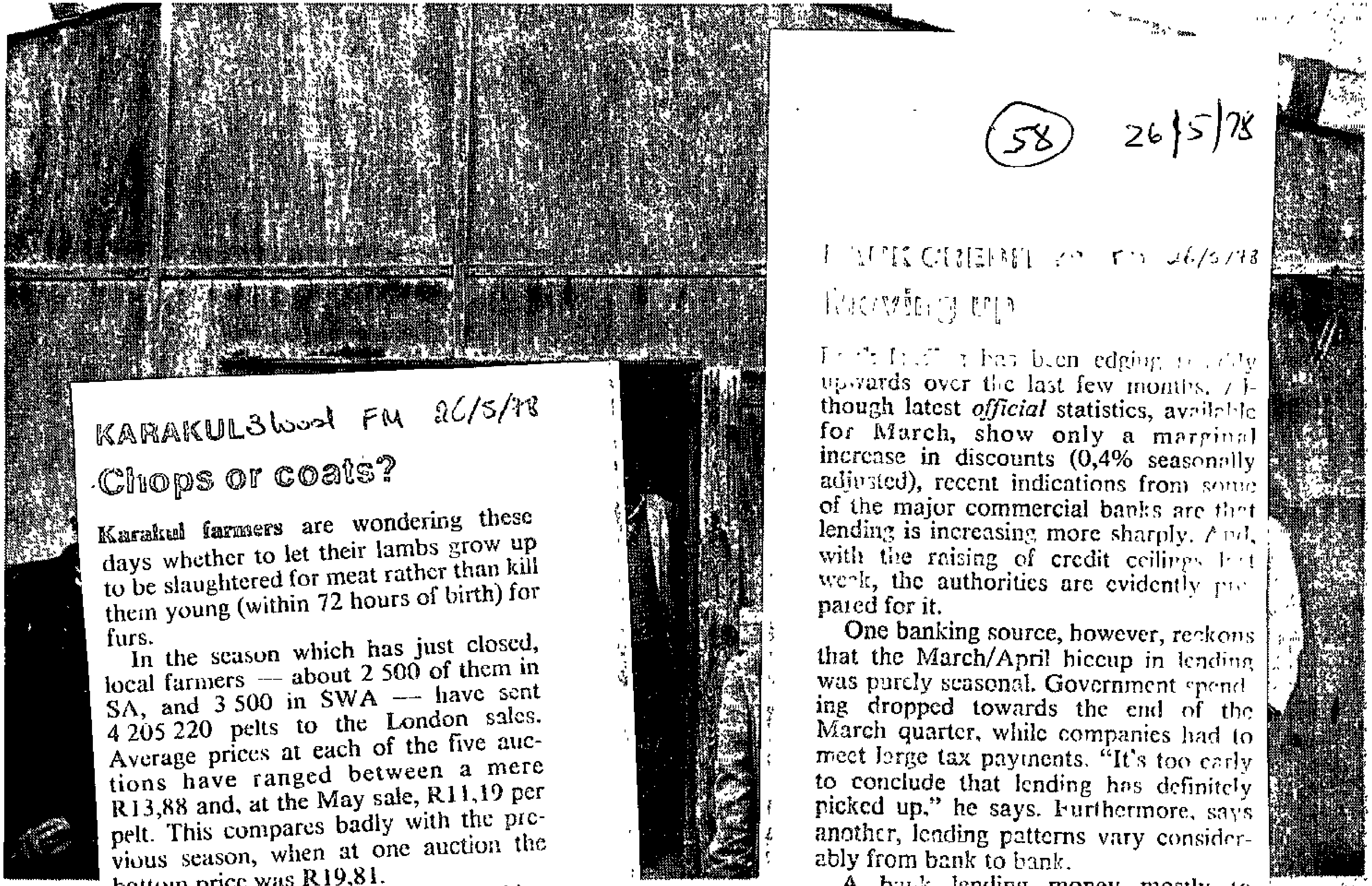
They found a forgers' den of printing presses, cases of type, official seals and even a machine for embossing gold leaf on fake passports.

Police said the amount reaped by the gang was about R3 400 000, only a fraction of which has been recovered.

One of the men, Francisco Fiocca, an Argentinian, was described in court as the world's finest forger. An international network supplied him with exactly the same paper as used in genuine bank drafts.

The five: Jorge Grunfeld, 55; Henry Oberlander, 51, Francisco Fiocca, 48; Emile Fleishman, 57; and Andre Biro, 52, will be sentenced on Wednesday.—Sapa-Reuter.

LANGA EMPLOYERS' DORMITORY-SHEDS



## KARAKUL3wool FM 26/5/78

## Chops or coats?

**Karakul farmers** are wondering these days whether to let their lambs grow up to be slaughtered for meat rather than kill them young (within 72 hours of birth) for furs.

In the season which has just closed, local farmers — about 2 500 of them in SA, and 3 500 in SWA — have sent 4 205 220 pelts to the London sales. Average prices at each of the five auctions have ranged between a mere R13,88 and, at the May sale, R11,19 per pelt. This compares badly with the previous season, when at one auction the bottom price was R19,81.

Germany is still the main buyer, taking 55% of SA production, but that is down from the 70% it took of last season's larger crop.

Southern Africa is second to Russia as the world's largest producer.

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(58) 26/5/78

## BANK CREDIT FM 26/5/78

## Moving up

Bank lending has been edging steadily upwards over the last few months. Although latest *official* statistics, available for March, show only a marginal increase in discounts (0,4% seasonally adjusted), recent indications from some of the major commercial banks are that lending is increasing more sharply. And, with the raising of credit ceilings last week, the authorities are evidently prepared for it.

One banking source, however, reckons that the March/April hiccup in lending was purely seasonal. Government spending dropped towards the end of the March quarter, while companies had to meet large tax payments. "It's too early to conclude that lending has definitely picked up," he says. Furthermore, says another, lending patterns vary considerably from bank to bank.

A bank lending money mostly to export-orientated companies may have experienced an increase in advances, while a bank with more importing clients may have seen a fall-off in lending. Similarly, banks writing leasing and hp business could have seen sharp increases.

Barclays' Dr Johan Cloete, on the other hand, thinks the increases are more than just seasonal. "It could be the beginning of the cyclical upturn in consumer spending — or at least a levelling off in the downturn," he reckons. Cloete acknowledges, however, that some of the increase is due to buying ahead of gst, and to a substantial hike in hp credit and replacement buying of durable goods.

Standard's Andre Hamersma confirms that, in recent months, there have been signs of an upturn in lending, but cautions that this needn't necessarily usher in an upward trend. "I'm not yet convinced that this is soundly based — latest official retail sales and manufacturing production statistics do not provide any clear indication of a recovery path."

So, while opinions differ as to the direction bank lending will take during the next few months, one thing is certain. If there is to be a consumer-led recovery, it can hardly take place while credit remains tight and interest rates are kept up. That's why we could well see further increases in bank lending ceilings later in the year.

INSIDE THE DORMITORY-SHED

NM 30/5/78

(58)

# New date set for R93 000 fraud trial

**Court Reporter**

THE trial of Mr. Mahomed Feisal, who appeared at the Durban Criminal Sessions yesterday on 63 counts of fraud involving about R93 000, has been adjourned to August 1.

The application for adjournment was made by defence counsel before Mr. Feisal was asked to plead.

Most of the counts relate to cheques which were allegedly passed by Mr. Feisal and stopped or dishonoured on presentation.

According to the indictment the accused obtained motor vehicles, air tickets, furniture, television sets, films and other goods by issuing cheques drawn on accounts in his name or businesses of which he purported to be proprietor or partner.

The cheques were made out to dealers throughout the country between 1974 and 1978.

Other counts involve alleged misrepresentations made to banking institutions who opened accounts for Mr. Feisal.

# R421 000 said to be involved in fraud

NM 30/5/78

(58)

**Court Reporter**

A FORMER Kloof town councillor and a company director pleaded not guilty at the Durban Criminal Sessions yesterday to six counts of fraud involving about R421 000.

Mr. Thorwald Douglas Thomson (60) former councillor and Mr. Eshack Carodia (52), both former directors of the liquidated Selmo Furniture and Electrical (Pty) Ltd., appeared before Mr. Justice Kumleben and an assessor.

According to the indictment, Selmo agreed to sell and cede to International Leasing, Credcor and Marshall Industrials the company's interest in hire purchase agreements.

The State alleges that between November 1973 and March 1975 the accused misrepresented to the three companies that hire-purchase agreements offered for sale were genuine.

At the time, it was stated, the directors knew the purchasers mentioned in the agreements were fictitious, or had not entered into the agreements.

By the misrepresentations they fraudulently induced the companies to pay Selmo R286 085, the State alleges.

The indictment also states that in June and September of 1974, Mr. Thomson, acting on behalf of Selmo, supplied International Leasing, Credcor and Balfour Williamson with misleading balance sheets and induced them to increase, or extend facilities.

The balance sheets did not provide a true and fair view of the company's affairs and understated liabilities, it is alleged

The hearing continures today.

Mr. Roland Suhr appeared for the State and Mr. Steve Janson and Mr Gideon Lotz for the defence

# Dodo family offers 145c for Edworks

RDM 1/6/78

58

By HAMISH FRASER
Deputy Financial Editor

**THE DODO family has pitched its offer to the Edworks minority at 145c a share. Minority shareholders will also qualify for the 4c final dividend for the year to June 30.**

The terms of the offer are a shade more generous than most market observers had predicted, and Hill Samuel, which is acting for the minority, is to be congratulated on persuading the controlling shareholders to up the ante to an acceptable price.

Edworks' controlling shareholders have followed a parsimonious dividend policy over many years and it was widely predicted that a rock-bottom offer to the minority would be made.

In the event, the exit price is 75% above the pre-suspension price of 85c — which was itself about double of last year's low — and it is a racing certainty that the Dodo family will get the response it needs to give it full control of Edworks.

The Edworks directors have forecast that the company will earn no more than 23c a share in the year to June 30 which means that the exit multiple is 6,3 if the 4c final dividend is excluded.

The average price earnings multiple for the clothing and footwear sector is 4,4 which underscores that the offer is good.

The 6c total dividend this year means that the exit dividend yield is 4,1% which is less than half the sectoral average of 9,1%.

In terms of the Dodo proposal, holders of R2 preference shares will receive 132c for each 6% preference share and 154c for each 7% preference share. The offer to preference shareholders is based on ruling preference share yields to which a token sweetener has been added.

The exit yield for preference shareholders is 9% which is not nearly as generous as the offer to ordinary shareholders, and it would not surprise me if there is some squealing from preference shareholders.

Many holders of redeemable preference shares hold the view than an offer at anything less than par value is unacceptable and while Barclays Merchant Bank will easily be able to argue that there is precedent aplenty for offers related to ruling interest rates, the fact that the offer to preference shareholders has been comparatively finely pitched will be more difficult to argue.

Barclays path will be eased by the fact that there are only 350 000 6% preference shares and 50 00 7% preference shares.

DD 2/6/78

58

# Sentence on PE lawyer today for R58 000 theft

PORT ELIZABETH — A former Port Elizabeth attorney, Mr Alan Wilson, 38, will be sentenced in the Supreme Court here today on 17 counts of theft involving R58 464.

Mr Wilson, who pleaded guilty to all the counts, told the court yesterday he paid into his own account a cheque for R10 596, made out by an insurance company to a client and family friend, Mrs Leah Davis.

He did this in July, 1974, to repay a loan from a Mr Pudney. He told the court in mitigation of sentence, that this first theft had snowballed into a chain of thefts from the trust funds of his legal partnership between 1975 and 1977.

The money he misappropriated from 16 trust funds amounted to R47 868.

He was married with three minor children. Since the thefts came to light, he had been struck from the roll of attorneys and had had to move into a small flat and sell his furniture and house.

He had intended to repay the money he took from trust funds. "I thought of all sorts of schemes."

One of the schemes was to buy a farm in the Alexandria district, which promised a profit of about R26 000 from a chicory crop. He paid R3 000 deposit for the farm with money drawn from a client's account, but the sale was cancelled when he was unable to raise the rest of the money.

The prosecutor, Miss J. P. Oosthuizen, said Mr Wilson had committed the thefts to live beyond his means and seemed indifferent to his profession and his duty. She asked for a prison sentence to be imposed. — DDC.

## BANKING (58) FM 2/6/78

# VMB grows fast

**Volkskas Merchant** Bank (VMB) last year started life from a tiny base, but it has certainly made its mark. Its first annual report, published this week, testifies as much.

It frequently has cut into the domain of its more established competitors, playing an active role in Barlow Rand's takeover of CJ Fuchs, Federal Chemical Investments' takeover of SA Druggists, Volkskas' takeover of Bonuskor, and Primrose's defence against Tongaat, to list the more dramatic.

It was only last June that Volkskas took effective management control over the former Bankovs Merchant Bank. Since then, under MD Laurie Korsten, it has been managed as an autonomous merchant bank, independent from parent Volkskas.

For the six months to March 1977, taxed profit after transfer to hidden and contingency reserves was R77 000. In the year to this March, it climbed to R450 000, representing a 20% return on average shareholders' funds. The average return for SA merchant banks is 9,3%.

Total asset increase was steeper still, from R9,6m to R46,1m. The bank was highly liquid and, due to the credit ceiling, able to increase its total loans and advances only from R2,3m to R4,4m.

There can be no doubt that Volkskas intends nurturing its infant. Over the year, authorised share capital was increased from R3,5m to R5m and issued from R1m to R4m. Now the authorised will be further increased to R10m.

There will be no problem in issuing further shares as there is an understanding that Volkskas will take them up. In any case, they are under the control of the directors, who simply will issue more as VMB continues to grow. So confident are they of further expansion that Korsten reckons the bulk of the R10m shares should be taken up within the next 18 months.

VMB still is one of the country's smaller merchant banks. It looks unlikely to remain so.

# Employee

NM 2/6/78

# 'wasted'

58

# 20 years' service

**Court Reporter**

A POST OFFICE employee "threw his 20 years of service away" when he stole R1 888 from money he received for parcels from the public, a Durban Magistrate said yesterday.

Appearing before Mr. J. A. Oberholzer was Jacobus Folscher (40), who pleaded guilty to 24 counts of theft, involving R1 888 from the Post Office between September 29 last year and February 6 this year.

The Court was told that Folscher, who worked at a parcel counter, had received the money as payment for parcels collected at the counter by members of the public.

He had pocketed the money.

Folscher said he had taken the money because he was in financial difficulties.

The Court was told the money had since been repaid.

Folscher said he had 20 years' service with the Post Office.

Passing sentence, Mr. Oberholzer said he took into account that Folscher had pleaded guilty and had no previous convictions, but said he had "thrown away" his 20 years of service.

Mr. Oberholzer took all the counts as one for purpose of sentence and sentenced Folscher to 12 months' imprisonment, suspended for four years.

Mr. C. Weightman appeared for the State.

6/6/78 DD (58)

# Santambank to be launched

**PEROLD . . . Credit Bank's MD.**

**VOSLOO . . . born in Aliwal North.**

EAST LONDON — The banking assets of the Santam group and Credit Bank are to be combined from July 1 under the name Santambank.

This was announced yesterday by the managing director of Krediet-bank, Mr R. P. Perold.

With assets totalling approximately R800 million, Santambank will rank among the large South African banking institutions.

Its establishment is an important sequence in a programme to consolidate and rationalise the banking interests of the Sanlam group under the control of Bankorp. The first moves in this direction were made two years ago with the creation of Credit Bank, formerly Sasbank and Federal Bank.

This was taken a step further recently with the amalgamation of the Bank of Johannesburg and Credit Bank.

"Because of the problems Credit Bank experienced with the application of its name and because of the fact that Santam has become a household name in South Africa, it was decided that business will be continued under the name Santambank. This amalgamation means our banking operations have been united under a single Sanlam-backed organisation", Mr Perold said.

In a statement, the bank said it would continue its corporate transactions, but the main aim of the bank would be to serve the private individual, the professional man and the small to middle size business on a personal basis.

"Because of the amalgamation, Santambank will obviously have more than one branch office in more or less the same locality. This situation will be remedied as soon as possible by switching these offices to new premises, thus creating a better geographical distribution. But no branch of the bank will be closed because of this", Mr Perold said.

The present board of Credit Bank is Dr F. J. du Plessis, chairman; W. S. Pretorius, deputy chairman; R. P. Perold, managing; Mr Dawie de Villiers, MP; Dr E. P. Drummond, Prof H. B. Thom, and Dr A. A. von Maltitz.

The board of the new Santambank is to be announced shortly.

Dr Du Plessis became managing director of Sanlam last month and he is a member of the Prime Minister's Economic Advisory Council.

Santambank's top management includes one man with Border ties.

He is Mr M. H. Vosloo, who was born in Aliwal North. He joined the Bank of Johannesburg in 1970 and became general manager in 1976. — DDR.

A DISMAYED Mr. Tristan Rasmussen, assistant manager of Checkers in Durban North peers through the hole which thieves cut to reach more than R 10 000.

NM 6/6/78

# Safecracking gang escapes with R40 000

(58)

Crime Reporter

A GANG of safecrackers escaped with more than R40 000 in cash after cutting their way into the safes at branches of Checkers in Durban and Amanzimtoti at the weekend.

In Amanzimtoti the thieves got away with R30 000 after breaking into the supermarket and cutting their way into a safe.

At the Checkers branch in Durban North the thieves used the same method of cutting through the safe and took more than R10 000.

In both instances cutting torches were used and police believe the two burglaries could be linked.

It is not known whether there is any link between the Durban burglaries and other similar break ins in Natal, the Transvaal and Free State in which more than R100 000 was netted in recent months.

a severa
weeks ago, the list has stirred considerable US Government interest not only because of the names

aga nst those of known Arab terrorists. Some who have seen the list appear convinced it is authentic and are concerned that

# Sue's close encounter of the 'fuzzy' kind

**The Star Bureau**

LONDON — The sponsors of a R1,6-million prize for anyone who can produce a genuine flying saucer have had their first claim.

Within hours of the offer being announced a telegram arrived from Californian Sue McMahon.

"I will do more than you ask. I will take you and three other people on a ride in a vehicle which could be called a flying saucer by the ignorant.

"We will go to the new small planet recently discovered," she said in her telegram.

Sapa-Reuter reports that Sue, who described herself as an artist, fashi
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DR ROBIN LEE . . . general manager of the Urban Foundation.

# 'Use that insurance money'

Star 6/6/78

58

# JOBS

**Bob Kennaugh**

The Urban Foundation is soon to report to the Government on the feasibility of using money from the Unemployment Insurance Fund to support projects that create employment.

To test the UIF relief idea the Foundation, together with the Ningizimu Urban Bantu Council, Port Natal Bantu Administration Affairs Board, and the University of Natal launched a pilot project at Lamontville, near Durban, in January.

The Foundation's Natal Regional Board approved R8 000 for the unemployment relief project. The Department of Labour agreed to monitor the scheme's progress through its divisional inspector.

Dr Robin Lee, general manager of the Urban Foundation, said the Foundation's legal advisers had confirmed that, under Section 46 of the Unemployment Insurance Act, funds from the UIF could be used to support projects that created employment.

The general manager then had discussions with the Secretary for Labour who set criteria likely to be used in judging such projects. These were:

- ● The projects should be labour-intensive and non-inflationery in respect of materials;
- ● The work involved should be relatively unskilled;
- ● The projects should aim for useful achievements, and not "make work" in any way;
- ● The project should be of reasonably short duration in order to release workers to ordinary employment in the event of such becoming available;
- ● In recruiting workers preference should be given to those who have already obtained benefits, and have no present means of support.

Dr Lee said after technicalities about conditions of employment had been clarified the project was started on January 19.

In the first phase 30 unemployed men were recruited to repair roads, sidewalks and recreation grounds and beautify parks in Lamontville.

Payment was fixed at R3 a day. Dr Lee said this was admittedly low pay but the men were glad to be working again.

One of the workers, Mr Alfred Cele, said: "We manage to get by now. I can look my kids in the eye when I get home on pay day."

Dr Lee said 28 of the original 30 workers had been placed in permanent employment and an additional 28 taken into the project.

● Mr Ralph Parrott, chairman of JOBS, of which the Urban Foundation is a committee member, said: "I certainly hope the Department of Labour approves the idea of using money from the Unemployment Insurance Fund to support projects that create jobs."

Hundreds of thousands of jobs have to be created for people of all races — this is the responsibility of the community generally, the Government, commerce and industry and the people themselves.

"In these times of recession the business sector can create only a limited number of jobs," he said.

"JOBS is a non-welfare, non-racial and non-political organisation that is trying to initiate and develop self-help, private-enterprise projects in depressed areas.

"We urgently need contributions from the public. When these are received we will investigate the viability of projects and back them if they meet with our requirements."

Anybody able to help should write to JOBS, PO Box 87459, or telephone 41-5420.

~~(232)~~

BANKING (58) FM 9/6/78

# Now Santambank

**The merger** between Santam Bank and Credit Bank, announced on Monday, puts the final touches to the Bankorp group's programme of rationalisation. Earlier moves were Mercabank's incorporation (with assets of some R130m) into Santam Bank (assets of R190m), and Bank of Johannesburg's (R190m) merger with Credit Bank (R250m).

The streamlined Bankorp stable will now have one merchant bank (Senbank) and two general banks — Trust and the new Santambank. Trust will concentrate on commercial banking and on the medium to large-corporate sector, while Santambank will focus on savings, short- and long-term deposits, money market, HP, leasing, import and export finance. Santambank MD, Roeland Perold, confirms that the bank, amongst other things, will be actively pursuing the lucrative leasing and HP markets.

At the same time, says Perold, the bank will be concentrating on the retail market ("man-in-the-street"), particularly those areas in which it has strong traditional links, such as the agricultural sector in the Western Cape.

And, says Perold, he's following developments closely on the proposed new transmission accounts — a field in which the new bank could prove a tough competitor.

# Santambank begin sterk

RAPPORT 11/6/78 (58)

deur **WILLEM LAUBSCHER**

**MET die totstandkoming van die nuwe en vergrote Santambank op 1 Julie bring dit Bankorp, beheermaatskappy van Santambank, Senbank en Trust-Bank, in die posisie om binne die volgende paar jaar 'n wins van in die omgewing van R16 miljoen per jaar te kan maak. Dan sal hy ten opsigte van wins in die voorste ry van SA banke staan.**

*Die nuwe Santambank bestaan nou uit die samevoeging van vier banke, nl. Sasbank, Federale Bank, die Bank van Johannesburg en Santambank, wie se naam vir die nuwe bank oorgeneem is.*

Santambank soos hy nou daaruit sien, het bates van sowat R800 miljoen. En die vergrote bank se winsposisie lyk indrukwekkend vorentoe.

In die 1977-boekjaar het Kredietbank (toè nog net Sasbank en Federale Bank) 'n netto wins van R2,5 miljoen na belasting getoon. Die Bank van Johannesburg het R1,3 miljoen verklaar.

Vir sover vasgestel kon word, het al twee banke in die huidige boekjaar wat op 30 Junie sluit, 'n goeie jaar gehad. En as 'n mens na die twee se winsgeskiedenis kyk, kan 'n mens met redelikheid aanvaar dat die winsgewendheid van al twee met nie minder as 10 persent sal styg nie.

En as die aanname korrek is, bring dit jou by 'n wins van sowat R4,2 miljoen uit. En met Santambank by; verbeter die posisie nog verder. Hoewel die ou Santambank se wins tot nou toe altyd saam met die van versekeringsarm aangegee is, kan 'n mens uit die orde van die bankbates, en gemeet aan die prys wat vir die ou Santambank deur Bankorp betaal is: R11,06 miljoen, betaalbaar met 3,5 miljoen Bankorp-aandele aan Assura, die nuwe beheermaatskappy van Santamversekering, 'n winssyfer van nagenoeg R1,5 miljoen vir die ou Santambank stel. Santam-Versekering sal voortaan heeltemal onafhanklik sake doen.

Bymekaargetel bring dit derhalwe die winspotensiaal van die nuwe Santambank in die omgewing van R6 miljoen.

As 'n mens nou hierby voeg die ander twee bankbene van Bankorp verander die potesiële prentjie dramaties. Senbank se wins vir die 1977-boekjaar was R2,85 miljoen. En as 'n mens 'n konserwatiewe styging van 10 persent in die wins as uitgangspunt vat, kan Senbank se wins vir die lopende boekjaar in die omgewing van R3,2 miljoen wees.

Trust-Bank, aan die ander kant, het in sy winshoogtepunt (1976) 'n wins van R7,124 miljoen verklaar. Sedertdien het probleme en omstandighede die posisie laat verander. Maar na die oorname deur Bankorp is planne aangebring wat daartoe kan lei dat die rekord-winsposisie binne die volgende jaar of drie weer bereik kan word. Dit kan dan die gesamentlike wins van die drie bene van Bankorp dig by R16 miljoen bring

## Bestuur

'n Ekstra wat natuurlik in die skoot val, is die feit dat die nuwe Santambank se bates hom in die klas van die groter banke plaas, wat behalwe al die ander voordele noodwendig beteken dat sy koste van geld verlaag. As 'n mens hier net 'n daling van 'n kwart persent vir berekeningsdoeleindes gebruik (en dis laag geskat) beteken dit ten opsigte van sy huidige deposito's van sowat R500 miljoen 'n winsversterking van 'n verdere R1 miljoen.

● Santambank se nuwe topbestuurder bestaan uit die besturende direkteur, mnr. Roland Perold, en vier hoofbestuurders, mnre. N. Heyns, Mof Terreblanche, I. L. van der Klashorst en Mike Vosloo, plus nege assistent-hoofbestuurders.

By laasgenoemde bring die ou Santambank drie van sy senior bestuur by nl. mnre. Jan Baard, M. J. R. Coetzee en G. J. Heyns. Die ander ses assistent-hoofbestuurders is mnre. J. A. Bellingham, M. D. de Kock, P. A. de V. Gundry, M. J. Croucamp, J. P. Myburgh en J. H. Taylor, almal van die vorige vergrote kredietbank.

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**ANAMINT** (58)

## More of Purtra FM 12/5/78

**Activities:** *Investment company with substantial shareholdings in De Beers and the diamond trading companies. Anglo holds 52,2% of the equity.*

**Chairman:** *H F Oppenheimer.*

**Capital structure:** *10m ordinaries of 50c; 2,5m 6% cum prefs of R2. Market capitalisation: R598m.*

**Financial:** *Year to March 31 1978.*

### DATES TO REMEMBER

**Last day to register for dividends:**
**Friday May 19:** Amrel 8,5c; Blajohn 1,25c; Grandbaz 7c; Oil 3c; Plevans 2c; SA Drug 5,5c; Wm Hunt 5c; W F Johnstone 3c.
**Meetings:**
**Monday May 15:** Anchusa (Cape Town).
**Tuesday May 16:** Natven; Protea Ass (Cape Town).
**Wednesday May 17:** Amic; Defy (Natal).
**Thursday May 18:** Fugit.
**Friday May 19:** Elmar.

All meetings in Johannesburg unless otherwise indicated

**Share market:** *Price: 5 975c (1977 78: high, 6 250c; low, 3 600c; trading volume last quarter, 43 000 shares) Yields: 10,8% on earnings; 10,0% on dividend. Cover: 1,1. PE ratio: 9,3.*

**On the back** of its 26% interest in De Beers and interests in the diamond trading companies, Anamint soared to new heights in 1977. Pre-tax profits rose 46% to R64,8m and the dividend was raised in line to 600c.

The 50% increase in the De Beers dividend from 35c to 52,5c raised income from this source from R33.2m to R49,8m. The unlisted portfolio, comprising largely diamond trading companies, contributed R14,9m, a 37% improvement on the previous year's R10,9m. De Beers therefore contributed 77% (75%) of total dividend income. The Amic dividend plus net interest received totalled R800 000.

| | '75 | *'76 | '77 | '78 |
|---|---|---|---|---|
| Investment income (Rm) | 29 7 | 40 1 | 44 4 | 65 0 |
| Income ex De Beers (% of total) | 79 2 | 84 9 | 74,7 | 76 6 |
| Pre tax profit (Rm) | 29 7 | 40 1 | 44,2 | 64 8 |
| Value of portfolio (Rm) | 292 2 | 358 9 | 446 3 | 612 5 |
| Earnings (c) | 294 | 397 | 438 | 643 |
| Dividends (c) | 290 | 305 | 410 | 600 |
| Net asset value (c) | 2 768 | 3 566 | 4 478 | 6 126 |

**15 months annualised*

Backing every Anamint at current prices, there is R53.79 of De Beers. This means the other investments are in at the knock-down price of 596c. The directors value the unlisted portfolio at 923c per Anamint share and that's on a very conservative dividend yield of 16,1%. The discount to assets is 2,5%.

While De Beers shed 3% of the Diamond Purchasing and Trading Company to bring its holding down to 50% and avoid consolidating, Anamint has acquired most of these shares in Purtra, increasing its holding from 16,8% to 18,5%.

Because of its high unit price, among other things, Anamint is less marketable than De Beers though it is favoured by many large investors. It remains an excellent entree to De Beers with the added spice of greater exposure to the diamond trading companies.

David Carte

HFO . . . diamond profits are flowing into Anglo

# Banking baloney

FM 16/6/78 (58)

**Minister Heunis has warned against bank diversification. If he wants to promote industrial development, shouldn't he encourage it?**

**Is competition** good or bad? Minister of Economic Affairs Chris Heunis seemed in two minds, in a provocative speech to the Institute of Bankers in Cape Town.

Appropriately, he was mainly concerned with diversification by banks into "enterprises which lie outside the traditional" (significantly, this last word was inserted by hand on the Minister's typescript) "field of banking and finance, such as travel and estate agencies, fixed property and even considerable participation in industrial enterprise . . .

"The tendency towards diversification . . . is by no means confined to the banking institutions, and is, no doubt, precipitated and facilitated by the narrow base and conditions of imperfect competition which is characteristic of our present business environment . . .

"It would, however, be a fallacy for the government to turn a blind eye towards the possibility that instances may arise where the aggressive diversification of activities . . . may constitute an undesirable practice which encroaches upon the normal terrain of other sectors of the economy."

### Free enterprise

This may be harmful to the promotion of free enterprise, which would not be in the best interests of the country, and "it may be desirable that there should be control over the diversification tendencies displayed by financial institutions . . . "

Heunis went on to call for all institutions to determine an order of priority in the granting of credit and use of funds: without disregarding the free market mechanism, priority should be given to channelling funds into productive uses.

"Such a concerted approach . . . is not one of those things that can be written into any law, but it has to be tackled by the individuals involved in a sense of responsibility and patriotism."

To question an appeal like this is rather like voting against motherhood. But is the formulation of economic policy by this sort of veiled threat tolerable? And is the basic policy valid, anyway?

Nobody would question the need to protect bank depositors against the dissipation of their funds. Liquidity ratios and a host of other measures do that. But once this priority has been satisfied, why should banks be any different from (say) Anglo American or Sanlam in the way they maximise returns on the funds at their disposal, be they shareholders' money or borrowings?

No existing economic enterprise has a divine right to be exempted from competition in its "normal terrain" — whatever that may mean. It is in fact a tribute to the competitiveness of banks if they can offer, say, travel agency or estate agency services to their customers (to say nothing of insurance or building society facilities), as long as this is not abused through conditional selling. In other words, as long as banks won't threaten to withdraw your overdraft, say, unless you sell your house through them.

Perhaps the most muddled thinking in this approach is, in one breath, to criticise banks for becoming involved in industry; and in the next, to exhort them to use their funds for productive purposes. Bank managements trying to sort this one out, at the same time balancing their patriotism against the normal working of the market mechanism, could end up with severe attacks of schizophrenia.

If banks have indeed been guilty of unsound diversification, let's hear some examples. Should Volkskas, for instance, never have got involved in Transvaal Suiker? Or taken sole control (previously exercised jointly with Sanlam) of Bonuskor?

### German precedent

If we are really trying to promote industrial investment, the West German precedent suggests that direct equity participation by banks on a much larger scale should actually be encouraged.

Again, if bank managements are regarded as incapable of assessing commercial risks for themselves, and maintaining a balanced investment portfolio (however that may be defined), there may be a case for limiting the commitment a bank may make in any one situation. But that's a matter of procedure.

Sweeping generalisations without factual back-ups are no sound basis for economic policy.

The government has already had to backtrack this session on its proposed so-called anti-monopoly legislation, which threatened severe interference with the workings of the market mechanism (*FM* March 31).

Minister Heunis may well be committed to free enterprise, but his Cape Town speech shows a failure to realise just what the system entails. Unless he produces specific examples of unsound practices, bankers should not lose too much sleep over his strictures.

## BUILDING SOCIETIES

# UBS mergers

(58) FM 16/6/78

The United Building Society's gobbling-up of the two smallest of SA's 13 building societies is no repetition of the mergers that created such giants as Allied-JBS, Southern Trident, Saambou Nasionaal, or even Standard Bank's move into the Prudential Equity. It is, in fact, little more than the acquisition by UBS of two branches in areas where it was formerly under-represented.

At March 31, the smaller of the two, Greytown, had assets of only R1,38m; the larger, Vryheid, R2,03m. The smallest remaining society, Eastern Province, is a giant compared with these two, with assets of R39,8m. UBS's own assets on March 31 were R2 246m.

Both Greytown and Vryheid are effectively one-branch operations, with minimal staff. Oddly, they were not particularly inefficient, in cost terms, although admittedly in 1977, the Greytown's ratio of management expenses to total assets, at 2,3%, was the highest in the industry, and the only one over 2%.

But operations on this scale obviously cannot offer the range of services of a computerised giant like the UBS. UBS is to retain existing permanent staff, and its new local boards will include all the two societies' present directors.

Greytown has just celebrated its 75th anniversary, while Vryheid is in its 56th year. So both are well established in the areas they serve. Both will be linked to the UBS computer, and will in future offer full UBS services.

As one leading light in the building society movement put it, this seems to be one of those rare cases where a merger will be of benefit to everybody concerned.

Financial Mail, June 16 1978

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SUNDAY TIMES, Business Times, June 18, 1978.

# World economy is under pressure

By NEIL BEHRMANN

**LONDON. — Foreign-exchange fluctuations last year may have added a new depressive influence to those already at work in the world economy, says Dr Jelle Zijlstra, President of the Bank for International Settlements and head on the Netherlands Central Bank.**

Swinging exchange rates have aggravated the problem of low private-fixed investment, slow economic growth. cost inflation and the profits squeeze, Dr Zijlstra says in the BIS annual report.

"Closely connected with the recent currency disturbances. is how we are to restore the confidence of the business world in the future of our economies, thereby increasing its willingness to invest in that future."

To smooth the wide fluctuations of currencies, Bis officials are working on several options for political leaders The basic aim is to have an enlarged European "snake" which would include sterling, the French franc and the Italian lira.

This would be a currency bloc against the dollar and hence the rand.

The "snake" would limit the fluctuations of European currencies within a narrow band with possibly a margin of four to five per cent against each other The snake would then float as a group against the dollar under an agreement to counter disorderly exchange-rate movements.

The report reveals that the major central banks used $101-billion to intervene in foreign-exchange markets last year. Much of these funds were used to support the dollar

BIS says official "intervention" by Group of Ten countries and Switzerland came to $40-billion in the 12 months ended January, 1976, $73-billion the next year and $101-billion last year.

The figures included "very substantial amounts of dollars reluctantly purchased by surplus countries ... resulting solely from the desire to moderate the upward movement of their currencies in the exchange market".

Last year's currency unest also left its mark on the oil-exporting countries' pattern of investment. BIS says direct flows to the US fell by 25 per cent to $9-billion. Although the bulk of last year's increase in the oil-exporters' foreign-currency deposits were denominated in dollars, "diversification into other currencies became particularly marked in the closing months of the year."

Oil-exporting countries' sterling investments actually increased last year, in sharp contrast with the decline of nearly $2-billion in 1976.

The main thread of the 158-page BIS report is that the converging depressive factors — global oil-imbalance, balance of payments disequilibrium and persistent inflationary disturbances — have exerted a restraining influence on government policies.

The climate f uncertainty affected business decisions and perhaps even consumer behaviour. As a result, "the present situation in the industrial countries has no precedent in the post-war period. Compared with the previously established trend of output, the current growth-recession is by far the deepest and the longest yet experienced ... not surprisingly, therefore the rise in unemployment has been the sharpest since the war, and its continuation at a very high level parallels the continuation of output levels below previous trends".

The BIS general manager, Rene Larre, warns that if world trade continues at a very slow pace, there could be grave consequences for developed and undeveloped countries.

Even so, however the current situation can "hardly be described as a world crisis, or be compared to the depression of the 1930s".

To counter the stagnation, BIS proposes reduced oil-import bills, especially on the part of the US and a continuation of the fight against inflation.

In particular, BIS favours international action to cut taxes. This seems to be "one only way of raising personal disposable income", without exacerbating cost pressures, and eroding profit margins Cuts in corporate income tax would contribute to an improvement in industry profit situation and strengthen the propensity to invest.

RAPPORT 18/6/78 58

# Dinge begin roer by Bonuskor

Deur DAVID MEADES

'n NUWE Bonuskor is in wording. Met Volkskas nou stewig hier in die saal met 'n belang van 62 persent in Bonuskor is dinge reeds aan die roer. Dit behoort ook binne die volgende paar dae bekend te wees wie die nuwe besturende direkteur van Bonuskor gaan wees.

Volgens alle aanduidinge gaan die nuwe Bonuskor baie sterk by Volkskas ingeskakel word. Sedert die bedanking van Bonuskor se voormalige besturende direkteur, mnr. Hennie Marais, het dr. Jan Hurter, voorsitter van Volkskas, persoonlik beheer oor Bonuskor se sake geneem.

Daar is aanduidinge van 'n groot interne herorganisasie en twee senior amptenare tree met vroeë pensioen af. Hulle is mnre. Eric Fouché en Bart le Roux Preis.

In finansiële kringe in Johannesburg bestaan daar weinig twyfel dat Volkskas alles in die stryd gaan werp om Bonuskor ten einde laaste weer 'n lewenskragtige nywerheidsmaatskappy te maak.

Die verwagting is dat Bonuskor 'n baie belangrike rol gaan speel in die nuwe struktuur by Volkskas waar daar 'n nuwe beheermaatskappy gaan wees.

Dit is duidelik dat sommige van Volkskas se nywerheidsbeleggings by Bonuskor ingeskakel gaan word. Dit sal egter vir eers moet wag. Bonuskor se bestaande bedrywighede sal eers op 'n gesonde grondslag geplaas moet word.

Uit die aard van die saak sal 'n oordrag van Volkskas-belange na Bonuskor met die uitreiking van nuwe aandele aan Volkskas gepaard moet gaan. Weens die huidige winsposisie van Bonuskor staan die aandele op 'n taamlike lae prysvlak en daar sal waarskynlik eers gewag word totdat Bonuskor weer stewig op pad boontoe is.

Die aanduidinge is dat so 'n posisie al hier oor sowat agttien maande bereik kan word, ofskoon die herstel in die ekonomie natuurlik die bepalende faktor sal wees.

Volkskas dink klaarblyklik dat Bonuskor heelwat meer as 38c per aandeel werd is en dit was waarskynlik ook die rede waarom Bonuskor se direksie aanbeveel het dat minderheidsaandeelhouers nie die aanbod van 38c aanvaar nie.

Hierdie aanbod was sover dit Volkskas betref net van teoretiese belang omdat dit dieselfde prys is waarteen Volkskas Sanlam se belang in Bonuskor gekoop het.

# Hill Samuel moves to boost banking operation

Times 18/6/78 Business

(58)

By NIGEL BRUCE

THE IMPORTANT thing about the local subsidiary of the British-owned Hill Samuel group is not its miniscule 2,7 per cent increase in net profit, but the fact that it has decided to regenerate its banking business and is taking appropriately energetic steps to do so.

To this end, there has been a considerable relocation of executive responsibility and already there has been an upsurge in money dealing and bankers' acceptance activities, an area that the group plans to pursue aggressively.

To some extent, this is hardly surprising as the authorities knocked the easy cream off the long-term insurance and pension broking market by limiting commission last year and is doing the same to the short-term field this year. In recent years, these activities have provided the local group's main earnings growth.

However, banking is the mighty London-based group's main area of expertise and it is something of a mystery why this activity in South Africa has until last year been allowed to stagnate. Possibly it was because banking profits elsewhere in the world were easy — a position that has now been radically reversed.

Apart from that, there appears to have been a malaise within the local group's banking arm during the period of office here of the past two managing directors, Freddy Leishman and Tony Blair.

I do not suggest that local Hillsam banking men are not talented or energetic, but they have had to adjust to the stroke set by the chief executive. And the facts suggest that it was indeed a somnolent one.

Deposits as a percentage of total assets have declined from 66 per cent in 1974 to 56 per cent last year and loans from 48 per cent to 39 per cent, although acceptances have more than doubled over that period from 16 per cent to 28 per cent.

Profits have been somewhat erratic over that period partly because of the group's policy of valuing investments in accordance with market prices, but, apart from 1976, the trend has certainly not been upwards.

New managing director Christopher Castleman is quoted in this month's Management as saying: "We should be making a lot more money here. In terms

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# Hill Samuel gears up banking arm

18/6/78 Business Times

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of assets, this is by far our biggest non-UK interest; but in terms of profits, the lead over Australia is much less.

In the immediate past, banking earnings have been inhibited by the need for substantial provisions being made against a R3,6-million Glen Anil exposure — although this risk has not been completely covered — and a R500,000-a-year interest loss as a result of this involvement.

This must have reduced the advantage most bank earnings have felt as a result of wider margins as short-term interest rates have fallen.

Nor does Hillsam have the earnings advantage other comparable merchant banks have through heavy recent involvement in instalment credit, athough so far as future earnings go, this may be a source of strength.

The decline in imports also reduced its earnings from the arrangement of British export credits for local imports.

Provided the new management initiative maintains momentum in the face of an increasingly competitive banking market, the bank has quite a lot going for it:

- It is extremely liquid and able to take advantage of favourable lending and dealing opportunities that should accompany an increase in business activity.
- Mr Castleman believes the bank already dominates the local merchant banking market with its corporate activities and the new executive arrangement, because it will concentrate the individual requirements of each client in one bank director, could increase this business.
- The bank's decision to increase its money and securities dealing should coincide with significant developments in the market in official fixed-interest securities. Moreover, the concentration of responsibility for both bank asset and liabilities management in the deputy managing director, Richard Clowes, should give these activities greater clout.

• So far as insurance broking is concerned, the rationalisation forced by the Registrar's commission limitations on African Pension Trustees should see these earnings recover in this company, which has a reputation for considerable skill in a complex market.

Traditionally, in both merchant banking and insurance broking, the motivation of executives plays a considerable part in raising earnings. If Mr Castleman

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### Gems-dealer tells how 'Mr Money' put him on the dole queue

# FRAUD ORDEAL OF A R21M TRAMP

By BRENDAN BOYLE

LONDON: It is difficult to believe Stephan Venter's amazing story of how he fell from being a rich Rhodesian mine-owner to being a virtual tramp in a London soup-kitchen queue.

If it were not for just one thing, I would have heard him out with the same cynical disbelief usually reserved for importunate beggars.

That one thing was that a senior British detective told me his story was, incredibly, true.

In his rented Chingford terrace house, from which he may be evicted any day, he told his story over a cup of tea. The cake and biscuits are luxuries he, his wife and his three daughters have long since forgotten.

His story began in Johannesburg in 1976. As it unfolded I came to appreciate why Detective Inspector Royston Elsey of the London Fraud Squad had said of him: "He has been through an incredible ordeal. He is a tough character in the best sense of the word and that is all that has prevented him from having a nervous breakdown."

## Diamonds

Mr Venter, a former group process manager for the Union Carbide Mining Company in Rhodesia, became a wealthy mine-owner in that country before terrorism forced him to abandon his mines and move to South Africa with only R1 600 in cash.

In Johannesburg he set up as a commodities broker handling the export of anything from prawns to diamonds. He did well, but he believed then that he had taken a massive fall.

A mining friend, Rhodesian Dan Hoffman, introduced him to a wealthy British financier he had met in Panama. This same Briton, William John Morley, was sent to jail here for seven years this week — largely on Mr Venter's evidence of the gigantic fraud he operated.

"Morley stayed in five-star hotels, smoked R7 cigars which he bought by the hundred and tipped drivers R10 for a two-block journey. Man, this was Mr Money, and he said he wanted to buy diamonds — lots of them," Stephan said.

"At that stage Hoffman and Morley were putting together a R450-million cement project for South Africa which involved Roberts Construction and the development corporation. He wanted to buy diamonds so I introduced him to some dealers.

## Contracts

"I agreed that, as it was time for me to have someone in Europe I could work with, it would be ideal for us to enter into some sort of business arrangement," he said.

Mr Venter admits today that he made a terrible error of judgment: Probably because he was blinded by the profits he saw coming from his association with Morley.

But, nonetheless, he had Morley investigated. Dunn and Bradstreet, the Bank of Ireland and an Arab prince all gave Morley glowing references. He represented the Industrial Banking Corporation, with directors ranging from a British admiral to Arab sheikhs and princes.

Then, when Diners Club cleared the credit card purchase of a packet of diamonds, Mr Venter was convinced: Morley was Mr Money.

Thanking the gods for his good fortune, Stephan entered into two contracts with Morley. One was for the supply of 100 tons of deep sea prawns to the IBC every month. With a personal profit margin of R3 a kilogram, he stood to make close to R4-million on this deal.

The second contract was for the supply of almost R30-million of diamonds over 12 months . . . more huge profits.

But when he presented Morley's letter of credit for R30-million to his bank, the French Bank of South Africa, they rejected it.

Then Morley wrote saying the bank's refusal to honour his credit note was doing him harm. He asked Mr Venter to send him a packet of semi-precious stones in a deal aimed at re-establishing his credibility.

"I agreed to this because I wanted to establish credit for our future deals. The stones were valued through an attorney at over R200 000.

"I was to be paid about half their true value, R80 000, in cash when the stones arrived in London. They were then to be sold and the balance of their value paid to me later. This would have cleared the way for the future deals we planned."

Most of the stones were already in Europe where they had accumulated during his mining days in Rhodesia. But 25 percent of them were bought for cash in Johannesburg, leaving Mr Venter virtually penniless.

His friend, Dan Hoffman, delivered them to Morley, and that was when the trouble started. Morley gave him a credit note instead of cash. Knowing that the earlier note had been rejected, Hoffman refused and began a long chase after Morley and his colleague, the IBC chairman, Dr Felice Morella, who was sentenced with Morley this week.

Anxious not to upset the delicate deals he was negotiating with Morley and the IBC, Stephan decided to fly to Rome for three days and sort everything out.

He never returned to South Africa.

In Rome he and Hoffman were put up at the plush Excelsior Hotel at the IBC's expense. Nothing was spared: They were wined and dined and entertained, but the R80 000 was as elusive as ever.

Eventually Morella explained that the stones had been seized by London police investigating an IDB racket. With Mr Ven- [illegible] the legal export of the stones, Morella flew to London to "sort things out".

While Morella was away, Mr Venter fell ill. For 18 days he was delirious and did not contact his wife, who had stayed in South Africa.

When he recovered, he called his wife to find that she had just returned from Jan Smuts. She had scraped together her last cash to send a friend, armed with a photograph, to find her husband. She had been alarmed by reports of an earthquake in Italy. The girl was carrying [illegible]000 for him, [illegible]

Stephan and Hoffman borrowed the taxi fare to the airport and went to meet the girl. When they asked for the money she said his wife was "mad with worry" and had not given her any money.

She gave him R45, saying this was all she had. But she later used the money to fly to America.

Mr Venter used his money to fly to London to find Morella and Morley. By this time he and Hoffman had been thrown out of the Excelsior and befriended by a group of black African diplomats.

Morella was not to be found, but Morley promised to pay the R80 000 immediately. On the strength of this promise, Stephan told his wife to borrow money from her family and join him in London for a holiday.

The money never materialised but his wife and family did. For a while they lived in Morley's London home.

But, when Stephan eventually went to the British police and found that they had never confiscated the stones at all, the family was turned out on the streets.

They moved from cheap hotel to cheaper hotel, being thrown out of each when their destitution became clear. They pawned or sold everything they had.

## Fraud

When they had nothing left they were taken in by a group of junkies squatting in a derelict building. Late each night, the family joined the queue of tramps and drunks at the St Martin-in-the-Fields soup kitchen. Here they were given clothes.

Acting on Mr Venter's information, the London Fraud Squad began an investigation that was to prove the Industrial Banking Corporation a giant fraud, its credit notes not worth the paper they were [illegible]

The Venter family were put in a Greater London Council hostel for homeless families. Mr Venter was allowed to join the dole queue and collect R70 a week. After a long wait they were allocated a council flat, but when a four-year-old child was raped in the block Mr Venter refused to move in.

A temporary job acting as an interpreter for a group of German businessmen gave him the money to rent the R48-a-week house they now live in. But the dole money leaves little change for food, gas or other bills.

## Trial

All their clothes come from the local Oxfam charity shop and food is limited. But things are at least better now than they were on Christmas Day 1976 when Mrs Venter stole a bottle of fishpaste to make a festive-season dinner out of a loaf of bread.

With the six-week trial over, there is little to look forward to, but Mr Venter is confident that he will re-establish himself in South Africa.

He does not have the money for airfares home, and he plans to remain in London until the final liquidation of the IBC is complete.

The receiver has acknowledged that the bank owes him, its major creditor, R21,6 million. He does not expect to see much of his money, but even a little will help.

He plans to use whatever he gets to fight Morley, Morrella and the IBC in every country where they operarted.

"I'll fight anotherr day and then I'll take my family home to South Africa and start again. I have prospects. The long-term future is bright, but the short-term outlook is tragic," he said.

That packet of semi-precious stones has not [illegible]

The once-prosperous Venter family outside their North London semi. From left, Dan Hoffman (Venter's business partner), daughter Rene, wife Ansie, daughter Charmaine and Stephan Venter

(58)

## BANKORP

# Betting [illegible] sector

FM 23/6/78

The [illegible] and Trust Bank share prices [illegible] ahead of a rising *RDM* banks index to new highs this week.

Good results from Barclays, Standard and Volkskas, and the recollection of an interim improvement from Bankorp, seem to have made these counters appear neglected. Bankorp has improved 32% from 160c to 212c over the past three weeks and Trust 43% from 28c to 40c, while the index has risen only 11% over the same period.

Trust gained 8c on Tuesday alone. It might have received an additional boost from the announcement of an attractive-looking savings bank innovation on Monday.

The expectation seems to be that Bankorp will more than maintain its dividend in the year to end June 30, despite the consolidation of Trust, which is not expected to pay a dividend for five years. This suggests the other assets have performed well.

The rather terse interim is all the market has had with which to assess Bankorp, so it has been largely acting blind. The relative prices of Bankorp and Trust have tended recently to fluctuate around the relative valuation that Bankorp made in its second offer to Trust minorities — one Bankorp for six Trust. On Monday the Bankorp price at 208c was 6,5 times the Trust price of 32c. Trust's jump to 40c on Tuesday narrowed the relationship to 5,3.

The Bankorp market capitalisation has improved by R14,1m to R57,6m over the past three weeks, while Trust's has gained R5,6m to R18,8m — 60% of which is attributable to Bankorp. So Bankorp's non-Trust interests are valued at R46,3m, an improvement of R10,7m on three weeks ago.

If Bankorp maintains its dividend despite the consolidation of Trust, the non-Trust interests will have to be capable of paying R3,8m, so they are currently on a prospective yield of 8,2% — still a low rating in the banking sector.

Bankorp is on a much lower 6,6% yield, which puts it in line with the Big Four. Even though Trust is unlikely to pay a dividend before its prefs become convertible in December 1982, it is still contributing 20% of the value of each Bankorp share.

The biggest profit centres in Bankorp today are Senbank and the new Credit Bank, which incorporates the Bank of Johannesburg and after June 30 becomes Santambank. While Bankorp is already administering the Santam banks, they will only be consolidated in the next financial year. At this point there are 27,2m Bankorp ordinaries in issue and 47m Trusts. Bankorp will issue another 3,6m shares for the Santam banks on July 1.

The rise in the share price of Bankorp will be gratifying for those who took up Bankorp's 11,5% R25m convertible pref issue. They are convertible at 150c in December 1982, by which time the Bankorp price should be well above its present 212c. Sanlam, as major shareholder and underwriter, holds 14,4m and the public the rest.

Because it is still in a position to pay a dividend, Bankorp looks the better bet at today's relative prices. But if the differential rises to higher than six again, for those with foresight it could be time to switch to Trust.

*David Carte*

Bankorp's Du Plessis . . . making Trust an asset

STAR 27/6/78

# Building society hint of change in bond rates

(58)

Building societies are considering changing their bond rates to encourage quicker repayment of loans and to penalise large borrowers while giving concessions to smaller ones.

Dr F J C Cronje, chairman of the SA Permanent Building Society, hinted at possible changes at the society's annual meeting last night but refused to give details as the proposals are being considered by the Government.

The Star understands however the changes are likely to involve basing the interest payable on any bond on the amount borrowed. This, in many instances, could mean a lower interest rate.

At present the valuation of the property purchased plays a part in determining the interest payable.

However, the director of the Association of Building Societies, Mr David Alston, has given the assurance that any changes "will definitely not result in an overall increase in the general rate pattern." Those taking out larger loans, however, are likely to pay a higher rate.

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Sund Times Business Times

2/7/78

# Wesbank's R25m VW deal

By NIGEL BRUCE

**IN a deal that will add more than R25-million to its hire-purchase business this year, Barclays Western Bank has taken over all of Volkswagen of South Africa's vehicle financing business.**

The deal could also mean substantially lower financing costs for some prospective buyers of VWs and Audis, Wesbank managing director Mike Sweatman tells me.

This is because his bank is able to write hire-purchase business for certain customers at as much as two per cent below the 21 per cent — the maximum allowed by law — invariably charged by non-bank hire-purchase companies.

The business being taken over by Wesbank accounts for between 10 per cent and 15 per cent of all VW and Audi sales. The bank has plans to expand this agressively.

For instance, since January Wesbank and VW have jointly signed on 220 new VW/Audi dealers throughout the country.

As a result of the deal, Wesbank's total hire-purchase business should have increased by the end of this year to about R150-million, consolidating its position as the third largest instalment credit bank in the country.

Some years ago Wesbank was second only in this market to Trust Bank, which has subsequently lost its lead to Stannic.

However, Wesbank's market share declined sharply when prior to its acquisition by Barclays its lending was swung into overdrafts and personal loans, with near disastrous results.

Mr Sweatman says: "This is an ideal arrangement in all respects. The VW and Audi dealer-network is assured of continuity of funding for all its retail paper and Wesbank will be able to develop on the base established by Volkswagen Credit over the years."

Volkswagen managing director Noel Phillips says that these financial facilities had been for the past 30 years provided by his company, first through Samad and later through its own credit division.

This division will continue to fund dealers' wholesale requirements, such as through the provision of floor-plan (i.e. inventory) finance.

However, his company feels that Wesbank is in a better position to satisfy dealer retail discounting requirements and VW customer requirements because of its large branch network and its computer system, which is specifically designed to handle HP and leasing business.

Moreover, it quite clearly releases a substantial amount of VW's capital for further investment in manufacturing here, especially as being a foreign-owned company its ability to borrow locally is circumscribed and, not being a bank, its cost of funding a HP book must have been relatively high.

The deal will also further increase the dominance the banks now have in the financing of motor-vehicle sales, which was once largely done by dealers themselves.

"Today the banks finance three out of every four vehicles sold," Mr Sweatman tells me. "This is not so much because the total market has expanded, but because the banks can offer more competitive terms and better service.

"As a result, HP deals are now being written by the banks at as much as two per cent below the 21 per cent ceiling placed on HP business by the Limitation and Disclosure of Finance Charges Act (the old Usury Act)," he says.

One of the reasons that the banks are able to trim rates — apart from their access to cheaper deposits with which to finance this business — is that they build up customer loyalties that often result in other profitable spinoff business. Insurance-broking commissions usually forms no small part of these additional bank earnings.

Mr Sweatman emphasises that if the banks are to continue to finance vehicle sales and assist in keeping them rising as well as stimulate flagging consumer demand generally, the authorities should be wary of placing funding obstacles in their way to appease the building societies, who fear bank competition for consumer savings.

"After all," he says, "most people today own a car before they can afford a house."

**Wesbank MD, Mike Sweatman . . . "this is an ideal arrangement in all respects."**

# No society loans for Blacks in homelands

NM 4/7/78 ㊳

**Financial Editor**

**MR. G. B. LAW, chairman of the Natal Building Society, said in Durban last night that building societies could not assist Blacks living in Kwa Mashu and Umlazi with loans to buy their own homes.**

Addressing shareholders at the society's annual meeting, Mr. Law said it was not permissible for the societies to grant loans to Blacks living in homeland areas.

Kwa Mashu and Umlazi were part of the fragmented homeland of KwaZulu.

"It must be realised that in the event of KwaZulu's becoming independent it will be a foreign State and therein lies another problem."

The NBS was concerned to find itself unable to assist the Blacks living in the dormitory townships of Durban.

"I can only hope that a political solution to this regrettable situation will be forthcoming."

Mr. Law said that the NBS had suffered, during the past year, from higher-than-normal losses on mortgage loans. Further losses had been experienced through fraudulent transactions and armed robberies.

However, the NBS was getting more than its fair share of new money flowing into the building society movement. Profit-wise it was strong and it had high liquid reserves of cash.

"We can look forward to the year ahead with complete confidence."

Mr. Law added that recent changes in mortgage regulations meant that money was readily available at rates well below bank lending rates for people who wanted to build homes and not palaces.

"We want families to own their homes but nobody can expect to obtain a home loan without having saved a portion of the cost.

"Save for the down-payment before starting a family. An amount of R250 saved every month from the joint income, for a period of 2½ years, will provide enough to build an attractive home."

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Now read the following sentences and answer the questions based on them:

(a) Eam contumeliam Hannibal tacitus tulit. Tum respondit:

(b) "Pater meus Hamilcar, Antioche, parvum admodum me iureiurando adegit numquam me amicum futurum esse populi Romani.

(c) Sub hoc sacramento sex et triginta annos militavi.

(d) Hoc sacramentum me exulem in tuam regiam adduxit.

(e) Si qua res ad pacem cum Romanis te compellet, non amicus tuus ero, Antioche."

(f) Non movit solum talis oratio regem sed etiam reconciliavit Hannibali.

Vocabulary:

| | | |
|---|---|---|
| contumelia | : | insult |
| admodum (adv.) | : | rather, somewhat |
| iusiurandum iurisiurandi neut.: | | oath |
| sacramentum | | |
| exul -is masc. | | |
| regia | | |
| reconcilio -are | | |
| adigo -ere adegi adact | | |
| compello -ere -puli -p | | |

(a) Quis tulit? _____

Quem rem tulit? _____

Qualis erat Hannibal?

(b) Quis parvum Hannibale

Quem adegit Hamilcar

Qualis erat Hannibal

C

(c) Q

(d) Qu

Qu

(f) Qu

# Heavy rate for SAR mark loan

**By NEIL BEHRMANN**

LONDON — South African Railways has issued a five-year 25-million mark private loan at a coupon rate of 8%.

The Financial Times says the yield is 8,13%.

A London banker involved with South Africa says the rate is heavy, but he is encouraged because the redemption period is for five years.

Another mark issue — Daishowo Paper — running for five years is on a coupon of 5,5% and Austria issued a 100-million mark issue of 10-year paper at par carrying a coupon of 5,75%.

The spreads between South African guaranteed issues such as the Railways and mark issues of other countries, are still high.

The banker says, however, that it was difficult to place the Austrian issue at the low rate of interest and the mark market has been suffering from indigestion of late.

Johannesburg — also guaranteed by the State — issued a four-year loan at 7,75%.

Star BUSINESS

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6/7/78

# Housing revival is seen by Saambou

A growing demand for housing, would be experienced as the country's economy improved, predicted Dr J A Hurter, chairman of Saambou - National Building Society, during the Society's annual meeting in Pretoria this morning.

This housing revival would improve conditions in the building industry, although the new general sales tax prevented a drop in the cost of new houses, he said.

The public would still be able to obtain housing at satisfactory rates, however, because building societies were encouraging a move to less luxurious housing, and there were many subsidy schemes available in the country.

Saambou - National had done very well again in the past year with assets increasing by R56,7m to R629m. This represented a growth rate of 9,9 percent, which was higher than average in the building society industry, he said.

Dr Hurter welcomed the higher savings limit of R25 000 as a step in the right direction to promote saving in South Africa.

**HOUSE MARKET** FM 7/7/78 (58)

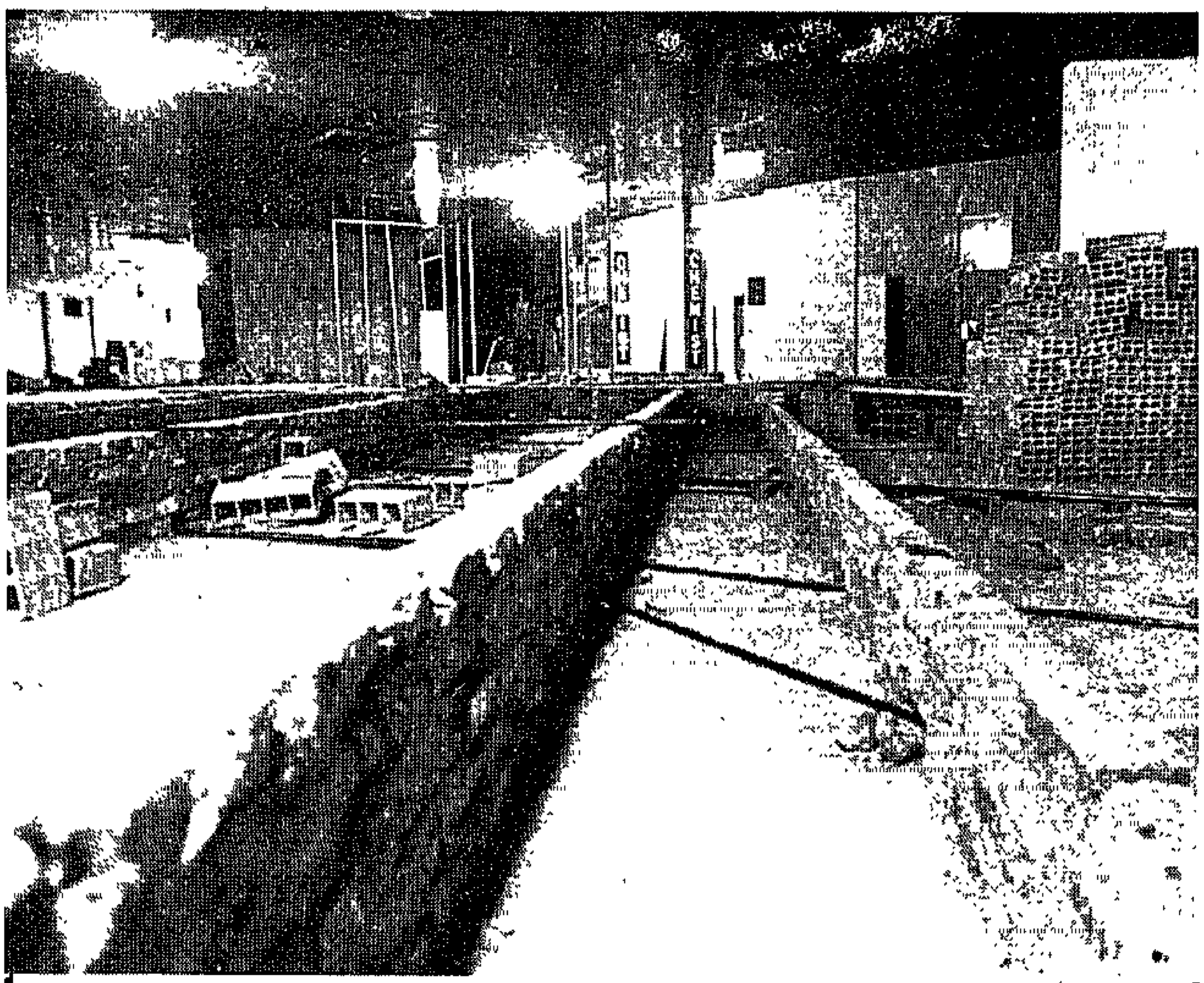
# Houses on the move

**The house** market — a year ago a buyer's paradise — is starting to turn. There are now, say the house agents, fewer properties coming on to the market. And there are more prospective buyers. But prices aren't moving yet. The good news is that they have definitely stopped dropping.

In Johannesburg prices of homes in the low to medium bracket (R20 000-R40 000) have firmed. And agents operating in the central northern suburbs such as Parkhurst and Parktown North are complaining that there is a shortage of stock. If that's so, prices must get going upwards slightly. Even in the higher price bracket (R70 000-plus) buyers are appearing.

Agent John Woods tells the *FM* that he has several clients looking for "really good" houses at around R100 000 — and there're none to be had. These would-be buyers, however, don't want big, old, Houghton-type homes that need an army of domestics to maintain. The well-heeled buyer these days wants a modern, compact, easy-to-run and easy-to-protect home.

Woods has noticed, over the past six months, a definite change in sellers' reasons for wanting to sell. Sellers now are selling for the "usual" reasons — they want a bigger house, or a smaller house, or they have been transferred. The sellers (so prevalent a year ago) that wanted to get out of property (to get liquid) or out of the country, are drying up. And because sellers motives for selling have changed, they are no longer prepared to "give away" their homes.



**The shopping component of Ponte, Johannesburg's 52-storey circular flat block, has been a disaster from the start. The shops just couldn't make out, even with assisted rents. Mercabank, which took control of the development last year (*FM* October 21 1977), has now decided to write off the 23 shops and put in a bowling alley.**

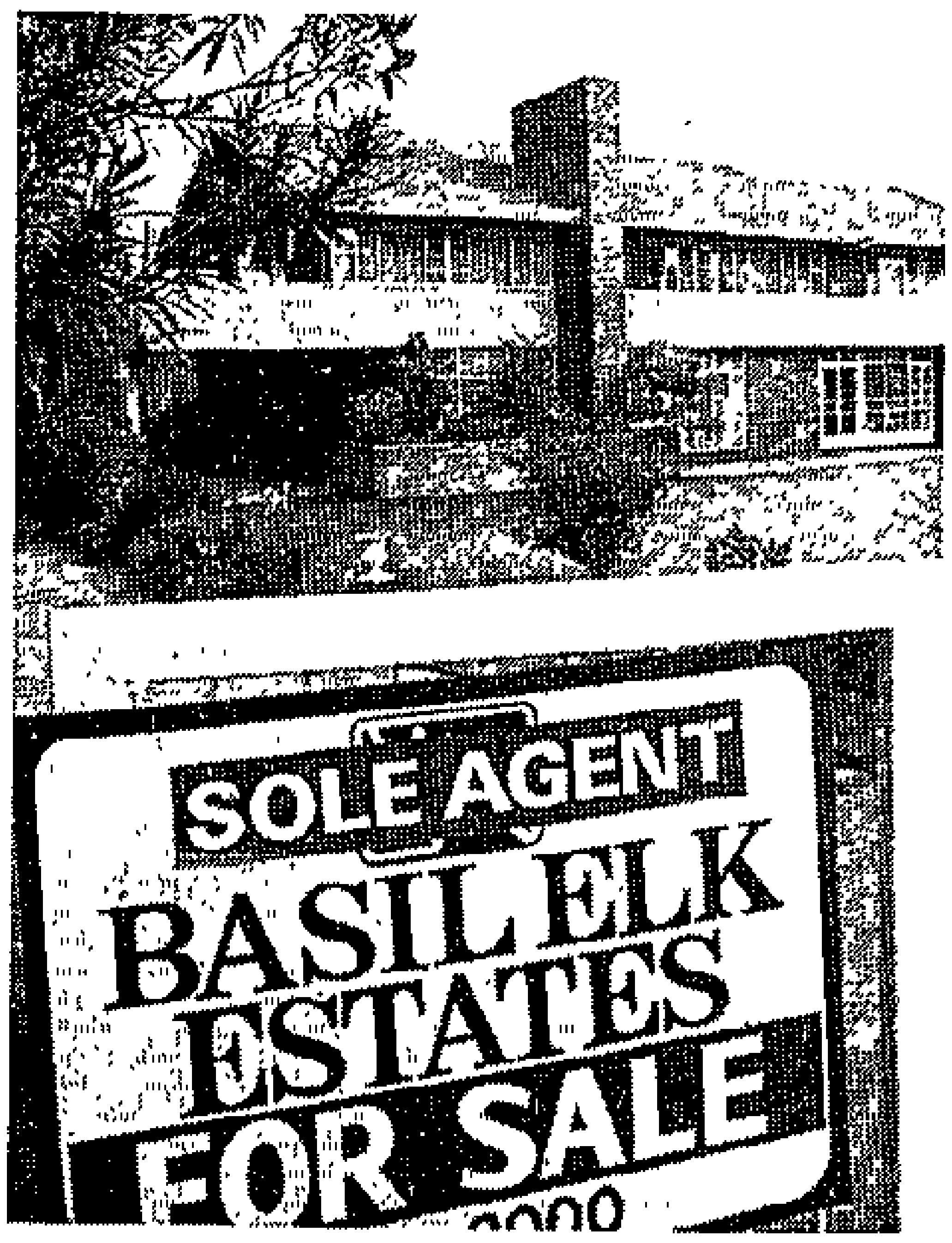
**The 14-lane "bowling centre" with adjoining snack bar will cost around R300 000, and is scheduled to open September 1. It will be operated by Edencliff (Pty) a company which already runs one bowling alley in Kingsley's Centre in Pretoria, and which manages Northcliff Corner shopping centre in which Mercabank also has an interest.**

**Edencliff doesn't operate the busy bowling centre in Northcliff Corner.**

John Croeser of Currie's agrees and tells the *FM* that last month 11 offers on houses, submitted through Currie's branches, were turned down. Those offers weren't all frivolous — on average a thousand or two below the asking prices. Six months ago they would in all probability have been (gratefully) accepted by the sellers.

In Cape Town it's the same story. Syfrets tells the *FM* that it recently sold two showhouses both in the mid-thirties at the asking prices. The agents had allowed a margin of a couple of thousand for negotiation. In Cape Town, too, panic sellers are now more or less out of the picture. Up to R30 000, sales have always been steady. But recently sales over R30 000 are also improving and prices firming. There are still, however, plenty of high-priced homes for sale.

In Durban the market has steadily improved from the beginning of the year, says Keith Wakefield of Wakefields, although, he adds, it's still a buyer's market. Wakefield considers that there are more "genuine" buyers (as opposed to "lookers") around now. Agents in Johannesburg and Cape Town confirm this. They feel that many fence-sitters have finally decided to take the plunge. This, they reckon, is partly because the economy seems to be picking up a little. It's also because the political scene doesn't seem to have become any worse and also because it's well known that the building societies have cash to lend. The



**For sale board . . . not so many**

## 1. Mr. Chester Coote

There comes a gentlemanly figure into these events, and for a space takes a leading part therein, a Good Influence, a refined and amiable figure, Mr. Chester Coote. You must figure him as about to enter our story, walking with a curious rectitude of bearing through the evening dusk towards the Public Library, erect, large-headed - he had a great big head, full of the suggestion of a powerful mind well under control - with a large official-looking envelope in his white and knuckly hand. In the other he carries a gold-handled cane. He wears a silken grey jacket suit, buttoned up, and anon he coughs behind the official envelope. He has a prominent nose, slaty grey eyes, and a certain heaviness about the mouth. His mouth hangs breathing open, with a slight protrusion of the lower jaw. His straw hat is pulled down a little in front, and he looks each person he passes in the eye, and, directly his look is answered, looks away.

Thus Mr. Ches [illegible] ng when he came upon
Kipps. He was a l [illegible] ve and gentlemanly
person, a consciou [illegible] iety and the serious
side of life. Fro [illegible] efined sort to science
classes, few thing [illegible] him. He supplied a
fine full bass, a [illegible] but very abundant, to
the St. Stylites's [illegible]

He goes on to [illegible] the envelope in saluta-
tion to a passing [illegible]

The Great Fro [illegible] most severe that has
ever visited these [illegible] r and fell like stones
to the ground. A [illegible] tarted to cross the road
in her usual robu [illegible] ookers to turn visibly
to powder and be [illegible] roofs as the icy blast
struck her at the [illegible] ong sheep and cattle
was enormous. Co [illegible] from the sheets. It
was no uncommon s [illegible] swine frozen immovable
upon the road. T [illegible] ploughmen, teams of
horses, and littl [illegible] ark in the act of the
moment, one with [illegible] the bottle to his lips,
a third with a st [illegible] the [illegible] who sat, as if stuffed,
upon the hedge within a yard of him. The se[illegible]cy of the frost was so extraordinary that a kind of petrifaction sometimes ensued; and it was commonly supposed that the great increase of rocks in some parts of Derbyshire was due to no eruption, for there was none, but to the solidification of unfortunate wayfarers who had been turned literally to stone where they stood.

./......

---

fact that accommodation for rent is
becoming scarce in certain areas (FM
June [illegible]) is also another possible con-
tributing factor.

The improvement in the second hand
home market is spilling over, to a limited
[illegible] new home market. Blair
[illegible] tells the FM
[illegible] month the com-
[illegible] long time. Schelat
[illegible] from R19 000 up, on the
[illegible] in Pretoria and in Durban. Ewing
[illegible] that there has been an increase in
[illegible] quiries and sales "across the board" --
from the cheap to the expensive in all
[illegible] areas.

Trevor Chapple of Wimpey, however,
tells the FM that Wimpey's sales aren't
[illegible] "very well." This is, he says,
because Wimpey has stocks of stands
bought at prices which are now [illegible] above
market. So Wimpey can't compete on
[illegible] as builders who recently
[illegible] cheaply -- or like Scha
[illegible] which was proclaimed
[illegible] bought at historically
[illegible] prices.

[illegible] buyers who are still toying with
the idea of buying a house had better
[illegible] their minds quickly [illegible] if they
[illegible] catch the last of the panic sellers.

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Bankorp and Nedbank yield 6,9% and Stanbic 7,2%, so there's very little between them. *David Carte*

# Volkskas FM 7/7/78

## on the top — [illegible]

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*Activities: SA's biggest indigenous banking group with [illegible]0 branches nation wide. Wholly owns Volkskas and [illegible] Beleggings, Volkskas Industrial Bank, Transvaal Malleable Foundries and Transvaal Rail Corporation. Has an [illegible]% stake in Volkskas Merchant Bank, [illegible]% of Volkskas [illegible] and 50% of the [illegible] Rembrandt [illegible] of the equity.*

*Chairman: Dr [illegible]; vice chairman Dr [illegible]; managing director [illegible] Hansson.*

*Capital structure: [illegible]5m ordinaries of R1 [illegible] R76,5m*

*Financial year to March [illegible] 19[illegible]. Capital commitments R1[illegible]*

*[illegible] (1977/78 [illegible] volume [illegible]*

*22% on earnings; 6,2% on dividend. Cover [illegible]*

| | 75 | 76 | 77 | 78 |
|---|---|---|---|---|
| Advances and discount (Rm) | [illegible] | [illegible] | [illegible] | [illegible] |
| Total [illegible] | [illegible] | [illegible] | 320,7 | [illegible] |
| Net earnings [illegible] | [illegible] | [illegible] | 13,0 | [illegible] |
| Total [illegible] provisions | 1[illegible] | 14,1 | 15,1 | 16,8 |
| Earnings per share | [illegible] | 1[illegible]5 | 12,6 | [illegible] |
| [illegible] | [illegible] | [illegible] | 70,3 | [illegible] |
| Dividends | 1[illegible] | [illegible] | 20 | 22 |
| [illegible] | [illegible] | [illegible] | 156 | [illegible] |

The share price has gained 25c since the results were published (and analysed in the FM in mid June) and today Volkskas, yielding 6,2% v Barclays' 6,3%, is the [illegible] rated banking group on the JSE.

Its recent track record and the group's new thrusting independent image seem to be the main reasons, although the long-term imperative for Barclays and Standard to reduce their foreign shareholdings may also be a consideration.

Volkskas alone emerged from the depths of recession and the property crunch apparently unscathed by horrendous bad debts. It expects to recoup every cent of its R15m exposure to Van Ach[illegible].

The fact that Volkskas is on non-disclosure and that it enjoys millions of rands of leeway in the declaration of its profits seems if anything to have enhanced the rating. The market believes it is group policy to declare profits equal to about 1[illegible]% of shareholder funds and to tuck the surplus away in hidden reserves — in other words that these rather unexciting profits are under- rather than over-stated.

Until the break with Sanlam and the impressive launching of the merchant and industrial banks, Volkskas had a rather [illegible], bureaucratic Pretoria image. Now the group is looking leaner and more aggressive and the Pretoria connection is being seen as a link to power and influence. The improvement in the non-banking interests is another factor. These contributed 11% (7,7%) of group profits last year.

There also seems to be hope afoot that, in keeping with its brighter image, in future the bank will be less stingy with its dividends. Volkskas's cover has long been the most substantial of the big five banks. But it remains as conservative as ever and there is no hard evidence that cover will be reduced.

Volkskas [illegible] R8,9m capital surplus at [illegible] which could prove inadequate: the bank has gone on record as saying a rights issue will be necessary when the demand for deposits and loans soaks up the capital surplus. But this applies to all the banks except Nedbank, so would not be a relative [illegible]

[illegible] it's not as if Volkskas [illegible] than the other banks.

FM 7/7/78 (58)

**BANK DIVERSIFICATION**

# Let's have some clarity

**The fuss** in banking circles over the threat by the Minister of Economic Affairs, Chris Heunis, to clip banks' diversification wings (*FM*, June 16) has by no means died down.

Top bankers are understandably reluctant to be quoted. After all, they have to live with the authorities. But not-for-attribution reactions vary from: "What the hell's it got to do with him? Banking is the province of the Minister of Finance", to "Ministers always have to make speeches; maybe he picked up an old one by mistake."

Considering that the commercial bank most deeply involved in industry is Pretoria-based Volkskas, while Heunis is a member of the Cape Nationalist establishment, there are even those who regard this as the latest instalment in the Cape-Transvaal *broedertwis.*

At least one of the Big Five commercial banks considered the threat serious enough to warrant discussion at board level.

For, banks feel, existing legislation already places strict limitations on their ability to diversify, even *within* traditional banking fields. Since 1976, section 21A(1) of the Banks Act has restricted total investment in property, equity (or convertible) shares, and subsidiaries (including even subsidiaries in other areas of banking, like merchant banks) to the value of a bank's capital and disclosed reserves.

### One exception

The only exception is that property or undertakings bought in to protect an investment (including a loan or advance) are excluded from this restriction for five years. And although the Act is mute on the point, the *FM* understands that the Registrar is flexible in permitting extensions of this limit.

Moreover, when banks are considering specific diversifications of any size, they tend to clear them in advance with the Registrar, whether this is legally necessary or not.

Until the late Fifties, most SA commercial banks stuck closely to traditional banking business on the UK/US lines, in contrast to such countries as Germany, Sweden or Hollard, where banks have had closer links with industry.

Ironically, some bankers see the tendency towards diversifications as a direct response to the imposition by the authorities of increasingly stringent credit ceilings and liquid asset requirements, which not only limit banks' total lending but also forcibly direct much of it to low-yielding investments.

Heunis, in other words, seems to be objecting to practices that the authorities' own actions have forced on the banks if they are to maintain their profit margins.

It is not clear that Registrar of Financial Institutions Wynand Louw shares Heunis' fears; indeed, he is understood to have reassured bankers that no legislative changes, to restrict further banks' ability to make investments, are contemplated.

But the matter cannot be left there. Ministerial speeches cannot be dismissed as flights of fancy produced simply for the purpose of filling in time. Government owes it to the banking sector either to substantiate claims of unsound practices, or retract.

**Footnote:** Minister Heunis's office was approached by the *FM* to offer him the opportunity to clarify or enlarge on his remarks. Unfortunately, the Minister is overseas and will not be back until early next month.

Financial Mail July 7 1978

7/7/78

(58)

## STANBIC

FM 7/7/78

## Stannic stars

(58)

**Activities:** *Major banking group. Subsidiaries are Standard Bank, Stannic, Standard Merchant and Stanbond. UDC Bank has been acquired since the year-end. 63% owned by Standard Chartered.*

**Chairman:** *Ian Mackenzie; managing director: H P de Villiers.*

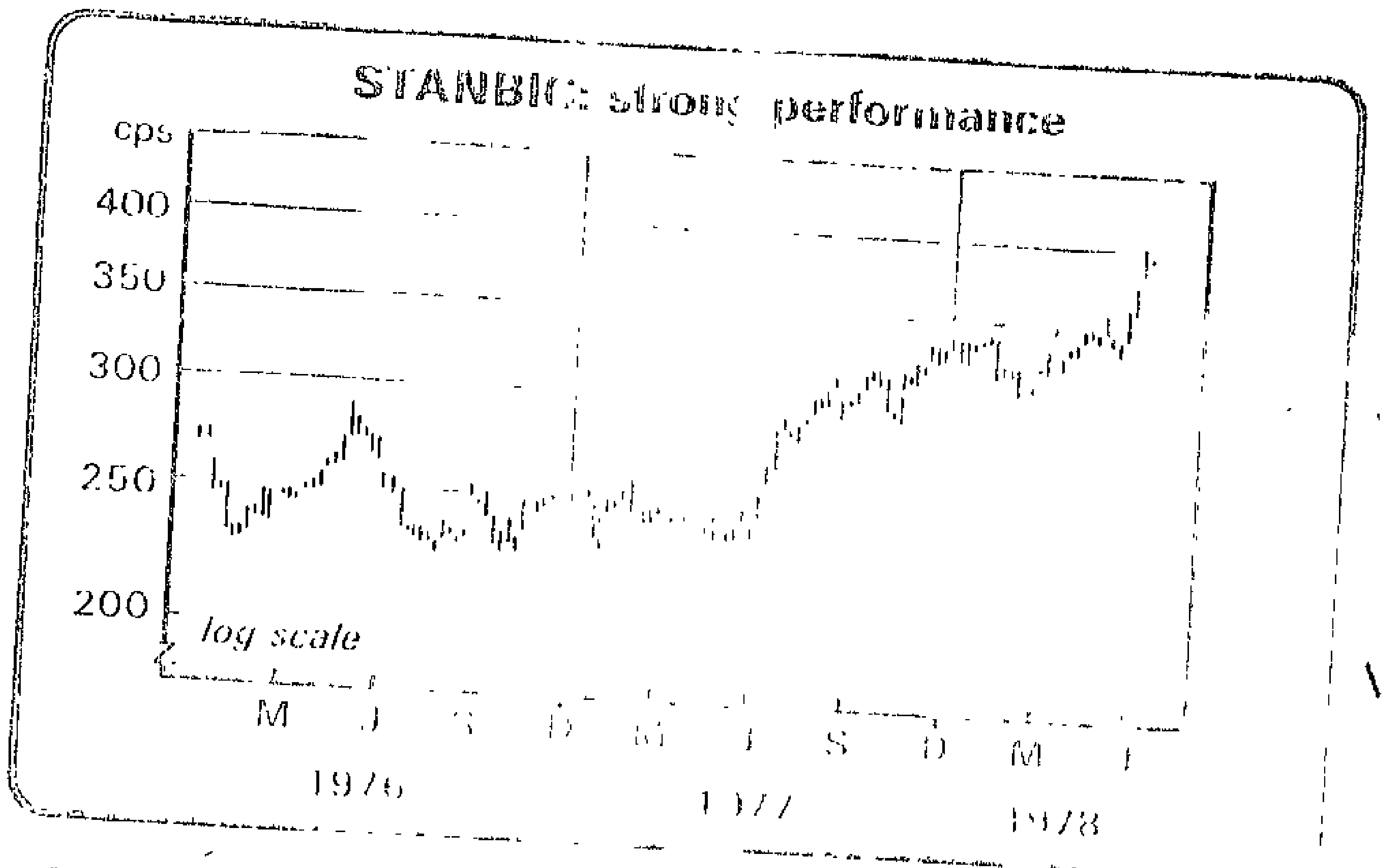
**Capital structure:** *52,8m ordinaries of R1; 8m 6,5% first cum prefs of R1. Market capitalisation: R206m.*

**Financial:** *Year to March 31 1978. Shareholders' funds: R201m. Net cash flow: R21m. Capital commitments: R22m.*

**Share market:** *Price: 390c (1977-78: high, 410c; low, 235c; trading volume last quarter, 451 000 shares). Yields: 15,1% on earnings; 7,2% on dividend. Cover: 2,1. PE ratio: 6,6.*

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| Deposits (Rm).......... | 2 336 | 2 709 | 2 898 | 3 311 |
| Advances (Rm)........ | 1 465 | 1 789 | 1 942 | 2 263 |
| Guarantees & acceptances (Rm)... | 784 | 1 016 | 1 053 | 1 088 |
| Shareholders' funds (Rm) | 130 | 166 | 184 | 201 |
| Pre-tax profit (Rm).. | 30,1 | 37,4 | 38,4 | 54,5 |
| Earnings (c)............ | 48 | 56 | 41 | 59 |
| Dividends (c)............ | 19,0 | 22,5 | 22,5 | 28,0 |
| Net asset value (c).. | 358 | 344 | 351 | 371 |

**Although Stanbic** is theoretically on full disclosure, undisclosed transfers are still made to debt reserve and specific bad debt experience upsets the normal profit trend. The big R12m Glen Anil provision in the 1977 financial year served to understate the strong profit growth that year. Specific provisions in 1978 were lower than in 1977, though the charges remained unacceptably high.



Disclosed operating profit of [illegible] in effect only represent a small improvement on 1977. But being undisclosed [illegible] by such huge write-offs, the directors have increased the dividend [illegible] to 28c. This makes up for the previous year's pegged dividend when the underlying improvement in earnings was [illegible].

In the breakdown of profits from the various subsidiaries, the bank itself was the obvious beneficiary of having [illegible] Glen Anil behind it, and after-tax profits of R21,1m have recovered from the setback and are now 15% higher than [illegible] years ago. But that doesn't indicate much real growth from this source, which still contributes 63% of the total.

The major source of [illegible] Stannic, whose profits were [illegible] R5,5m to R8,5m and which is now producing a 30% plus return on equity. The R100m equipment lease for Iscor's Grootegeluk coal mine was an important component of this achievement. There is no doubt that the group [illegible] Stannic as the growth area. The bank's own return on equity is less than half of Stannic's at 14 [illegible]%.

Another feature of the report is Standard Merchant's return to a respectable level of profitability. Before special transfers to general debt provision, profit more than trebled to R3,5m. But this only gives a return on equity of 17,7%, indicating that it was a bounce from an unacceptably low base.

Deposit growth in the bank was only 12% — reflecting the tight grip the Treasury has kept on money supply. Again the real performance is Stannic, whose deposit base [illegible] by virtue of issuing large amounts of [illegible].

The chairman [illegible] indicates that the group [illegible] achieving its stated 16% return on equity this year and, in fact, this could be [illegible] exceeded.

A 16% return on [illegible] is [illegible] additional funds gives R35m after tax, or earnings of 66c on an enlarged base, though the next financial period will be for nine months. The UDC acquisition, though relatively small, should nonetheless have a positive earnings effect. So, if [illegible] well, this could prove a shade on the [illegible]. With [illegible] in mind for [illegible] next year when deposit growth [illegible] a liberal dividend policy can be expected and the cover could be reduced to two times, allowing for an [illegible] rise to [illegible] cents a share.

On this projection the prospective yield is 8%, hardly expensive for one of [illegible]. [illegible] could look very cheap in a year's time.

*Richard Stuart*

(58)

# SA stands high in world credit says Horwood

11/1/78

**PRETORIA — Financial institutions abroad had a high regard for South Africa's credit rating, the Minister of Finance, Sen Horwood, said yesterday.**

Sen Horwood returned at the weekend from an extensive visit to Britain and several European countries.

He told a press conference that bankers and financiers overseas were impressed by the fact that South Africa, through its financial policies and aided by the rise in the gold price, had been able to convert a big deficit in its balance of payments into a surplus.

They were impressed by the fact that South Africa had been able to repay a great deal of its foreign debt.

Sen Horwood said the purpose of his overseas visit had been to maintain and build up contacts and not to obtain loans.

"Obviously a developing country like South Africa can always do with foreign capital, but that was not the purpose of our visit.

"With the balance of payments position as it is, we do not need foreign capital at this stage. I certainly did not go abroad to look for capital."

Sen Horwood was commenting on a report of an interview he had given in Frankfurt.

According to the report he had said that South Africa was aiming to obtain a loan of R42 million from European sources.

"This is not correct. If at any time the Government of South Africa should want to take up a loan we will certainly not be interested in R42 million but in a much bigger amount more consistent with our credit rating," he said.

Regarding the general economic picture in Europe, Sen Horwood said there was no noticeable upswing.

There was a slight improvement in the economy of West Germany, but most of the other countries were still suffering from unemployment. They were all nervous about inflation, especially Britain, France and Italy.

Sen Horwood said he found during his visit there was now more realism about Southern Africa.

"I think there is no doubt that the sentiment in the capital market vis-a-vis Southern Africa has improved. This is something we find very gratifying."

Reporting of Southern African events in Europe was biased, but there was certainly a better conception of developments, he said.

Asked how the European economic situation affected South Africa's exports, he said South Africa was reaping the benefits of the increased volume of exports. This was due to the considerable amount spent on improving the infrastructure, such as the new harbours and export facilities at Saldanha and Richards Bay.

Sen Horwood said he expected an increase in the growth rate of the South African economy. — SAPA.

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STUDENTS ECONOMICS SOCIETY

The membership fee per annum is R1. Membership entitles you to attend all addresses to the Society, film shows and seminars. If you have passed Economics II in the second class division you are also eligible for membership of Omnicron Delta Epsilon, an internation honour society in Economics. If you are interested in ODE please contact a committee member Jonathan Matheson 77-8668 or Gill Raine 65-2339 for further information. Speakers scheduled for this year are:

Mr H. Schwartz on Aspects of the Budget on 5th April, at 5.30pm

Dr F. Wilson on The Squatter Problem

Professor Franzsen on The Implications of the point of sale turnover tax

Professor Sadie (Head of the Bureau of Economic Research at Stellenbosch)
on Demography

Dr Van Zyl Slabbert on Group Areas and the Housing Problem in S.A.

Dr Alex Boraine on Unemployment in South Africa

Mr B.C. Floor nsport

If you would and
leave it in t fice)

NAME: .......

ADDRESS: ....

TELEPHONE NUM

YEAR OF STUD

You will ther
meeting for

## Vraelys aan plaaswerkers (1)

Naam (eerste naam allenlik)

Nommer van plaas

1. Hoe het u na die plaas gekom?

2. Vertrou u om op 'n plaas te werk? Hoekom?
~~Het u dit al ooit oorweeg om in 'n stad te gaan werk? Indien wel, waarom gaan u nie?~~

3. Watter werk wil u graag hê u kinders moet doen? Waarom?

4. Watter soort werk (indien enige) sou u liewer doen of op 'n plaas of êrens anders?

5. As werker nie skoolgegaan het nie, hoekom het u nie skoolgegaan nie?

As werker skoolgegaan het maar nie klaargemaak het nie, waarom het u nie op skool klaargemaa

**Probleme.**

1. Wat wil u graag hê moet verand

Interview met boer

---

# EPBS chalks up a record

EAST LONDON — Although the expected [illegible] South Africa [illegible] economic [illegible]

[illegible] the Eastern Province Building Society, Mr J Krige, told the society's annual meeting.

The three factors were that the borrowing rate was being held too high, mainly because the Reserve Bank feared an outflow of money from the Republic thus affecting the balance of payments position, the rate of inflation had not dropped enough and consequent on that, the public had not started to spend enough.

That could be due partly to general lack of confidence and to the drop in the real income of whites over the last three years.

"I am, however, confident that we shall see a substantial improvement in economic activity over the next six months," Mr Krige said.

He added that the property market reflected [illegible]

[illegible] new houses [illegible] months and [illegible] would again be a short supply [illegible] loans.

"The prices of new housing will increase rapidly and land prices will start rising, a trend which will tend to pull up the prices of existing houses as well.

"My recommendation to those people contemplating building is that they build now before costs escalate too much. The R18 000 bond restriction now being dispensed with will assist in granting loans on new housing."

[illegible] systems for housing all racial groups.

Mr Krige said the EPBS had maintained its excellent progress over the last year in spite of poor economic conditions and assets now stood at R154 [illegible]

[illegible] in shares and deposits amounted to R29,6 million — a percentage growth of 19,? per cent, the highest in the society's [illegible] movement, which was [illegible] per cent.

The best performance was in tax-free paid-up shares, up 56,5 per cent, and tax free subshares, up [illegible] per cent.

Loans [illegible] from R6,? million to R11 877 070 during the [illegible] reserves and unappropriated profit [illegible] a R2 365 200.

The society's computerisation programme had reached the stage where the first branch, Port Elizabeth, would start going on line within the next month. — DDR

# Cloete doubts upswing's staying power

(58)

RAM 12/7/78

Financial Reporter

**THE Economy has moved out of recession and into an upswing period, but there are strong reasons for doubt on how long it will last, according to Dr. Johan Cloete, chief economist of Barclays National Bank.**

He says in Barclays' Business Brief: "Leaders in the general business cycle, such as new car sales, merchandise exports and the industrial share price index, have now been on an upturn for some time. This suggests an upswing in the general business cycle in the near-term future which, in fact, appears to have now materialised as reflected in uptrends also in such important "coinciders" of the general business cycle as retail sales, manufacturing production and imports.

"Such 'laggers' in the general business cycle as the inflation rate, the bankers' acceptance rate and stocks are also now at lower levels, suggesting at least a somewhat better cost and financial climate for a general economic upswing.

"However, there are three factors in particular which continue to cloud prospects for a strong and particularly a sustained general economic upswing.

"First, the improvement in export earnings and in the current account of the balance of payments which normally provides the economy with the foreign exchange resources needed to finance a strong and sustained influx of imports required for a substantial economic upswing has not on this occasion done so because of a net outflow of foreign exchange through the capital account of the balance of payments.

"Thus, the country's gold and foreign exchange reserves are not as yet adequate to finance a strong and particularly a sustained economic upswing.

"Second, while long-term interest rates and also the bankers' acceptance rate have moved down, the key bank overdraft rate has remained at a high level. In fact, interest rates generally, and also the inflation rate (which is, of course, partly responsible for the continued high level of interest rates) are still at a level where they give rise to cost levels and also to uncertainties and imbalances which are not conducive to a strong and sustained level of effective demand for capital goods, stocks or consumer goods and hence also not conducive to a strong and sustained economic upswing.

"To the adverse effects of these costs on total effective demand should also be added the uncertainties stemming from the political situation which, of course, is very different from the position at the beginning of the previous general economic upswing at the end of 1973.

"Third, there are ominous signs of continued depressed growth conditions in Europe and, in particular, of an imminent downturn in the American economy. the depressed economic conditions overseas have, of course, had little effect on the domestic economy over the past two years, as witnessed by our exceptional export performance in 1976 and 1977, and our own depressed growth over this period has been largely the result of political uncertainties, the excessive inflation rate inherited from the 1974/75 excesses and the restrictive monetary and fiscal policies pursued by the authorities to combat this inflation.

"However, the fact that the South African economy has largely escaped the adverse effects of depressed economic conditions overseas over the past two years does not mean that this fortunate state of affairs will continue to prevail.

"This economy is particularly likely to feel the effects of a slowdown in the American economy after a time lag, so that a downswing in America could well seriously inhibit and even stop altogether any economic upswing which we might be able to generate in the year or so ahead."

NM 13/7/78

# Natal companies on fraud charges

(58)

GRAHAM HUNTER

**PIETERMARITZBURG — A State clamp-down on fraudulent dealings involving several million rands has resulted in numerous Natal companies being charged.**

Mr. Cecil Rees, SC, Natal's Attorney-General, said yesterday that the prosecutions were based on fraud, or contravention of the companies Act or exchange control regulations.

The first in the series of prosecutions ended yesterday when Aunt Caroline Rice Mills (Pty.) Ltd., was sentenced in the regional court to fines totalling R22 000 following charges of fraud and bribery.

The company was found guilty of 35 counts of fraud and 12 of bribery.

However, Mr. Rees said that the prosecution was a relatively minor one compared with other pending cases to be heard in the Supreme Courts of Durban and Pietermaritzburg.

One of the larger companies summoned is facing charges of fraud in excess of R1 000 000. Another investigation involves dealings totalling R325 000.

Mr. Rees said that commercial fraud and large scale stock theft cases were receiving particular attention since the establishment of the Commercial Branch in Pietermaritzburg earlier this year.

Every effort was being made to speed up commercial and similar investigations and an ever-increasing number would be brought before the courts from August onwards, said Mr. Rees.

The State is expected to bring five companies to trial between August and September.

Mr. Rees said that the authorities were taking a severe view "of this type of offence."

The South African Railways Police are also presently investigating several other fraud cases involving local companies.

The charges against Aunt Caroline Rice Mills related to numerous incidents over the past five years in which Railways employees were bribed to make false entries on record forms so that payment of demurrage charges on Railways trucks could be evaded.

Magistrate Mr. E. T. Combes fined the company R1 000 on each of the 12 counts of bribery and R10 000 on the fraud charges, which are considered as one for purpose of sentence.

## Sentence

Before passing sentence Mr. Combes said he found that the bribery charges were more serious than the fraud.

But the two were interwoven as State officials were bribed so that fraud could be perpetrated.

Without the co-operation of the Railways officials the scheme could never have got off the ground, he said.

The Court found that a former employee of the company, who committed suicide during police investigations, appeared to have been the author of the scheme.

The scheme was not devised by any director or person holding a top management position and the Court could not see that the directors [illegible] stopped the scheme coming into operation earlier than it was, said Mr. Combes.

## HISTORY I

## THE INVESTITURE CONTEST.

### THE DICTATUS PAPAE (March 1075)

1. That the Roman Church was founded by God alone.
2. That the Roman Pontiff alone is rightly to be called universal.
3. That he alone can depose or reinstate bishops.
4. That his legate, even if of lower grade, takes precedence, in a council, of all bishops and may render a sentence of deposition against them.
5. That the Pope may depose the absent.
6. That, among other things, we also ought not to stay in the same house with those excommunicated by him.
7. That for him alone it is lawful to enact new laws according to the needs of the time, to assemble together new congregations, to make an abbey of a canonry; and, on the other hand, to divide a rich bishopric and unite the poor ones.
8. That he alone may use the imperial insignia.
9. That the Pope is the only one whose feet are to be kissed by all princes.
10. That his name alone is to be recited in churches.
11. That his title is unique in the world.
12. That he may depose Emperors.
13. That he may transfer bishops, if necessary, from one See to another.
14. That he has power to ordain a cleric of any church he may wish.
15. That he who has been ordained by him may rule over another
church, that such a
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LETTE

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## ESTATE AGENTS

FM 14/7/78

## Facts and figures

58

**Estate agents** are going under the Department of Statistic's microscope — along with "rent collectors, appraisers and valuers." The department is conducting the first ever census of the estate agency business.

Copies of the detailed questionnaire, published in a recent *Government Gazette*, are now being circulated to agents. The information required (relating to the financial year ended on any date between July 1 1977 and June 30 this year) is comprehensive. Agents are asked for details of employees (from valuers to cleaners) as well as financial data such as fixed assets, fees received, expenses and profits.

The questionnaire also asks for particulars of property sold — the number and categories (houses, flats, shops, offices, farms and so on) — and rents collected.

Agents (traditionally shy about revealing this kind of information) are, however reassured that their returns will be treated as "strictly confidential" under the secrecy provisions of the Statistics Act. And the results will be published in such a way as to ensure that data from individual returns "remains confidential." Even from the Receiver?

What's happening? The department tells the *FM* that it is a routine, periodic exercise similar to other surveys it carries out.

Roland Walker, chairman of the Estate Agents Board, tells the *FM* that the board certainly didn't ask for the census.

Still, the results should prove helpful to both the board and the committee at present looking into the valuation scene — and, of course, interesting for the property business as a whole.

If any agents or valuers haven't received the forms they must apply to the department for them. Failure to fill them in and return them by the closing date (September 30) could land an agent with a R200 fine.

Estate agency may never be the same again.

# Borrow while you can?

(58) FM 14/7/78

## The building society annual reports show a fair state of liquidity. But experience has shown that conditions in the domestic mortgage market can change rapidly

**Contrary to** what had been feared, the building societies' main problem over the past year was not an inadequate inflow of funds, but a shortage of acceptable (and permissable) borrowing risks: the only society whose mortgage advances increased more rapidly than its assets was the movement's Big Daddy, the United.

To some extent, of course, this reflected Senator Horwood's 1977 budget grab. His command to the societies to invest more in gilts was expected to reduce their loanable funds by R120m. But, in the upshot, far more important depresseive factors were continued recession in the economy generally, and the domestic property market in particular; and the restrictive effect of the R18 000 limit — at last, happily, abolished (see *Property*).

After the United's swallowing up of the two tiny Natal societies (*Finance* June 16) and last year's Southern-Trident merger, there are now only 11 societies left; for the first time, this year, the *FM's* regular round-up covers them all.

In terms of assets, there were no changes in the ranking order. Although Natal remains the fastest-growing of the big societies, at No 4, it is still little more than half the size of Allied in third spot. And Natal's growth-orientated marketing approach seems to be costing a price in virtually the highest expense ratio in the business. It was exceeded only by Southern-Trident, where there were probably exceptional costs arising from the merger.

Apart from this, the only real features in the table of expense ratios are the continued high overhead structure of SA Perm, and the amazingly low ratio of the smallest surviving society, Grahamstown.

### EXPENSE RATIOS

| | | 1978 | 1977 |
|---|---|---|---|
| 1 (1) | Grahamstown.... | 1,17 | 1,14 |
| 2 (2) | Allied.................. | 1,61 | 1,60 |
| 3 (9) | Standard............ | 1,65 | 1,77 |
| 3 (4) | United.................. | 1,65 | 1,64 |
| 5 (7) | Trust.................... | 1,69 | 1,75 |
| 6 (6) | Saambou............ | 1,71 | 1,72 |
| 7 (3) | E Province.......... | 1,73 | 1,63 |
| 7 (5) | Provincial........... | 1,73 | 1,70 |
| 9 (10) | SA Perm............. | 1,79 | 1,82 |
| 10 (11) | Natal.................. | 1,86 | 1,87 |
| 11 (7) | S-Trident............ | 1,92 | 1,75 |

*(Relative efficiency measured by management expenses as a percentage of total assets. While management expenses comprise fairly specific categories, there are differences from society to society, so ratings are only approximate. 1977 figures for Southern-Trident are based on the sum of their individual figures.)*

Southern-Trident's low overall growth rate can probably also be attributed to merger pains. Impressions are that the group is now adopting a more aggressive marketing approach, and should do better this year.

Trust's fall from grace in the growth race can probably be attributed to the dislocating effect of upheavals at Trust Bank.

Eastern Province, maintaining its strong thrust of recent years, is now by far the fastest-growing small society. In 1977 it pulled ahead of Prudential Equity (now Standard), and at this rate it will soon be edging past Trust.

In spite of the complaints about unfair competition from other financial institutions that led to the introduction of the new transmission accounts, the latest annual reports suggest that, at any rate as recently as the March 31 financial year-end, the building society movement was pretty liquid.

However, experience has shown that conditions can change rapidly in this sector of the capital market. Just as last year's fears that the societies were going to come under heavy pressure from potential borrowers proved groundless, so the current comfortable position could deteriorate.

And even if money remains in plentiful supply, the societies' greater freedom to lend with the abolition of the R18 000 ceiling could combine with a possible improvement in the residential property market to bring about a new ball game.

So if you're thinking of buying a house and will need mortgage finance to do so, the lesson could be: don't delay much longer.

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greeting and the apostolic benediction—but with the understanding that he obeys the Apostolic See as becomes a Christian king. . . .

We marvel exceedingly that you have sent us so many devoted letters and displayed such humility by the spoken words of your legates, calling yourself a son of our Holy Mother Church and subject to us in the faith, singular in affection, a leader in devotion, commending yourself with every expression of gentleness and reverence, and yet in action showing yourself most bitterly hostile to the canons and apostolic decrees in those

# US bank chief tells SA: Keep $ link

SUN. TIMES BUS.
16/7/78

(58)

## Assurance given on embattled buck

BY JIM SRODES

**WASHINGTON — Federal Reserve Board Chairman, G. William Miller, this week advised South Africa not to sever the rand's link with the ailing dollar.**

He told me: "No country tied to the dollar now should drop that relationship without compelling reason."

Mr Miller said he was referring mainly to areas of the world with contiguous economic flows, common customs and stable political relationships where they might seek to stabilise their own currencies within that trading area.

He bases his opinion on the fact that the United States will take firm monetary measures to stabilise its currency and that there is a likelihood of more orderly world currency relationships arising out of poosible regional agreements aimed at managing exchange rates within various complementary currency groupings.

However, Mr Miller offered no comfort to South African business men worried about the continued drift of the dollar, or the impact on South African markets of steadily rising US interest rates.

In a wide-ranging exclusive interview this week, Mr Miller told me that the American Central Bank probably would not squeeze domestic credit markets any tighter until the impact of the past two months restrictions against inflationary money supply growth rates had passed through the monetary system

"But we will not hesitate to take whatever steps are necessary to combat the forces of inflation at home. That, a tough fiscal programme and energy conservation, are the only ways America will be able to stop the erosion of the dollar in world markets. "Mr Miller stated "It may take us as long as 10 years to put things right.

Nevertheless Mr Miller protrays himself as a voice of moderation on the 12-man Central Bank policy board. Last week, Mr Miller and only one other board member were heavily outvoted when the Fed raised the rate it charges US commercial banks for reserve borrowings.

This came at a time when banks already were boosting their prime, or minimum, lending rates to 9 per cent, the highest level in four years.

"It seemed premature to raise the discount rate until we had seen whether our other actions were working. But that doesn't mean that the rate should never have been raised or that it won't be raised again this year," he added.

Mr Miller's campaign against inflation and his criticism of Jimmy Carter's tax and spending policies have earned him no friends at the White House during his four months in office.

G. William Miller

With the President boarding a jet for the economic summit meeting in Bonn, Mr Miller took the opportunity to criticise the President on another score — US opposition to plans for closer monetary ties within the European economic community.

A week ago at a mini-summit in Bremen, French and German officials unveiled a preliminary plan to stabilise the major European currencies, even if the dollar continues to decline against the group.

Basically the plan would seek to link the key EEC currencies to keep exchange rate variations within a narrow band of plus or minus two per cent. A pool of monetary reserves and perhaps a system of inter-government credits would help enforce this more stable system.

Carter administration aides this week publicly expressed concern that the planned linkage might be used as a lever against the dollar and US trade strategies.

However, Mr Miller said: "I see no threat from such a system. Privately I have expected, in the absence of some of the economic shocks we've seen in recent years, to see a European currency union develop sooner than this.

"I don't think America has a chauvanistic view that we should be one large country with some sort of monopoly on economic size or scale. We have always felt that economies of scale and the advantage of a larger marketplace of 350-million European people is a positive thing."

In fact, he added, the development of regional systems of exchange rate stability might be preferable at this time to striving for a new world system of fixed or managed exchange rates, similar to the Bretton Woods system that prevailed from the end of the Second World War to the late sixties.

"Conditions are now not right to put together a fixed exchange rate system for the world's major currencies. We need to make a lot more progress in harmonising our economic policies and that is very difficult," Mr Miller explained

"But while we are trying to reach this solution, it is not inconsistent to look at regional agreements that bring greater order into the international monetary system.

"If one had a strong currency union in Europe and the Japanese yen as a base for one in the Pacific, and the dollar in the western hemisphere — perhaps even the (Saudi Arabian) riyl in the Mid-East — you would begin to narrow the number of monetary units that have to be related and adjusted, one to the other," he added.

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<u>SEMINAR 48</u>

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# Man in R3-m case 'short of funds'

58

7/11/78
Star

A former bank employee facing charges involving R3-million was today granted a postponement on the grounds he did not have sufficient funds to instruct counsel properly.

Mr Roderick Sandcroft Atherstone (28), of Fiskaal St, Birchleigh, Johannesburg, pleaded not guilty on 71 counts in the Johannesburg Magistrate's Court earlier this year. He has been in custody since his arrest in March and faces 35 counts of fraud, 35 under the exchange control regulations and a further count of fraud involving 1,6-million dollars.

It was alleged that between September 1974 and July, 1975, in his capacity as assistant accountant at Barclays National Bank Ltd, Mr Atherstone handled draft applications for foreign exchange which contained false information.

In this way the court heard, he assisted 10 companies and several individuals to obtain foreign currency illegally.

It was further alleged that he approached Marenes Investments (Pty) Ltd and told the management that he could arrange the sale of a jet aircraft to a firm called Balco Estraso.

(Proceeding)

RDM 18/7/78

(58)

# Former bank man on R1,5m fraud charges

By JUNE WOTHERSPOON

A FORMER Johannesburg assistant bank accountant appeared briefly in the Rand Supreme Court yesterday on 71 counts of fraud and currency contravention involving R3-million.

Mr Roderick Sanscroft Atherstone, 28, of Fiskaal Street, Birchleigh, Kempton Park, appeared on 35 counts of fraud involving R1 500 000 and 35 counts of contravening the currency regulations involving the same amount.

The 71st count alleged that he had arranged the sale of an aircraft for a company for which a deposit of R1 500 000 should be sent to the United States.

The case was postponed to October 30 by Mr Justice Nicholas because Mr Atherstone has been unable, until now, to raise sufficient funds to properly instruct a defence counsel.

It was alleged that while Mr Atherstone was employed as assistant accountant at the Harrison Street Branch of Barclays Bank and authorised to issue bank drafts he had issued and signed draft applications containing false information.

He had known the information was false and had thereby assisted Mr P J Muller and others to obtain foreign currency illegally, it was alleged.

The final count of fraud alleged that he had approached Marenes Investments, trading as VIP Aircraft Importers and Distributors, and informed them that he could arrange the sale of a Gruman Gulfstream Model G2 jet aircraft to a firm called Balco Estraso, represented by Mr Muller.

At the time Mr Atherstone knew that the firm Balco Estraso did not exist and that the money would not be used to buy an aircraft, it was alleged.

## BANKOVS

(58) FM 21/7/78

# Dividend prospects

**Activities:** *General bank, holding 20% of Volkskas Merchant Bank, and itself 21% held by Rentmeesterbeleggings.*

**Chairman:** *Prof H J Samuels; managing director: E T J van Rensburg.*

**Capital structure:** *5,6m ordinaries of 50c; 50 000 12% cum conv prefs of R1. Market capitalisation: R2,8m.*

**Financial:** *Year to March 31 1978. Shareholders' funds: R7,9m. Liabilities to the public: R132,5m.*

**Share market:** *Price: 50c (1977-78: high, 55c; low, 35c; trading volume last quarter, 101 000 shares). Yields: 26,2% on earnings; 10% on dividend. Cover: 2,6. PE ratio: 3,8.*

**Net profit fell** 17% in the past year, although total assets rose by 5%. Advances totalled R101m (R96,5m), against capital and reserves of R7,9m (R7,7m), and deposits increased to R132,2m (R123,8m). Total assets were R140,4m (R133,8m).

Over the past four years, net profit has declined by 30,2%, and total assets have risen 27%. Advances have increased by 56%, and total deposits by 31%.

| | '75 | *'76 | '77 | '78 |
|---|---|---|---|---|
| Net equity return % | 11,1 | 14,8 | 7,1 | 5,8 |
| Net profit (R'000) ... | 653 | 954 | 550 | 456 |
| Total assets (Rm).... | 110,9 | 123,1 | 133,8 | 140,4 |
| Total deposits (Rm) | 100,6 | 116,1 | 123,8 | 132,2 |
| Advances (Rm). ..... | 64,7 | 89,1 | 96,5 | 101,0 |
| Earnings (c)............ | 13,1 | 19,1 | 11,0 | 9,1 |
| Dividends (c)........... | 5,0 | 7,5 | 6,0 | 6,0 |
| Net asset value (c).. | 117 | 129 | 134 | 137 |

**15 months to March 1976. ‡Includes provisions and liabilities.*

The previous year the bank cut back its lending facilities to maintain liquidity, and "problem areas" continued last year, so that the bank had to maintain a policy of consolidation.

Prof Samuels says the drop in interest rates during the year could not be exploited fully because of the policy of "funding of the loan portfolio with mainly long-term deposits." This is considered to be a "sound" financial policy, but must have had some effect on profitability. However, the policy may have a beneficial effect on the current year's results when long-term deposits can be refunded.

During the year Bankovs sold its interest (100%) in Bankovs Merchant Bank (now Volkskas Merchant Bank) to Volkskas, but has retained a 20% minority interest. VMB's net profit was R450 000 in the past year, and Bankovs is satisfied with this investment.

Co-operation with Federale and Volkskas-Makelaars in short-term insurance and with Volkskas-Versekeringsmakelaars on the long side is expected to have a favourable effect on profits.

Liquid ratios and reserves are considered "satisfactory" and with the anticipated improvement in the consumer market, Bankovs is expected to maintain profitability in the current year. Half of the 1m pref shares were converted into ordinaries on July 1, and the remainder will be converted on July 1 1979, so that the issued share capital will increase to 6m.

Net return on equity is down to 5,8% (7,1%), and at the present price of 50c, yield is 10%. The 6c dividend payment of the last two years does not seem likely to be increased this year.

*Marguerite Christie*

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HISTORY HONOURS

Southern Africa since 1910

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ECONOMICS HONOURS 1978

The existence of the firm in economic theory:
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firm of economies of scale

20/7/78 R.Dly (58)

# Home loans now easier to raise

### By HOWARD PREECE
### Financial Editor

**NOW is the time to ask the building societies for a mortgage.**

There is an excellent chance for the average borrower today to get a home loan.

**Building societies are in a better position to grant mortgages than they have been for several years.**

Mr David Alston, director of the Association of Building Societies, said yesterday: "Societies generally are favourably placed to meet reasonable requirements from those wanting home loans."

This view was echoed by senior managements of individual societies.

The reason is simply that savings have been flowing into the building societies faster than the demand for home loans.

But this situation might not last for much longer. There are already reports of an upturn in the property market, although admittedly from an exceptionally depressed base.

Building society lending is showing signs of a major rise. In November last year the societies' combined loan commitment — mortgages granted but not yet actually paid out—was R106-million.

By May this year, the latest figure available was up to R263-million.

In January building society net lending slumped to R50-million, R14-million down on January 1977.

The societies are presently lending at around R90-million a month. But this is still well down on the level of, for example, 1973 — the tail end of the property boom.

In the first quarter of this year, however, the net inflow of new funds to building societies was a record R218-million.

The flow apparently eased during the spending spree just before the introduction of General Sales Tax this month.

But indications are that it is back on a high level

Bond rates presently vary from a minimum 10,5% to a maximum 12% on properties with a value of R40 000 and more.

But bond repayments will soon be changed. They will be based on the amount of the bond, not the property's value.

The previous restriction that societies must lend a minimum 62,5% of their loans on bonds of R18 000 and less has been scrapped so that medium and large buyers have an even better chance than before of getting the bonds they need.

But if the property market really takes off mortgages will not be so easy to obtain.

SUNDAY TRIBUNE, JULY 23, 1978

# Stannic scores on GST rush

(58)

Finance Correspondent

STANDARD BANK National Industrial Credit Corporation, the hire purchase and leasing arm of Standard Bank, boosted by a "tremendous upsurge" in business in May and June is continuing to take a bigger share of this market.

Ron Wynter, an assistant general manager of Stannic said that in the rush to beat the General Sales Tax deadline, customers signed up for a record R80-million of capital equipment and consumer goods during May and June.

Buoyed by these encouraging figures, Wynter is confident Stannic should continue to increase profits this year after the previous 36 percent gain to R7,5-million and maintain the rate of return on equity which last year was an impresive 27 percent on shareholders' funds.

With the winning of the R100-million lease on Iscor's Grootegeluk Coal Mine, Stannic's total leasing and HP book has now topped the R500 million mark which makes it undoubted leader in the rapidly growing R1 000 million industry.

At the same time, Stannic is increasing its market share in both sectors. Over the past year, the corporation's share of the leasing market has increased from 19,68 percent to 22,65 percent while in hire purchase its share has gone up from 21,16 percent to 25,92 percent.

According to Wynter, this outstanding performance resulted from Stannic's management taking a positive and aggressive view of the market a couple of years ago. Specially designed market strategies to meet the needs of corporate and private customer paid off handsomely.

Wynter says it is difficult to forecast progress, though the corporate side had seen a trickle of interest recently and Stannic was dealing with a higher level of enquiries. The personal sector has dropped back since GST but only to pre-May figures.

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castes, ideology and prescription internalized by both women and men seem to be as much a causative factor as are material changes in production relations. Does the entry of lower-class women into industrial production really bring them closer to "liberation"? In the absence of institutional changes such as the right to abortion and safe contraception, altered child rearing arrangements, and varied options for sexual expression, changes in economic relations may become oppressive. Unless such changes are accompanied by changes in consciousness, which in turn result in institutional changes, they do not favorably affect the lives of women.

Is smaller family size the result of "domestic freedom" of choice exercised
y women, the freedom of choice exercised by men, the ideologically
uttressed coercion of institutions in the service of an economic class? Is it
berating for women, for men, or for corporations? This raises another
fficult question: what about the relationship of upper-class to lower-class
omen? To what extent is the relative advance in the status of upper-class
omen predicated on the status loss of lower-class women? Examples of this
e: the liberation of the middle-class American housewife in the mid-
ineteenth century through the availability of cheap black or immigrant
omestic workers; the liberation of the twentieth century housewife from
cessant drudgery in the home through agricultural stoop-labor and the
id female workers

sexuality

constraints upon women's sexuality imposed by society a useful measure of women's true status. This approach would necessitate comparisons between prescribed behavior for women and men as well as indications of their actual sexual behavior at any given time. This challenging method can be used with great effectiveness for certain periods of history and especially for upper- and middle-class women. I doubt that it can be usefully employed as a general criterion, because of the difficulty of finding substantiating evidence, especially as it pertains to lower classes.

I raised the question of a conceptual framework for dealing with women's

history in 1969, reasoning from the assumption that women were a sub-group, a particular and problematic group, different from any other sub-group in history.[14] Neither caste, class, nor race quite fit the model for describing us. I have now come to the conclusion that the idea that women are some kind of a sub-group is wrong. It will not do—there are just too many of us. No single framework, no single-factor, four-factor, or eight-factor explanation can serve to contain all that the history of women is. Picture, if
ory of men by using four factors. It
men.
ast half of humanity and most of the
ity. Their culturally determined and
seems to be what makes their histori-
that of men. But men have defined
women out. At this time, as during
nen are urged to fit into the empty
al, "sub-group" status. But the truth
ed up to now, is the history of a
the "sub-group." In order to write a
new history worthy of the name, we will have to recognize that no single methodology and conceptual framework can fit the complexities of the historical experience of all women.

The first stage of "transitional history" may be to add some new cate-

actions being as much

series of such detailed studies can we hope to find the parameters by which to define the new universal history. My guess is that no one conceptual framework will fit so complex a subject.

Methods are tools for analysis—some of us will stick with one tool, some of us will reach for different tools as we need them. For women, the problem really is that we must acquire not only the confidence needed for using tools, but for making new ones to fit our needs. We should do so relying on our

Sun. Express 23/7/78 (58)

# If you are a rich man, see the Pru

## HOW TO BEAT TAX, INFLATION

**SO YOU've sold your shares and now don't know what to do with the capital because most investments are eroded by tax or inflation.**

The Prudential Assurance Company has come up with a plan to take care of a large capital sum. It is a plan that in fact offers the individual protection against tax and inflation, and also allows the investor a tax-free income after 10 years.

As the Pru's Dorian Wharton-Hood pointed out, the alternative investment opportunities for people with a large capital sum to invest are "horrible".

"One can admit defeat to inflation and take an 8% tax-free investment or take a risk on another form of investment such as fixed interest, property and equities," he says.

But the investor matches his investment against certain criteria — it must be secure, protected against inflation and tax.

It must also be flexible, for no one can forecast their future needs, and must be fairly liquid, which a property investment is not.

The investment must be convenient, for few people have the time or the expertise to devote to controlling their investments.

The Pru's new Wealth Protector plan meets all of these criteria. The lump sum which the investor has available is split into two parts.

A small portion of the capital is used to pay the first premium for a Prubond policy and the balance is invested in a partially taxable temporary life annuity which generates future Prubond premiums.

It is the Prubond policy that contains the tax-free benefits. The performance of this policy in recent years has been good.

Over a three year period to the start of 1978, if the investor paid annual premiums, he would have seen his funds appreciate 16,5% a year.

Wharton-Hood says the two policies are totally separate, but interact.

"The plan provides cash or income, both tax-free, in 10 years' time. The investor foregoes immediate income for future returns."

Wharton-Hood added that obviously the plan would not appeal to someone who requires income in the next 10 years.

The market for the Wealth Protector is limited but there is no doubt that for widows with an insurance payout, or divorcees with a lump sum settlement, or for those who have inherited a large sum, the plan is ideal.

And then for those who have taken their profits in the property or stock market, the new plan also has appeal.

If, for instance, you have a capital sum of R10 000 to invest in something that yields 10% pa gross and your marginal tax rate is 60%, your total accumulation of capital and interest (net of tax) after 10 years will be R14 803.

If you were instead to invest this R10 000 in a Wealth Protector plan (and you were aged 40) you would have a minimum death benefit worth R15 276 arising out of the temporary life annuity.

And on top of that, at the end of 10 years your investment would have grown to R18 635.

**These calculations assume a 10% growth rate of the policy, and history has shown that the Prubond has performed better than this. At the end of the period, you could draw tax-free income or a tax-free lump sum.**

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-2-

**THE INFANT-INDUSTRY ARGUMENT**

in the form of a debate between

MR PROTECTIONIST AND MR FREE TRADER

stage of their development, the loss suffered may be so ... render their survival unlikely.

The two processes that explain the growth and maturing of infant industries are:

(1) Economies of time.

(2) Economies of scale.

"Economies of scale" involve the reduction in average cost per un (and therefore an increase in efficiency) with the increase in s The suggestion here is that many industries cannot operate effici below a certain minimum size. Infants have first to grow up bef ~~they have any chance of proving viable and growing up is often a~~ arduous and slow task. A little foreign competition may spur th infant on; too much competition may crush it out of existence.

"Economies of time" refer essentially to the reduction of costs (increase in efficiency) that takes place over time for any given of production. An essential ingredient in the development of sk and know-how is "learning-by-doing" or "on-the-job-training". A a little competition may be helpful; too much may overwhelm the infant. If it collapses, its full potentialities may never be realised.

These points form the basis of the argument in favour of some f protection of certain infant industries for a limited period of It is difficult to know whether, in the long-run, the welfare o world will thereby be improved, but from the nationalist viewpo the relatively less developed country, there can be no doubt th ~~such a course is at times desirable.~~

Mr Free Trader: That is all very well! Obviously, economies of scale and time are important in the real world, but why should that necessitate state intervention and protection as suggested above? Why should society bear the burden of the anticipated loss until the infant grows up (if it ever does)? Surely the infant can budget for his own loss during the first few years of operation. Ultimately, if the new venture is at all worthwhile, the erstwhile infant will make a profit and survive. Until then, let him pay for hiw own loss! If he lacks sufficient capital to endure a prolonged period of losses, let him borrow the capital!

....../2

Mr Protectionist: That's easier said than done! If we possessed perfect knowledge and information, if all the capital markets were perfect and if there were no such thing as externalities, your objection would be fully justified. However, as you know, this is not the case!

Mr Free Trader: The solution is to perfect the capital market.

Mr Protectionist: Impossible! In less developed countries, the local capital market is hopelessly inadequate and foreign capital markets may have additional biases. Naturally, one should try to improve and develop the capital market wherever possible, but even the most developed and sophisticated markets are likely to retain some of the biases listed above.

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SUPREME GRAND CHAPTER OF THE HOLY ROYAL ARCH
OF SOUTH AFRICA

RITUALS

R.A. (English) 11

R.A. (Afrikaans) 200

M.M.M. –

E.M. –

Apron Badges 8

Certificates & Diplomas

M.M.M./E.M. 29

Affiliation 255

Installed 222

REGALIA

R.A. Collarettes 5

R.A. Collarettes 4

Principals Crowns 4

NOTE: Other Grand Chapter Regalia on Hire to Grand Chapter Officers has been written off for Accounting Purposes.

# Cash swindle losers caught by greed

Sun. Express 23/7/78

(58)

**WEALTHY South African businessmen have been swindled of millions of rands by an Israeli connection which included at least four South Africans — but they can't lay a complaint because the money was smuggled out of the country.**

### By DESMOND BLOW
### Chief Reporter

It was part of R10-million smuggled out for a cut of 15%.

After smuggling out about R5-million the gang collected between four and five million rands and kept it in a cupboard of a Johannesburg house belonging to a woman called Nanette.

They then decided to swindle the businessmen of the lot. Dud cheques were given to clients to be drawn on defuct banks overseas and the gang disappeared with the money.

Alleged members of the gang were named in the Tel Aviv District Court this week when Mr Bezalel Mizrachi sued the newspaper Ha'aretz for R500 000 for alleging that he was head of the syndicate.

Four South Africans, three men and a woman, were named. The main South African involved is a well-known sports personality at present in Israel.

I traced him to the Daniel Towers Hotel in Herzelia, Tel Aviv, but was told he and his wife booked out suddenly last Wednesday — the day his name was mentioned in court.

Mr Sam Runds, of Illovo, Johannesburg, one of two men mentioned in court as "middlemen", yesterday denied he had done anything illegal.

"There was a whole gang of them," he told me. "They got in touch with me and were always phoning me to introduce them to people but I didn't do business with them."

He knew Nanette and had been to her house twice but had not seen four to five million rands in a cupboard. He knew she was in her thirties, but refused to give more details, except to say he belived she now lived in Hillbrow.

Mr Zvi Peer, one of the witnesses subpoenaed to give evidence on behalf of the newspaper in Tel Aviv, admitted smuggling huge sums of money out of South Africa.

The South African sporting personality was described in the Israeli court as "a very tough and violent criminal in South Africa".

He was said to have been a bodyguard at Johannesburg's Carlton Hotel after two swindled "clients" pulled guns on Mr Peer and threatened to kill him.

The South African police heard of the gang's operations, I believe, after a former South African now with the Israeli CID recognised two of the gang while in Johannesburg.

Mr Dan Munitz, one of the gang who worked as the manager of an Israeli bank, was found guilty of helping to smuggle millions of rands out of South Africa.

He was deported. Mr Peer left South Africa just ahead of the police.

Asked in the Israeli court why he had recently visited the South African sportsman in Herzelia, Mr Peer said he was an old friend who had had a heart attack.

[redacted]

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-2-

**THE INFANT-INDUSTRY ARGUMENT**

**in the form of a ~~debate between~~**

**MR PROTECTIONIST AND MR FREE TRADER**

Mr Free Trader: It is obvious, thus, as illustrated by Ricardo's Theory of Comparative Advantage that free trade between nations will inevitably promote the world's economic welfare (or, at any rate, increase its gross production) and all the participant countries will share in the general improvement.

Mr Protectionist: Free trade will, no doubt, secure these benefits in the short run. In the long run, however, the interests of relatively less-developed countries may be better served by temporarily protecting their infant industries against foreign competition. Such industries given the opportunity may ultimately be capable of establishing a comparative advantage viz-a-viz their foreign competitors. In the absence of protection during the initial stage of their development, the loss suffered may be so great as to render their survival unlikely.

The two processes that explain the growth and maturing of infant industries are:

(1) Economies of time.

(2) Economies of scale.

"Economies of scale" involve the reduction in average cost per unit (and therefore an increase in efficiency) with the increase in scale. The suggestion here is that many industries cannot operate efficiently below a certain minimum size. Infants have first to grow up before they have any chance of proving viable and growing up is often an arduous and slow task. A little foreign competition may spur the infant on, but too much competition may crush it out of existence.

"Economies of time" refer essentially to the reduction of costs (or increase in efficiency) that takes place over time for any given scale

Why should society bear the burden of the anticipated loss until the infant grows up (if it ever does)? Surely the infant can budget for his own loss during the first few years of operation. Ultimately, if the new venture is at all worthwhile, the erstwhile infant will make a profit and survive. Until then, let him pay for hiw own loss! If he lacks sufficient capital to endure a prolonged period of losses, let him borrow the capital!

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impossible!

capital market is hopelessly inadequate and foreign capital markets may have additional biases. Naturally, one should try to improve and develop the capital market wherever possible, but even the most developed and sophisticated markets are likely to retain some of the biases listed above.

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SUPREME GRAND CHAPTER OF THE HOLY ROYAL ARCH
OF SOUTH AFRICA

SCHEDULE OF STOCK H

| ITEM | NO. HELD | GRAND CHAP UNIT SELLI PRICE |
|---|---|---|
| GRAND CHAPTER REGULATIONS | 151 | 50c |
| RITUALS | | |
| R.A. (English) | 11 | 2,80 |
| R.A. (Afrikaans) | 200 | 0,70 |
| M.M.M. | - | 2,10 |
| E.M. | - | 0,80 |
| Apron Badges | 8 | 2,00 |
| Certificates & Diplomas | | |
| M.M.M./E.M. | 29 | 0,60 |
| Affiliation | 255 | 0,60 |

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Sun. Times Bus. 23/7/78

(58)

7

# U.S. banks' profits up despite higher foreign loans loss

By Irene Saunders

NEW YORK. — Major American banks are reporting sharp increases in second quarter earnings, including a 60 per cent jump recorded by Bankers Trust, of New York. The earnings surge is in sharp contrast to a survey just released of 127 major US banks showing that losses on foreign loans during 1977 were more severe than in any of the three previous years.

Bankers Trust, which enjoyed a $19,8-million second period profit, compared with $12,4-million for the April/June quarter of 1977, was not alone in a big earnings increase. BankAmerica, the largest US bank holding company, reported a 27,1 per cent rise in second period earnings, while Citicorp said its operating earnings for the same quarter were up 22,1 per cent from a year ago.

In addition, higher earnings were also reported by Continental Illinois Corp in Chicago, Security Pacific Corp, Wells Fargo and Company, Chase Manhattan Corp, Chemical Bank and Bank of New York.

The foreign loan survey, done by a Philadelphia firm, showed net charge-offs as a percentage of international loans and deposits last year rose to 0,176 per cent from 0,158 per cent in 1976, from 0,130 per cent in 1975, and from 0,069 per cent in 1974. Most of the write-downs were on loans to private commercial borrowers with a small percentage on loans to foreign banks and governments.

Total international loans and deposits written off last year by the survey group added up to $405,7-million, much more than the $281,6-million loss of 1976.

But for the booming second quarter of this year at least, there appears to be profits enough to go around.

In comparison, the Belgian colonial administration in the Congo only made minor efforts to encourage the arts - a few schools began by private organisations only received Government support in the 50's. With the political upheavals since independence, Zaire has had little opportunity to improve the situation. The French colonial administration was more active: few commissions were given to African artists of note, and museums are exclusively concerned with traditional art, but art schools were encouraged and adequate facilities provided. Two schools in Brazzaville were subsidised while the government founded an art school in Dakar, Senegal in 1957. Since achieving independence, the Ivory Coast Government has established a major school in Abidjan.

African countries independent of colonial rule for most or all of their history show varying degrees of Government participation in art activities. Liberia has no important government programmes for aiding art and no new artists of note. In South Africa, African artists are not encouraged at all; those artists who have made achievements have either been encouraged by missionaries, individual European artists, or have studied overseas. Ethiopia presents a better picture: the Government aided the establishment of the Fine Arts School in Addis Ababa in 1957, and frequently awards major commissions to African artists - for example, the three monumental stained glass windows by Ajewerke Tekle in Africa Hall (headquarters for the United Nations Economic Commission for Africa).

Not only is there a relationship between the general state of art in each nation and the attitudes of the (former) ruling colonial powers, but there is also a correllation between the various European cultures, and attitudes towards art instruction - and hence the type of work produced (since the majority of African artists have been trained in art schools in Africa, (but sometimes also in Europe and America), which, until recently, were largely staffed by expatriates). Methods vary from almost complete lack of formal instruction to well organised art programmes leading to recognised academic degrees. The first approach was successfully pioneered in French-speaking

# R57 000 fraud 'to buy my wife presents'

RDM 25/7/7

58

**Staff Reporter**

CORNELIUS Johannes de Coning took R57 000 from the company that employed him — to buy presents for his wife, "who was depressed."

De Coning, 32, former personnel manager of Stannic (Standard Bank National Industrial Credit Corporation) was earning R1 500 a month at the time.

He pleaded guilty before Mr N V B Andrews in the Regional Court Johannesburg to 122 charges of fraud, involving R57 625.

As personnel manager, De Coning had signing power on salary cheques. He had signed cheques for fictitious employees and had deposited them in his personal banking account.

De Coning told the court that his 27-year-old wife had suffered from depression since the birth of their second child three years ago.

He tried to help her where he could. He ran the household and cared for the children to give her more time, but it didn't help, he said.

In October 1976 he took R500 to buy her a dishwasher and a vacuum cleaner. Then he sold their house in Boksburg and bought a much more expensive house in Fairland. He kept taking more money and bought curtains, carpets, fibre glass insulation, a burglar alarm and kitchen furniture for the new house.

"I believed that by bestowing gifts on her I could alleviate her depression." De Coning said.

In May this year he was on leave with his wife and the two children — aged five and three — on the North Coast, he told the court. On a Saturday morning he received a phone call asking him to return to Johannesburg urgently. He did so and, when confronted with the irregularities by his employer, made a clean breast of everything, he said.

He had by that time spent about half the money he had taken, and had deposited the remaining R28 500, intending to build a tennis court and swimming pool.

"I thought this would give my wife, my children and myself the opportunity to be more relaxed."

He told the court he had repaid R28 500, and would repay the rest of the money if he was not sent to prison.

He was unemployed at the moment, he said.

De Coning admitted that his prospects of obtaining employment were very remote. "I feel I was an absolute fool and idiot to have done it," he said.

His attractive wife, Mrs Lorraine de Coning told the court: 'My married life was very happy. My husband was very helpful and he is a very good and loving man."

Weeping, she said: "I did not demand anything. My husband bought the gifts of his own free will." She had not known her husband had stolen the money, she said.

The hearing was postponed to August 1 for sentence.

De Coning is on R1 000 bail.

# Plea from bank chief: drop interest rates

(58)

**Own Correspondent**

DURBAN — One of South Africa's top bankers has urged the Government to allow interest rates to drop.

Mr Gerry Muller, chief executive of the Nedbank group and a member of the Prime Minister's Economic Advisory Council, said here last night that after three to four years of high rates a reduction was "long overdue."

The Government had a legitimate fear that a lowering of rates would cause businessmen to take up local finance and repay foreign loans, resulting in a big capital outflow.

However, Mr Muller said he had made a recommendation to the Government which would allow rates to drop by a welcome 1,5 to 2 percent and prevent a large-scale capital outflow.

He said the Government could counteract the adverse effects of lower local interest rates by allowing tax concessions of more than 100 percent on interest paid on foreign loans.

A 150 percent concession could reduce the effective interest of foreign loans by about two percent. This concession could cost the Government about R25m, but the State would eventually reap the profits.

A drop in local interest rates would create greater optimism in the country, help the stock market to do even better, boost the property sector, and might even stave off some insolvencies.

## LOADED

He said both public and private sectors had been on a spending spree, costing about R20 000m over the past six to seven years. Much of this money had been spent on the infrastructure.

Although there would still be need for some more spending of this kind, Sasol III was a possibility, the country should now spend much more money on non-White housing.

Some people complained that R600m was a large amount for this purpose, but in fact it was a drop in the ocean when compared with the vast sums that had been spent.

Mr Muller said he expected the financial institutions would be loaded with liquidity towards the end of the year. This money would be earmarked for medium to long term investment, and he hoped a considerable amount would find its way into black areas.

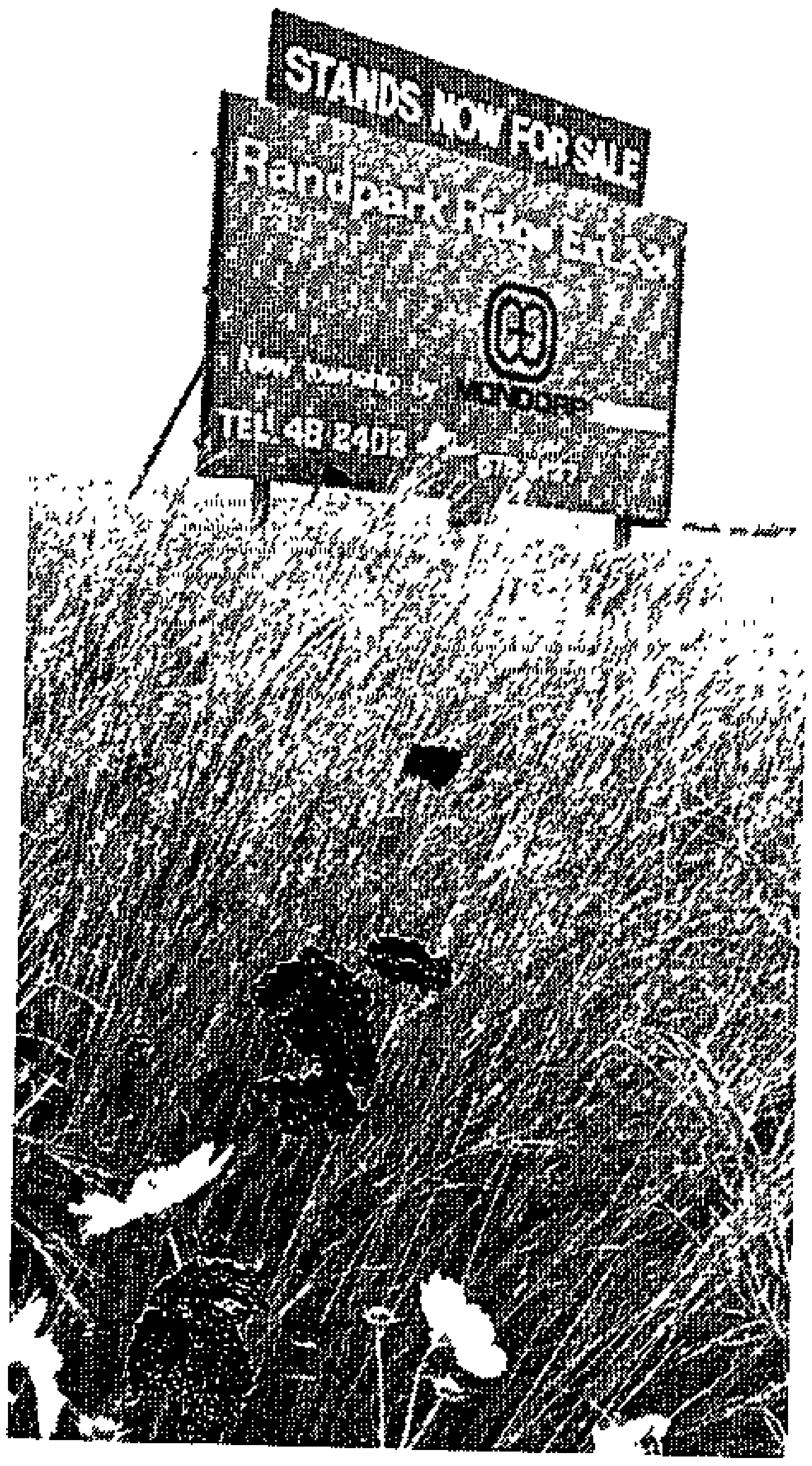
TOWNSHIPS

# Stands at ease

(58) FM 28/7/78

**Just how** hard the township industry has been hammered is evident from the recently published Department of Statistics' 1976 census of township developers.

For a start the number of developers (those having as a main activity the development of property and/or subdividing of land and/or buildings on their own account) dropped from 739 in 1974 to 665 in 1976.



**Vacant stands . . . turning over?**

The amount spent by developers on buying new land was R30,1m in 1976 compared with R51,6m in 1974 — while the net profit from sales slumped from R57,1m in 1974 to R8,5m in 1976. The value of land held by developers was in 1976 estimated at R86,2m as against R120,4m in 1974.

In 1974 developers held 93 662 undeveloped stands of 1 000 m² and under, worth an estimated R230,9m. The respective figures for 1976 were 26 339 stands worth R103,5m. Developers sold 20 675 unproclaimed stands of 1 000 m² or less for R101,5m in 1974. In 1976 they sold only 1 925 similar stands for R10,2m. In proclaimed townships they sold 41 540 vacant stands for R147,1m in 1974. In 1976 those figures were 4 172 and R22,8m.

If stats were available for 1977 they would look even worse. But there are signs that the township market may at last be showing a faint glimmer of life.

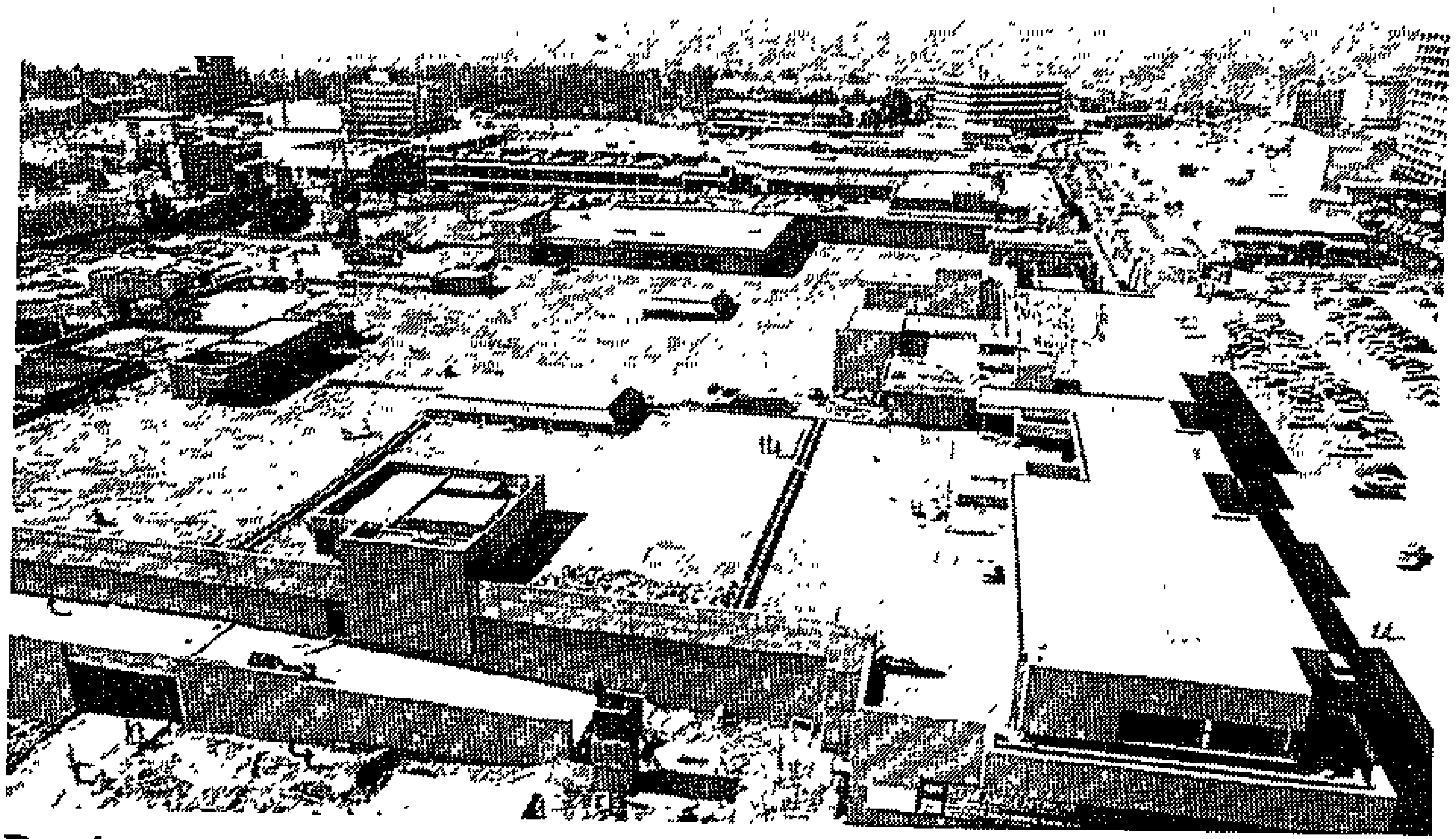
Peter Gardiner of Anglo American Property Services' townships division tells the *FM* that from January to June the Anglo group sold 129 stands for R1,44m. This is a great improvement on the same period last year, says Gardiner. He adds that the increase has been largest over the last two to three months.

Marina da Gama accounted for 42 of the sales at prices of around R12 500. The rest were in other locations throughout the country including Witbank, Somerset West, Simonstown, Ramsgate, Vereeniging and the far northern suburbs of Johannesburg. In Vereeniging 11 stands of around 1 350 m² were sold at an average price of R6 000.

At Fourways, north of Johannesburg where Aaps is holding a homes show it has sold several 2 000 m² stands for between R7 500 and R10 500. These stands were repossessed and the prices now are a little below the prices they originally went for a few years ago. Some then fetched up to R13 000. In Bryanston four repossessed stands have been sold for between R16 000 and R20 000. Aaps also has a few stands in Bryanston Extension 3 in Randburg where it has recently sold at prices ranging from R7 500 to R9 000.

Gardiner reckons that now there is certainly more interest in stands than there was three months ago. But buyers really prefer house and stand package deals. At Fourways homes are pitched at between R35 000 and R45 000, including stands. And, reckons Gardiner, because builders are still trimming profits to compete, these homes offer better value than established homes in the same price range.

Chairman Hymie Tucker of Tuckers Land on the other hand, sees little improvement in the stand market until all the stands belonging to liquidated companies are sold. However, he is doing "quite a bit of business" in Virginia in the Free State where new mining operations have created demand. He is selling proclaimed 1 000 m² to 2 000 m² stands at prices ranging from R3 000 to R4 000.



**Despite Randburg being overshopped, Sanlam's R18m giant shopping centre, to open on September 27, is now 92% let. Still unlet are 15 of the 100 small shops.**

**The centre will offer 33 137 m² of retail space. Of this, OK has taken 15 248 m² (and is already in business) and Edgars has taken 1 766 m². The small shops will account for 16 123 m².**

**Average rent achieved for the small shops is R9,50/m², a little lower than in Rosebank.**

## CG SMITH INVESTMENTS

# Cheap on a long view

(58) FM 28/7/78

**Activities:** *Investment company with 55,7% of Romatex, 30,8% of CG Sugar and 67% (but only 50% of the votes) of S&T Investment, which holds 50% of Huletts and 51% of Hypack. Is itself 66% owned by unlisted CG Smith & Co.*

**Chairman and managing director:** *J C McGough.*

**Capital structure:** *31,7m ordinaries of R1. Market capitalisation: R63,4m.*

**Financial:** *Year to March 31 1978. Borrowings: long and medium term, R7,6m; net short term, R530 000. Debt:equity ratio: 8,2%. Current ratio: 2,0. Group cash flow: R17,1m. Capital commitments: R2,6m.*

**Share market:** *Price: 200c (1977-78: high, 260c; low, 184c; trading volume last quarter, 85 000 shares). Yields: 19,5% on earnings; 13,5% on dividend. Cover: 1,4. PE ratio: 5,1.*

**The associates** C G Sugar, Huletts and Hypack, are no longer equity accounted, but the unconsolidated picture is still clearer and more meaningful. C G Smith Investments (Smith) essentially remains an ungeared investment company reliant on three sources of dividend income, 96% of which is distributed.

The increase in the Romatex dividend from 13c to 17c and C G Sugar's maintained 75c payout more than offset the cut in the Huletts' dividend from 31c to 28c, and dividend income improved from R8,7m to R9m. Taxed income rose from R8,6m to R8,8m or 27,8c (27c) per share, of which 27c (26c) was paid out.

Smith received 60,5% (64,4%) of its income from sugar, while Romatex's contribution to group dividend income was 25% (19%). Hypack, the 2,9% McCarthy stake and Hulett's interests other than sugar provided the rest.

It was mainly because unrealised profits on the revaluation of assets in the associate companies were creating an ever-widening gulf in Smith's accounts between balance sheet and market and directors' valuations that equity accounting was discontinued.

The change should go some way to preserving *consolidated* earnings, as hot performing Romatex remains consolidated while the sugar companies, with much bleaker prospects, are not. Sugar dividends are expected to fall less than sugar earnings and it is even conceivable that improvements at consolidated Romatex will more than offset reverses in sugar dividends. Another benefit is that it isolates C G Smith Investments from the R32,5m write off in respect of Stanger in C G Smith & Co.

C G Sugar holds 42% of the unlisted company and has had to write off R9m mainly in respect of Stanger. Now C G Sugar is no longer consolidated, Smith is not affected. The cut in the C G Smith & Co dividend from R32 to R29 will be felt by C G Sugar only next year but is expected to amount only to 5c of earnings at C G Sugar which earned 98c last time out.

The cessation of equity accounting reduced 1977 investments in associates by R70m to their original cost of R26,3m and attributable income by R3m to R11,4m as only dividends and not earnings from associates are included. To show the effect of the move, the 1977 figures are given before and after the change. If equity accounting *had* been resorted to this year net profit would have risen 7% from R11,3m to R15,1m instead of the 9% improvement from R11,4m to R12,4m published without equity accounting. This is because Romatex, with profits up 28%, remains consolidated, while the relatively stagnant sugar companies are not. The benefits should be even greater next year.

But it is the dividend flow, as the source of distributable profits, that counts. What are prospects for the year ahead? Romatex has budgeted for a 10% improvement in profits but this was before consumer spending improved and everyone started talking about three Christmases and gross-for-net situations. It would be surprising if Romatex does not score at least a 15% profit and dividend improvement, so assuming a 20c dividend this source should contribute R2,6m. Forecasting income in the sugar companies is extremely hazardous but C G Sugar might still be able to pay 50c and Huletts 24c, in which case dividend income will total R7,6m odd or 24c per share, all of which could be distributed.

This puts Smith's shares on an effective projected yield of about 12%. A year ago the market was paying a 19% premium over the market value of the investments behind Smith. Today these are worth R67,4m or 210c, so there is a 10c or 5% discount. With the average market yield only 8,2% the counter can seldom have been so cheap. It's looking interesting on a very long view.

*David Carte*

## SMITH'S INCOME SOURCES

| | Year to March 31 1978 | | | Year to March 31 1979* | | |
|---|---|---|---|---|---|---|
| | Dividend (c) | Value to Smith (Rm) | % of Total | Dividend (c) | Value to Smith (Rm) | % of Total |
| CG Sugar | 75 | 3,4 | 37,8 | 50 | 2,1 | 27,6 |
| Huletts | 28 | 2,9 | 32,2 | 24 | 2,5 | 32,9 |
| Rest of S&T | | 0,4 | 4,4 | | 0,4 | 5,3 |
| Romatex | 17 | 2,2 | 24,7 | 20 | 2,6 | 34 2 |
| Smith div income (Rm) | | 9,0 | | | 7,6 | |
| Smith div income (c) | 27,8 | | | 24 | | |
| Smith dividend (c) | 27 | | | 24 | | |

*FM estimates

## INSURANCE — 1

58

# Sanlam's merger

232

FM . 28/7/78

**The merger between** Homes Trust Life and Metlife was a predictable rationalisation of Sanlam's insurance interests, following its recent purchase of Metlife from Trust Bank.

Homes Trust was already owned by Sanlam, and it is planned that the amalgamation will include Homes Trust subsidiaries, Dove Insurance Corporation and Saffas, (SA Federation of Funeral Assurance Societies). So there will now be only two insurance companies in the fold.

The combined assets of the new group, yet to be named, will be nearly R250m, making it the eighth largest life assurer in SA, with a net premium income of R53m.

The new group's management team will have Dr A D Wassenaar as chairman and J H (Johann) Sohnge, at 39 one of Sanlam's outstanding younger executives, as MD.

The other executive directors are Homes Trust's GM, F A (Fanie) Jacobs and deputy GM, E D K Franck, and Metlife's MD, David Bloomberg.

Sohnge foresees one of the main advantages as savings in costs, while the two companies should complement each other. Metlife, an erstwhile proprietary company with a go-go image, should have a lot to contribute to the (much larger) Homes Trust, with its large funeral insurance business, and premium income some three times that of Metlife. It is expected that the new company will continue to operate in all fields, including funeral and industrial insurance, where Sanlam doesn't operate.

The terms of the merger have still to be worked out and will then have to be submitted to the Registrar and are subject to confirmation by the court. By the time all the legal and technical formalities have been sorted out, and the Registrar's requirements met, Bloomberg predicts that the "physical merger" will only take place next year at least 8 months hence. He has told his staff he doesn't expect any redundancies. Jacobs doesn't either.

Meanwhile, it's "business as usual" for both companies.

## Bank account frozen

NM 28/7/78

(58)

# Woman says she got only R3 000 from claim

Court Reporter

AN illiterate woman who went to a claims consultant after her husband had been killed in a motor accident was paid only R3 393 of the R12 182 awarded to her, a Durban Judge was told yesterday.

Mrs. Namathamsanza Zinti told Mr. Justice Leon she entered a claim for compensation against the MVA insurers of the vehicle that killed her husband in 1975.

In processing the claim she was advised by a Durban firm of claims consultants, T. J. Stewart and Partners, who told her to collect the money due to her in April.

Mrs. Zinti said when she called on the consultants, a Mr. Joseph Titus asked her to sign a document. She did so, although she was illiterate and the contents of the paper were not explained to her.

She was then handed a cheque for R3 393, the Court was told.

After she returned to her home in Transkei Mrs. Zinti discovered Santam insurance company had in fact paid her R12 182 as compensation.

She reported the matter to the police who found Mr. Titus had deposited R3 200 in his bank account shortly before making the payment to Mrs. Zinti.

Mr. Justice Leon interdicted Mr. Titus from dealing with the money in his bank account. He must show cause by August 15 why the order should not be made final pending a further action.

# VNB slaan 'n ou-hou met GM

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RAPPORT 30/7/78

Deur WILLEM LAUBSCHER

**VOLKSKAS se jong nywerheidsbank (VNB) het vandeesweek 'n vet slag geslaan. Hy het saamgespan met General Motors Acceptance Corporation van Suid-Afrika, GM se motorfinansieringsmaatskappy, en 'n nuwe maatskappy gestig waarin VNB 'n belang van 75,1 persent en GMAC 24,9 persent het.**

Die nuwe onderneming, wat nog sy naam moet kry, sal na verwagting in die eerste jaar finansiering van tussen R13 miljoen en R16 milj. vir GM-handelaars in die land doen. In 'n later stadium word 'n groothandelsvloerplan vir finansiering ook beoog. En dit sal sommer regtig miljoene beloop — hier na R60-R70 miljoen per jaar.

Mhr. Ron Rundle, besturende direkteur van VNB, sê die nuwe maatskappy sal 'n gemagtigde aandelekapitaal van R2 miljoen en 'n aanvanklike opbetaalde kapitaal van R1 miljoen hê.

VNB sal verantwoordelik wees vir die finansiering van die nuwe maatskappy — met mediumtermynbanklenings sowel as ander vorms van kort- en medium-finansiering.

Die nuwe bedeling open vir VNB (en vir Volkskas, wat GMAC SA klaar in Port Elizabeth as klant het) baie nuwe deure, binnenslands sowel as buitelands. En dis nou maar klaar dat dit 'n voorloper van verdere verbintenisse kan wees.

Die Amerikaanse hoofkantoor van GMAC word beskou as die grootste finansieringsmaatskappy ter wêreld. Hy het verlede jaar die verkoop van 1 163 000 motors gefinansier en het 'n netto inkomste van R205 miljoen gehad.

Die stigting van die nuwe maatskappy, wat op 1 September amptelik in werking tree, val saam met die nuwe reeks wat GM op die mark gebring het. Stappe word reeds nou gedoen om nuwe kontrakte vir vlootverhuringskemas op te stel.

Die geselsery met VNB het sowat elf maande gelede begin. GM het toe na 'n SA vennoot begin soek, aangesien hy toenemend probleme ondervind om binne die valutaregulasies 'n SA maatskappy uit die buiteland te finansier.

Die direksie van sewe lede bestaan uit mnr. Rundle; dr. Pieter Morkel van Volkskas ('n direkteur van VNB); mnre. M. MacDonald, assistent-hoofbestuurder van VNB; S. J. Coetzee, bestuurder van die huurkoopafdeling van Volkskas; Emerson J. Clack, besturende direkteur van GMAC SA; Herbert A. Crooke, vise-president van GMAC, New York; en 'n sewende man wat van GMAC se kant aangewys moet word.

Sun. Times Business 30/7/78

# Gordon's coup will rock life insurers

(58)

By NIGEL BRUCE

**GUARDIAN Liberty Life chairman Donny Gordon, the whirlwind insurance and investment maverick, pulled off last Tuesday the finest deal of his already remarkable career — the ramifications of which are likely to rock the local insurance industry for years to come.**

For a personal outlay of R13-million, Mr Gordon has bought control of the R700-million group he founded and, with British insurance giant Guardian Royal Exchange, built into the largest publicly owned assurer in the country.

Mr Gordon has now by far the largest personal stake in the South African insurance industry, acquired after 20 years of rapid growth and one lightening deal after another, as well as marketing coups that have won him fame in world insurance circles.

Despite the tightest security, the deal was accurately forecast in Business Times last week by Editor Stephen Mulholland — this being the first time that speculation on Mr Gordon's major negotiations has been proved correct.

In essence, the deal involves the purchase for R30-million by a local consortium, led by Mr Gordon, of the major portion of Guardian Royal's 67 per cent stake in Guardian Liberty, which in turn owns 81 per cent of Liberty Life.

Mr Gordon owns 50 per cent of the consortium, his fellow Guardian Liberty director, Michael Rapp, currently the country's most active property developer, owns 25 per cent and a like amount is owned by Standard Bank.

About R3-million of the purchase amount will be paid in the form of dividends that may be repatriated. The balance Guardian Royal will reinvest here — at least until the 40 per cent securities rand discount is less penal.

The net effect of the deal is that Guardian Royal's stake reduces from 67 per cent to 10,7 per cent and the new consortium's interest becomes 52 per cent.

Mr Gordon's coup was made possible by a peculiar recent concatenation of events. Although when asked when he began planning it, he quips: "In 1958."

They were:

- The desire of Guardian Royal to spread its interest in South Africa and to have greater flexibility for realigning its British policyholders' assets here.
- A younger management team coming to the fore at Guardian Royal on the retirement of Ernest Bigland, with whom Mr Gordon has a particular rapport. "If he'd still been there, I'd have done the deal in two minutes over the telephone."
- Various covert pressures (such as exclusion from the MVA consortium) and other constraints arising from foreign control that were brought to bear on the South African company.
- His partnership with Mr Rapp, who is personally very wealthy, and the Standard Bank's not being aligned with any insurance group — as is Nedbank with Old Mutual and Barclays with African Eagle Life.
- Mr Gordon's demonstrable belief in the future of this country, which has been behind the group's bold investment strategy recently.
- His desire to be free of the inevitable constraints — few though they may have been in practice — associated with having a giant financial institution as a major shareholder.

The point is, therefore, having achieved so much within the bounds of these constraints, what new feats will Mr Gordon be able to achieve and to what heights will he soar now that he can flex his muscles with absolute freedom?

Starting off in 1958, his company pioneered both marketing and investment techniques, one of which was the equity linked policy.

It did so well for policyholders and shareholders alike, that the somnambulous Cape mutual assurance establishment was rocked. They were forced to become more competitive, to increase policyholders' bonuses and generally to rejuvenate themselves. "They actually began to talk to each other because of us," Mr Gordon laughs.

But, perhaps more important, significant board and management changes began to be made in these Cape companies, a process that has not yet come to an end in some of them.

In the market place, Liberty grew like Topsy, but Mr Gordon did not leave matters there. He brought in partners and listed the group in 1968 and then more recently purchased Sun Life and Manufacturers Life.

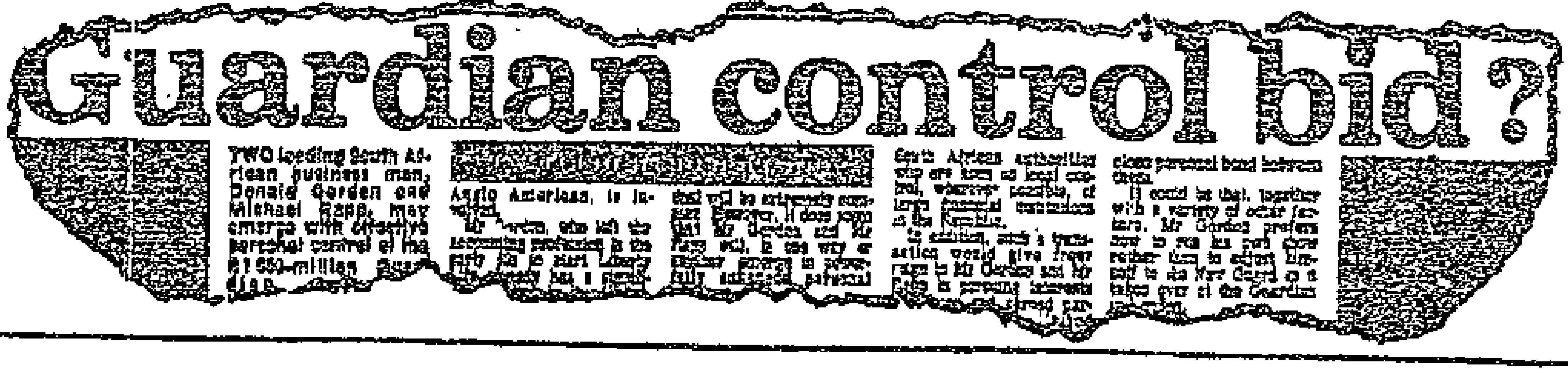
A more recent deal was the group's acquisition of investment company Fugit and resulted, in effect, in its moving strongly into equity investments in the midst of a serious recession.

The merger with Michael Rapp's Rapp & Maister has resulted in continuing property development, despite the slump in the property market. New developments are still being initiated.

"We've always done the things that others have been too scared to do," Mr Gordon says.

With that background, such a large percentage of the group's equity in his hands to exchange for other acquisitions, the pressures on smaller foreign companies to withdraw or domesticate, and with his only serious rival, Old Mutual's Jan van der Horst, 10 years older, Donny Gordon is clearly set to build Liberty into a publicly owned Old Mutual or Sanlam.

From a base of R100 000 it will have taken him 20 years in September to have got halfway there. That is some going. But I guess that, despite the three-year constraint on his selling part of his interest, it wont take him anything near that long to go the whole hog.



Guardian control bid?