FINANCE

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NCDs FM 2/1/81 58

Small bank squeeze

The decision taken by the monetary authorities in January 1980 to raise the limits on banks' holdings of NCDs is considered by bankers to have been something of a "toothless measure" that could create more problems than it solves for smaller banks.

Prior to January, banks were restricted to issuing NCDs up to 20% of their liabilities. The authorities, say bankers, have traditionally regarded the NCD as an "improper deposit". Its negotiability means that the holder is often not known, and the deposit supposedly encounters difficulties in being rolled over. This, in turn, has in the past caused liquidity problems, as some found themselves facing a spate of NCD maturities and a consequent truncation of their deposit base.

The restrictions on NCD holdings were said to be a protective measure for the smaller banks, general banks and independents, who do not have the same access to retail funds through extensive branch networks that the larger banks enjoy. Their over-reliance on less stable corporate funds, the argument runs, could lead to aggressive marketing of, and over-exposure in, NCDs, with subsequent liquidity problems when the financial system tightens.

Banks can now hold up to 40% of their total liabilities to the public in NCDs, but the extra 20% must be paper with a minimum maturity of two years and a maximum maturity of five years. This regulation originally stipulated that the ratios could be calculated on a consolidated group basis, which obviously allowed merchant and general banks belonging to large groups to issue a higher percentage of NCDs and spread this exposure through the group.

This, argues Wits University's Roger Gidlow, discriminates against the smaller banks and independents. But bankers say the regulation has in fact been implemented on a single bank basis, with each institution having to account for its own NCD holdings, thus removing this discriminatory bias.

Gidlow adds, however, that the current system contains a more fundamental bias against the smaller banks, specifically those which rely more heavily on the wholesale than the retail market for their funding needs. Limits on NCDs mean that the corporate client has to be enticed with fixed deposits instead, which cost the bank more. The funds have to be attracted by offering time deposits maturing before tax payment dates, at which time the money market is seasonally tight anyway, and allows little scope for the replacement of maturing deposits. Far from protecting the smaller banks, he concludes, the NCD regulation imposes on them greater money management problems than it prevents, and increases their risks.

Bankers from the smaller institutions agree that although the NCD limits are in theory irksome and discriminatory, current market conditions have put the amendment to the regulation into something of a vacuum.

"Medium and long-term money is just not available right now in virtually any form," says one. "Everyone is keeping very short and very liquid. So the extra 20% allowance, restricted as it is to longer maturity dates, is somewhat hypothetical right now."

A more significant development, says another, is the explosion of the promissory note market. Unlike NCDs, these assets attract no reserve requirements, and can be issued at cut rates as contingent liabilities. So the smaller banks have been extremely aggressive in funding themselves in this way in the last few months. That, he concludes, is where the greatest exposure lies.

Fear of official regulation of this market has led to attempts at self-control through minimum pricing agreements covering the whole banking sector. This, coupled with rising rates which erode the funding lending differential in which contingent lending flourishes, may herald a return to the more traditional market in which NCDs have an important function. So there are grounds, say bankers, for reviewing the NCD limits. What the Registrar should look at, they add, is not the ratios themselves, but the maturity limitations attached to them. These actually rob the [illegible] extension of the ratio of [illegible] of its intended liberalising effects.

RDM 6/1/81

Good progress from Afribank

By HAROLD FRIDJHON

THE African Bank made good progress in the year to October 1980 with net attributable income rising two-and-a-half-times from R32 871 to R86 176 and total assets up from R13 829 218 to R14 965 131.

In his chairman's statement, Mr Sam Motsuenyane says that growth during the year was more marked in advances than in deposits.

Advances rose by 21% to R7 499 242 but deposits were only 7% higher at R13 608 914 because the bank had to discourage further large scale deposits since it was "nudging towards the outer limit for the acceptance of funds" in terms of the Banks' Act.

"This difficulty is being surmounted as the bank recoups its initial losses" (which now stand at R238 3279) "but at the same time any substantial development can only be made possible by any injection of further capital funds."

Mr Motsuenyane says that initially a rights issue will be made at par to black shareholders who own 950 000 ordinary R1 shares. This should raise R950 000.

After that a public issue will be made to blacks to buy shares at a small premium to raise about R2-million. The present share capital is R1 250 000, of which R300 000 is held by certain local banks.

For most of the year The African Bank, which is now registered as a general bank, had to trade with interest rates at low levels which, together with increased costs, put profits under pressure.

Ga-Rankuwa was the only branch which did not operate at a profit because of an artificial situation created by the Bophuthatswana Government. While other financial institutions have been allowed to register bonds as security for loans, Afribank has not been able to do so and all representations made have been to no avail.

Mr Motsuenyane says that more than R550 000 has been earmarked for lending in that country against bond security "so that the development which could have been financed by that money could not take place".

Discussing broader issues, Mr Motsuenyane says that under Mr P W Botha's leadership advances had been made in many directions and he cites 99-year leasehold facilities for urban residents, the development of the small business corporation and the relaxation of restrictions on black business. But he observes:

"It is a great pity, however, that this co-operation does not always extend down the line with the result that, practically, many of us continue to experience unchanged difficulties in day-to-day living and business."

Afribank has adopted a five-year development plant which envisages the bank applying for registration as a commercial bank in the next four to five years.

R36bn capex ahead for SA

RDM 8/1/81

58

By HAROLD FRIDJHON

MAJOR capital expenditure projects in hand, on the drawing boards and planned to be put into work in South Africa mostly in the next six to seven years will amount to at least R36 000-million.

This huge amount does not include the hundreds of millions of rands which small enterprises will spend in the next few years on expanding manufacturing capacity and updating plant and which cannot be quantified because of the lack of detailed information about what individual industrialists are planning, or have planned.

These figures emerge from a study undertaken by the Standard Bank which has devoted most of its January economic review to an survey entitled, "Capital expenditure takes off".

The bank says that after a prolonged period in which gross domestic fixed investment declined for three years and then stagnated, a dramatically improved investment picture emerged last year.

Even in 1979, when final demand accelerated visibly, real gross domestic investment rose by only 1,9% and this largely from new mining ventures.

But there was a big change last year. In the first nine months, compared with the same period of the previous year, real fixed investment was 9% up and the growth for the year as a whole is likely to exceed 10%.

The bank says that even more significant than this rapid increase in investment is that it signals major changes which will raise the country's industrial sophistication to a new level.,

The energy structure will be changed; an extensive chemical industry is being built up; and SA will be less vulnerable to outside influences in the areas of electronics, armaments and transport equipment.

Another thrust is directed towards broadening and increasing mining output.

In the public sector the main emphasis is on improving the social and educational infrastructure for blacks, expanding the electricity generating network and making the transport and telecommunications systems more efficient.

Continued growth ... intensity of domestic production, Escom expects electricity use to increase by 7% to 8% a year. This means doubling generating capacity every nine to 10 years. This would cost about R11 000-million at current prices.

And this will require considerable investment in colliery capacity to supply the necessary coal.

One of the biggest projects involving a shift to electricity is being undertaken by the Railways, which aims to electrify all major routes by 1985 at a cost of R350-million.

In addition to increased domestic demand for coal, SA has embarked on a major coal export programme which will take the present 28-million tons a year to 44-million tons by 1986.

This will involve capital expenditure on the mines to produce this additional tonnage. The Railways will spend R390-million to increase the capacity of the Richards Bay line, and the Richards Bay Coal Terminal Company will have to spend R230-million to increase its capacity.

Apart from coal, heavy capital expenditure has been planned for other mining ventures, the most important of which is gold. Total mine spending will exceed R6 859-million.

Import replacement projects will use vast amounts of capital. These projects include plans at Armscor, the Atlantis diesel plant, the engine casting plant, the Gencor gearbox and axle plant, as well as investment at many other factories which will produce components to meet Atlantis requirements.

Post Office telecommunication requirements will stimulate growth in the electronic industries, among them Altech and the Siemens-IDC project.

In the chemical industry, apart from the investment directed at replacing oil-based feedstocks, AECI and Sentrachem are involved in various plastic projects.

Although import replacement has played a part in private sector investment plans, the dramatic 23% increase in real fixed investment by the private sector in the first nine months of 1980 compared with 1979 is largely attributable to increased demand and the resultant ... of import substitution and the growing tendency to beneficiate minerals.

"Factors unique to the South African situation are bringing about a re-emergence of the mining sector as an increasingly important contributor to domestic production and investment. Possibly one of the most significant of these factors . . . is the deliberate changing of South Africa's energy and chemical raw minerals base from oil to coal."

By the time that Sasol III is completed more than R6 000-million will have been spent since 1975 on the development of the world's biggest and only commercially viable oil from coal project. This technology is now attracting private sector interest.

Sentrachem and Gencor are investigating a R1 000-million oil-from-coal plant.

AECI, "the only company in the world to have a modern coal-based methanol plant in operation", is actively engaged in improving methanol as a diesel fuel. It is engaged with Anglo American and Shell SA in advanced feasibility studies for a mega methanol manufacturing and distribution project.

Methanol is also being studied as an alternative feedstock in the chemical industry to replace oil.

Sentrachem is engaged in feasibility studies for an ammonia plant which may be coupled with methanol production.

The huge expenditure on coal-based electricity generating plant also emphasises the importance of coal to the South African economy. By the end of the century electricity is expected to provide 30% to 40% of the country's energy needs compared with 7,5% in 1950 and 20% at present.

To bring about this shift to electricity Escom will have to increase its capacity by 3% every year, but assuming an annual average economic growth of 4,5% and no significant change in the energy in-... broken through the 90% barrier — virtually full capacity.

Demand from many industries has boosted the need for steel and although the export market is weak, Iscor will spend R1 000-million in the next five years on consolidation and modernisation.

The Railways will spend R7 550-million over the next five years. Escom's R11 000-million programme has been mentioned and the Post Office plans to lay out R8 500-million on the expansion of its network.

But labour is needed to man all these projects and capital will have to be spent on training and upgrading the labour force.

If only half the official housing projections are to be provided, a capital investment of R10 000-million will be needed apart from other expenditure to improve conditions of life.

Overdrafts likely to cost more next month

STAR 8/1/81

58

People can expect to pay more for bank overdrafts from the end of the month.

Barclays has announced that its prime overdraft rate will be raised by 0,5 to 10 percent from January 24.

Other major banks are expected to follow suit.

Dr Conrad Strauss, managing director of Standard Bank, said a rise in rates would be "inevitable" towards the end of this month.

Although the prime overdraft rates primarily apply to the banks' triple A or blue chip corporate customers, other borrowers can expect to pay more for their overdrafts too.

The overdraft rate can vary between the prime rate and a maximum of 14 percent.

This increase can be viewed against the background of the market battle with building societies for funds.

It is becoming increasingly dearer for banks to obtain funds as they have to compete in the market with building societies.

According to Dr Strauss, the need to follow the increase in special savings rates of 0,5 percent has made a corresponding rise in prime lending rates later this month unavoidable.

Last night the Standard Bank announced that it has raised its interest rate on special savings accounts.

The rate on its Plusplan has been raised from 5 to 5,5 percent.

At the same time, Standard Merchant Bank and Stannic are increasing their rates on special savings accounts.

A leading economist saw this trend towards higher rates as an inevitable part of the current boom.

As money became scarcer it could be expected to become dearer, he said.

However, to consumers who are faced with a seemingly never-ending series of price shocks, this would be another blow.

Recently building societies announced that the rate on home mortgages would be increased by 0,75 percent, which could raise their monthly repayments by an average of five percent.

The trend towards dearer money is bound to have an effect on hire-purchase and leases.

Coupled with the current inflation rates this could make serious inroads into the spending power of the average South African family this year.

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as well as the tota ... either vertically o ... shown by the thre ...

The first is usuall ... ry when a time-scale is invol ... le of values has been determined, th ... h bar is computed and parallel lines are drawn care should be taken not to make the bar too wide. It is preferable to leave a space slightly less wide than the bar itself between each, although in some cases, there need not be any intervening space.

(58)

BUSINESS

SA capital spending will top R30 000-m in next 5 years

By Geoff Shuttleworth

Capital expenditure in South Africa over the next five years will rise dramatically to over R30 000-million with the mining industry taking the lead.

In the latest Standard Bank Review the authors note that whereas the increase in fixed investment was stagnant for the years 1976 and 1977, it only grew by 1,9 percent in 1979.

However, figures available for the first nine months of last year show an increase of 9 percent and it is likely that the final figure for 1980 will exceed 10 percent.

The mining industry according to this study, will be spending around R10 000-million — or roughly a third of the total.

Expansion

Much of the capex planned for the mining industry is related to the massive expansion in the energy field involving such projects as Sasol and various private undertakings which will produce methanol.

Over and above this Escom is planning to spend some R11 000-million to 1990 in expanding its facilities, again involving coal mining

In its treatment of coal and energy, the report notes that the most significant factor is the deliberate changing of South Africa's energy and chemical raw minerals from oil to coal

By the time Sasol 3 is completed in 1982, over R6 000-million will have been spent since 1975.

The report also notes that while methanol is important in its own right, it is attracting particular interest in the [illegible] chemical synthesis. Here both South Africa's leading chemical groups, AECI and Sentrachem are involved in projects.

Another aspect of the expanding energy sector is the planned expansion of Escom facilities

Quite apart from the Koeberg nuclear power station, the Drakensberg pumped storage scheme and the possibility of another such scheme in the Western Cape at Palmiet, coal-fired power stations will continue to be the prime source of extra capacity.

Other more clear cut mining expansion, largely on the gold mines but also on platinum diamonds and other base metals, are clearly understated by the report because it does not take into account new projects which are bound to be announced before 1985

Projects

According to mining sources several new projects will probably be announced this year alone ranging from new gold mines to brand new base metal mining ventures.

However, it does detail expansion which has been announced by the mining houses, predominantly on existing gold mines and among the country's three platinum mining companies

Inexplicably the report is void of detail in respect of base metal projects which have been announced or where expansion is being planned or undertaken

In respect of the Richards Bay coal export project some R390-million will be spent by the Railways [illegible] in increasing capacity along the line to the port while at the terminal itself another R230-million will be spent by 1984 to increase handling capacity.

Turning aside from mining and mining related investments, the report notes that import replacement, in a wide field of activities, is another major factor in the total picture.

Among them are strategic projects such as the expansion at Armscor or the Atlantis Diesel Engine project, on which the IDC will spend some R350-million

Moves to implement higher local content among the major industry products, too, will play its part in raising the level of capex planned by the motor industry

Other replacement projects include the telecommunications industry and the electronics industry. Here the rate of growth is expected to be in the order of 25 percent a year.

Chemicals

The chemical industry, too, has announced expansion aimed at replacing certain feedstocks and end products such as a R250-million synthetic rubber plant by Sentrachem.

The report is understandably unable to estimate the capex planned by the thousands of smaller businesses where capacity utilisation has probably risen above 90 percent by the end of the year.

An indication of the expansion last year is evident from the 23 percent increase in real fixed investment by the private sector in the first nine months of 1980, in comparison with the same period in 1979.

Apart from the manufacturing industry, the building industry is another major area of growth where residential building plans passed have more than doubled for the first 10 months of 1980 compared with the same period in 1979. In the same period plans passed for manufacturing and commercial structures were 153,1 and 99,8 percent respectively.

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By the time Sasol 3 is completed in 1982, over R6 000-million will have been spent since 1975.

The report also notes that while methanol is important in its own right, it is attracting particular interest in the chemical industry because of its potential use in chemical synthesis. Here both South Africa's leading chemical groups, AECI and Sentrachem are involved in projects.

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ARCH

RDM 8/1/81

Barclays sets up industrial bank

58

Financial Reporter

A NEW industrial bank, Barclays National Industrial Bank, has been established with starting assets of more than R100-million.

The bank is a wholly owned subsidiary of Barclays National Bank and Mr Peter Springett has been appointed managing director.

BNIB will hold the general banking licence acquired by Barclays last August with the takeover of Rondalia.

The new bank will acquire most of the assets, business and staff of Barclays Industrial Finance Division, which has assets of R380-million.

Barclays Industrial Finance is involved in factoring, leasing, leverage leasing, suspensive sales, corporate project financing, Barclays Auto Card and business advisory service.

It has achieved asset-based financing of R1 000-million since its origins in 1972.

Three main reasons for turning the division into the new bank are given.

- The division's activities have tended to be increasingly in the general banking rather than commercial banking field.
- Rapid growth of business necessitated a special autonomous subsidiary.
- Creation of a separate subsidiary will encourage the development of specialist staff.

Mr Springett

10% prime overdraft rate only a start

RDM 9/1/81

58

By ALEC HOGG

SOUTH African commercial banks will raise their prime overdraft rates from 9,5% to 10% in a fortnight's time.

The announcement by the major banks yesterday follows sharp increases in the general interest rate pattern over the past few months.

Yesterday's move is seen as the signal to significant increases in bank lending rates later this year.

But the 0,5 percentage point increase in itself is unlikely to have any effect on business or consumer confidence in the immediate future.

There was no option for the banks but to raise the rate, and one might even see the increase as surprisingly small.

Since September 30, 1980, the 12-month fixed deposit rate offered to corporate clients (wholesale money) has risen from 6,3% to 11,25% — a jump of 495 points, or 78,6%.

Private investors (retail money) have seen their one-year fixed deposit return increase from 7,5% to 8,5% — a rise of 13,3%.

In the same period, the promissory note rate has risen by between 74% and 84%, and the three-month banker's acceptance rate has firmed from 4,9% to 7,5%.

Barclays managing director, Mr Bob Aldworth, set the ball rolling with an announcement yesterday morning that as from January 24, prime overdraft rate would be increased from 9,5% to 10%.

The change in the prime overdraft rate is automatically passed on to all other borrowers.

"One needs only to look at the rise in the cost of money over the past couple of months to realise that it was necessary for us to make an upward adjustment in the overdraft rates," Mr Aldworth said yesterday.

Shortly after Barclays decision, Standard Bank's managing director, Dr Conrad Strauss, said: "The need to follow the increase in building societies' special savings rates of 0,5 percentage points has made a corresponding increase in the prime lending rate later this month unavoidable."

Standard's increased overdraft charge will also become effective on January 24.

Mr Philip Venter, Volkskas general manager (banking), said his bank would increase the interest charge from the next interest calculating date — January 26.

"We are paying 9,5% for two-year deposits — the same as we are getting on our prime overdrafts."

Nedbank will also increase its overdraft charge by 0,5 percentage points from January 24.

Nedbank says interest payable on its savings accounts will increase from 5,5% to 6%, effective from January 16.

Dr Chris van Wyk, joint managing director of Trust Bank, said his bank would increase its prime overdraft from 9,5% to 10%, effective from January 22.

"We also have plans to improve our rate on savings accounts."

Commenting on the banks' decision to raise the overdraft rates, Central Merchant Bank's economist, Dr Peet Strydom, said he expected the general interest rate pattern to alter after the release of the De Kock Commission's report.

"Rates will fluctuate more, and there will be no plateaus as we have had in the past."

Dr Strydom also expects the bank rate to become far more important. Instead of its present role of being a "lagging indicator", it will become a "leading indicator" in that a change in the bank rate will come before any change in the overdraft rate.

In the past the opposite has occurred. The bank rate, which has been pegged at 7% since 13 August 1979, is expected to rise by at least 50 points soon.

"Until the release of the De Kock Commission's report, we can expect the bank rate to continue to follow the overdraft rate — and not lead it."

Until there is a change in the bank rate, commercial banks still have an option of increasing the overdraft rate by a further 0,5 percentage points.

According to legislation, the prime overdraft rate cannot be more than 3,5 percentage points higher than the bank rate.

COMMENT: A point of interest will be the policy statement by the Reserve Bank Governor, Dr Gerhard de Kock, which is expected before the March 25 Budget speech.

It is probable Dr De Kock will make some adjustment to the bank rate, which will allow the banks further scope to increase their lending rates.

One can safely predict that whereas late 1980 was the period when bank and building society borrowing rates rose sharply, 1981 will be the year of rising lending rates.

One can thus expect significant increases in overdraft and mortgage rates in the next six months.

HOME LOANS (58)

Price of folly

FM 9/1/81

On the face of it, the 0,75% increase in the mortgage rate might appear to be modest — the cost of home loans is after all still below the annual rate of general price rises. But it says little for the building societies' asset and liabilities management over the last two years or so.

If they did not play such a pivotal role in the provision of housing in this country, the matter could perhaps be left there. However, it should not be forgotten that their ineptitude is a factor in the dizzy rise in house prices that is continuing, although with reducing momentum.

Two years ago interest rates were falling fast and the societies' cost of deposits was cheapening rapidly, yet they did not reduce the mortgage rate to the same degree as deposit rates. Thus for a while they enjoyed wider margins — their surpluses or profits were fat indeed.

Simultaneously, their fixed interest portfolios generated considerable book profits or capital gains, some of which the societies realised. Yet, fat though they had become, the societies could not contain their desire for yet more assets to administer, and gave scant regard to the consequences.

So they increased their deposit rates above the general market level and became the repository of millions of rands of spare corporate cash, which they now regard as dangerous "hot" money — hence the need to increase the mortgage rate. It also left little scope at the time for a reduction in the mortgage rate during the years of plenty.

Unable to lend their embarrassment of riches, they hawked out loans at the drop of a hat. Coming after some years of recession and little house building, luxury housing demand was soon fanned by plentiful loan finance and far exceeded supply.

Essentially, the societies were using corporate liquidity, for which they paid over the odds and which they knew would eventually become "hot", to finance 25-year or so home loans. Inevitably that had to end in rises in the mortgage rate to hold these deposits when there was a general tightening in liquidity — as there is now.

The result has been that not only did the house buyer not reap the full benefit of the decline in interest rates when it was occurring, he is now having to pay for the societies' own funding folly.

Moreover, if the societies had stuck to the mobilisation of personal savings into housing loans, and not chased relatively expensive corporate funds, house prices would probably not have taken off to the same degree.

Even then, however, at current rates of inflation the higher mortgage rate remains relatively cheap. This is because of Pretoria's refusal to allow the rand to appreciate fast enough and to modify exchange controls in the face of a rising trade surplus. This has distorted the country's general interest rate structure — to the advantage of borrowers and disadvantage of depositors.

So both the societies and Pretoria must take a share of the blame for channelling too much of the country's resources into luxury white housing. Is it not time yet for them to consider overcoming the real housing problem — the need for black dwellings — rather than, in the case of the societies, just resting on the fat of their own cartel?

BUSINESS

STAR 10/1/81 ~~74~~ 58

Golds slide to a five-month low

By Pieter de Vos

Golds flickered briefly on the JSE on Tuesday, but slid to a five-month low during the stock market's first full week of trading in the New Year.

Though the decline seemed to be halted towards the close of the market, investors were cautious and nervous. In London the international bullion price seemed to rise off the week's bottom, but it still did not inspire any bullish sentiment among investors.

This week on the JSE

A slight drop in US interest rates sent bullion briefly above the 600 dollar mark earlier in the week, but as it sank back later the JSE gold board moved down in line with the international market prices.

Deelkraal was steady on good quarterly results, but Doorns, which increased its earnings because of capital expenditure allowances, was down by 50c.

The results of West Drie and East Drie market sources considered disappointing.

Kloof was 125c down on results, Libanon 25c down and Venters untraded. Only Gold Fields' marginal mine, Vlaks, moved up slightly on announcement of a drilling programme.

The easier trend among golds occurred across the whole board, though more expensive issues such as Randfontein were virtually steady compared with Monday's price levels and Harties not far below.

Announcement of the Central Selling Organisation's sales slump caused a slight dip in De Beers, though it was difficult to tell whether it was because of the sales or general lack of interest from overseas investors in the JSE as a whole.

The coal sector seemed steady compared with Monday's levels, but other mining shares were hardly traded on Friday.

Palamin was slightly up, but Samancor a little down. Gefco moved higher during the week and platinums were higher.

Triomf showed some hefty gains on the announcement of talks between Dr Louis Luyt, its chief executive, and the US oil company Occidental Petroleum.

Excellent results from Curries and Curfin led to a strong rise for both.

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute of Architects' Prize

For the best student in :-

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F Dunckley

Gardner Travel Prize

student who has factorily completed 2nd and 3rd major courses.

appoport

Gohl Memorial Prize

he best woman student ird year.

C Fredgold

Haddon Prize

ne best student of tecture (or Quantity ving) in the subject ofessional Practice.

oyce Lewis

ol J B M Hertzog Prize

ne best final year student.

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n Prize

ne best work in fourth

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Perry Prize

ne best work in year.

in Rosenveld.

Dearer and dearer money

RDM 12/1/81

58

FURTHER significant and early increases in the mortgage and overdraft rates are certain.

Extremely tight liquidity (the discount houses are still in the bank for about R350 million) is expected to cause competition for funds by the banks and building societies to become even more fierce.

A reflection of this was the near historic 50-point increase to 8% in the banker's acceptance rate on Friday. Similar increases in the past have followed a rise in the official bank rate.

Predictably, the Treasury bill rate also firmed sharply on Friday. It was set 27 points higher at 6,46%, bringing the differential between BAs and NCDs to 1,52%, which further emphasises how rapid the recent strong increase in rates has been.

On the building societies side, sources tell me one society offered — although it is not clear whether it got the money — 12,5% on a one-year deposit of R5-million.

The average return on mortgage bonds is not much higher than 11,5%.

So this kind of offer is not an economic proposition.

And it heralds sharp rises in the mortage rate, and a corresponding softening in the property market in spite of vigorous claims by estate agents and others to the contrary.

Bankers say they will meet, if not better, the societies' rates.

Banks and the building societies must have stretched their operating margins to the limit by offering lenders rates which could only be described as exorbitant barely a month ago.

Pretoria has been conspicuous by its absence as a buyer in the market, and if this policy persists, the matter of a reverse yield curve is a foregone conclusion.

Financiers are predicting a January monthend shortage of more than the R670-million which the houses suffered in December, and if this is the case, one shudders to think what will happen at the end of February.

Obviously, if the current trend continues, further increases in the banks' and building societies' bread-and-butter revenue, the overdraft and mortgage markets, must occur.

"With our issuing 14-month NCDs at 11,5%, the effective cost of which is 12% (because of statuatory requirements) there is no way the overdraft rate can stay at its present level," says one banker.

Banks receive a return of between 11% and 11,5% on overdrafts, and it is unreasonable to expect them to continue showing a negative return on these lendings for much longer.

ALEC HOGG — in the capital markets

While rates are going berserk on the short end of the market, action on the long end is confined to the occasional short sale.

A result of this shorting was the 20 point rise in the long-dated RSA (to 12%) and Escom (to 12,53%) rates, although dealers complain that deals are still difficult to put together.

There is a lack of stock, and if it were not for short selling, rates would not be moving in the way they have.

●Standard Merchant Bank has been appointed to handle the R30-million Uranium Enrichment Corporation issue, scheduled for the first half of March.

Pressures that will drive up SA interest rates

15/1/81 RDM

58

By NEIL BEHRMANN

LONDON. — World economic and financial trends indicate that South African interest rates could rise sharply in the next 12 months.

If certain events occur — for example, a 20% fall in the gold price — it is possible that rates could exceed the peaks which were seen in the mid-1970s.

Over the past year South African rates almost doubled in spite of a high gold price. But the overall level of interest rates remained well below international rates because South Africa was reaping the fruits of the commodity and precious metals boom which peaked in the first quarter of last year.

Liquidity remained abundant because historically precious metals in particular remained at high prices, even though they were below the peaks of early last year.

Other countries on the other hand did not have this benefit. Their exports did not offset the huge increase in the price of oil which boosted inflation.

Starting with Mrs Thatcher, governments have been applying tight money policies to counter the inflationary effects of a high oil price and economic expansion from 1976 to 1978.

Instead of accommodating the huge increase in the price of oil by allowing sufficient credit they squeezed their economies.

Mrs Thatcher tried to combat the problem by reducing UK Government spending. But she found that she could not do so in inflationary times. The result was high interest rates. After 18 months of acute discomfort, interest rates have only recently peaked.

It is clear from statement after statement of the new Administration's economic team that the United States intends pursuing similar policies to those of Mrs Thatcher. The Reagan Administration and the Federal Reserve Board are determined to keep money tight.

On the fiscal side, the Treasury is intent on cutting taxes and slashing Government expenditure.

Unfortunately, however, the indications are that their policies may take a long time to be successful and could Injure a US economy which has lost a lot of confidence.

International interest rates %	USA	UK	Germ	SA
Domestic rates				
Three-month money	15,5	14,4	9,5	7,5
Prime commercial rates	20,5	15,0	11,5	10,0
Long-term gilts	12,0	13,8	9,0	11,8
Euro rates				
Short-term	20,3	13,25	8,4	—
Three months	19,0	14,3	9,0	—
Six months	17,3	13,4	9,0	—

The incoming US Treasury Secretary has admitted that the Administration will not be able to balance the Budget. Any cuts in Government spending could be offset by high defence spending.

Even if the US does not cut taxes, it will find that income could decline because recession reduces the tax intake.

So the US Government will continue to borrow heavily in the money and capital markets.

With food prices rising and with the US Administration intent on decontrolling oil prices, inflation will remain stubbornly high.

Compounding it all, the long-term and medium-term company debenture markets are weak, and companies are forced to borrow from banks.

Mr Henry Kaufman, interest rate guru fo Salamon Brothers, predicts that corporate financing needs will rise a record 18% to $125 000-million.

According to US reports companies have been borrowing heavily from banks in the hope that corporate debenture yields will decline. This week, the US three-month treasury bill rate rose 2% to 15%.

When the private sector borrows from the banks, the money supply increases. To counter the rise the central bank squeezes — and aggravates the problem.

There is an acute liquidity squeeze in the United States which may last a long time before relief arrives.

The world economic recession is deepening and could worsen when the United States follows European economies down.

The implications for South Africa are relatively straightfoward. Commodity and precious metals prices appear to be in acute bear trends. The only difficulty is to predict at which levels they will bottom.

Many speculators are bearish and have sold short. So there should be rallies from time to time. But the important fact is that fundamentals have re-entered the markets.

Last year, continual investment buying thwarted the predictions of the fundamentalists because wealthy investors kept prices high. However, with the fundamentals deteriorating, investors are reluctant to buy precious metals and other commodities.

The Achilles heel — especially of gold, platinum and silver — is the huge investment stockpile accumulated in the bull market. If some of these so-called long-term investors become nervous, they will sell and further supplies will be added to a weak market.

Unless somthing unusual occurs or there is a dramatic turnabout in international economic policies, South African raw material exports will decline. The exception is coal.

The SA economy is booming while inflation is accelerating.

In a booming inflationary economy imports will rise. Defence imports will continue to be high, and South Africa must still import costly oil.

All this points to a much smaller surplus, or even a shift into a balance of payments deficit.

A booming economy and high inflation will boost private sector demands for cash. Apart from the Government, semi-Government organisations and municipalities will all be in the market, crowding out the private sector.

And the Reserve Bank is committed to a tight money policy after a profligate increase in money supply of 48% in the quarter to October.

All this points to a continual increase in South African interest rates.

[illegible]

Brokers do about turn on De Beers

Star [illegible]

Financial Correspondent

LONDON — The latest newsletter from London brokers James Capel suggests that De Beers' 1980 earnings will be lower than previously and that in 1982, the group will be hard pressed to keep earnings on an even keel — let alone return to an upward trend.

This contrasts sharply with a Capel newsletter last week which selected De Beers as a "Nap" selection for 1981.

De Beers, the firm suggests, is stockpiling rough stones for the first time since 1974. And cash resources, some of which were used to buy Consolidated Gold Fields shares, are now earmarked to support the [illegible] market.

But the worst could be over. Liquidity is the key to successful long-term diamond trading and those who have maintained cash balances are now able to buy stones at good prices.

Bank cartel upsets Pretoria

(58) RDM 20/11/81

By ALEC HOGG

THE banks' pricing cartel, established last November, has caused dissatisfaction in Pretoria.

The Governor of the Reserve Bank, Dr Gerhard de Kock, and the Registrar of Financial Institutions, Mr Wynand Louw, are said to be "very unhappy" about its existence.

They are believed to have made their opinion known to the meeting of the technical committee on banking affairs held earlier this month.

The pricing cartel was formed at a meeting called by the managing director of UAL, Mr Johan Nel, when it was becoming apparent the big banks were squeezing smaller banks out of the acceptance market by cutting margins to a minimum.

The most important decision was that all banks would set a minimum 1,5% commission rate on the discounting of promissory notes and bankers' acceptances.

By setting this rate, the bankers went against Dr De Kock's free-market views.

However, that meeting was called at the request of the smaller banks, although it was they who originally cut margins to attract some of the big banks' traditional clients.

Once the Register for Co-operation (Roco) — which only involved the big banks — relaxed its regulations on commission rates, the big banks used their stronger resources to get back into the market.

ARCHITECTURE

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Miss C Tredgold

David Haddon Prize
For the best student of Architecture (or Quantity Surveying) in the subject of Professional Practice.
D H Pryce Lewis

General J B M Hertzog Prize
For the best final year student.

PROPERTY MAIL

Sectional title selling — now for industrial space

RDM 21/1/81

58

By REG RUMNEY, Property Editor

INDUSTRIAL space may soon be the next area for sectional title selling to catch on.

Johannesburg property men say selling small factory units on sectional title is a logical development from the successful condominium market.

It could be a welcome opening for the smaller industrialist who is hardest hit by the the shortage of land and factory space in and near the city, while the bigger operations are better equipped to arrange development packages for their requirements.

It may though, they add, take time for prospective tenants and financiers to get used to the idea.

Mr Philip Gershater, of Gallic, told the Rand Daily Mail that the company has two industrial projects which when complete will be sold on sectional title, in Kramerville and Wynberg with the selling price about R350 a unit of 4 000m².

"It took a while to get the institutions used to the idea," Mr Gershater said, but the finance had been arranged and construction begun

But, he cautions, "it isn't going to be that easy" to get buyers.

For one thing, the idea is new and has yet to catch on.

Also, he said: "It is a big decision for the small man. He gains in security of tenure but loses in flexibility. He needs to have a good idea of where his future lies."

But those who have expansion in mind might buy two units, use one and lease the other for the time being.

It was also an opportunity for the investor to get into the industrial market in a small way, he pointed out.

Mr Simon Portius, head of the industrial land division of Wilf Isaacs, points out that it is one way for the smaller industrialist to own his own premises, especially those "who will never get into the big league but are still very profitable".

They are in a tight spot at the moment with rising rentals and escalations, and it would pay them to own their own premises since they could work off the cost in a short time.

Also, it could be equally profitable for the developer, — particularly the spec builder — though he admits that those developers who have built smaller factory units are getting a good return from rentals and do not have much reason to sell.

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D H Pryce Lewis

General J B M Hertzog Prize
For the best final year student.

S A Read

Public sector may open private bank accounts

RDM 22/1/81

(58)

By ALEC HOGG

THE authorities are seriously considering switching the banking accounts of some key public-sector departments from the Reserve Bank to commercial banks.

The most notable one of these is the Department of Inland Revenue.

But according to informed sources, action will come only after the De Kock Commission's report, expected in the second quarter of the year.

The most important consequence of a change in public-sector banking accounts would be the elimination of the irregularly high monthend shortages suffered by the money market when funds leave the system through tax payments.

If tax was paid into the Department of Inland Revenue's account at a commercial bank, money would be kept in the money-market system.

This would mean no huge monthend shortages, such as the R670-million incurred by the discount houses last December, and the money market would be able to operate in a more orderly fashion.

The authorities would prefer a slow rise in interest rates to the sharp adjustments which have been a matter of course.

After a severe monthend shortage, rates usually rise sharply purely for psychological reasons.

This, in turn, sometimes has a negative effect on business confidence.

The discount houses support the possible changes.

It is believed they initiated the idea of transferring some public-sector accounts to the commercial banks.

But although the idea was bandied around furing the De Jongh era at the Reserve Bank, nothing concrete was done about it.

With Dr Gerhard de Kock now in the seat at the Reserve Bank, one is inclined to believe that the change will be made.

ARCHITECTURE (Continued)

Mrs. Thornton White Prize
For the best work in first year.

Miss M F J Sandilands

S A Brick Association Prize
For the student who has made best use of bricks in his design work.

J G Kirkman

R Stubbs Award
For the best project in structure and design.

M R I Ness

BUILDING

National Development Fund for the Building Industry

Book Prizes
For the best student in each year of study of the degree course.

First Year

J A L Chapman

Second Year

C S Jones

Gold Fields double earnings: Selmin dividend raised

Gold Fields investment company New Witwatersrand doubled its earnings in the six months ended December 31 and declared an interim of 18c a share against 14c in the comparative period the year before

The other investment company in the group with strong gold holdings, Selected Mining, increased its earnings by more than 70 percent and the dividend was raised from 14c to 18c a share.

However, Vogelstruisbult with interest aimed at base metals, maintained its dividend on a slight rise in earnings for the full year.

NEW WITS. New Wits' income from investments totalled R4,95-million representing a rise of more than 93 percent compared with the previous year's interim figure of R2,57-million. Administration and general expenses amounted to R168 000 (R159 000) and minority shareholders' interest rose to R112 000 (R66 000).

The company's dividend cover has been considerably raised from 1,4 to 2,2

SEL MIN: Selected Mining pushed its total revenue 64 percent higher to R427 000 (R260 000). Expenditure amounted to R29 000 (R27 000) which resulted in profit after tax at R398 000 (R232 000).

Earnings was 39.8c a share (23,2c) and the dividend was 18c (14c). The dividend has been pushed from 1,7 to 2,2.

VOGELS: In the past year Vogels, total revenue was raised by 9,5 percent to R4,34-million. Tax charges amounted to R148 000 (R3 000) which resulted in a profit after tax of R3,98-million (R3,78-million).

Attributable profits were R4,18-million (R3,96-million). Earnings a share was raised by 4,9 percent from 24.7c to 25,9c, but a final of 11c was declared which maintained the full dividends at 16c a share.

Union Tin turns in good performance

Gold Fields tinmines Rooiberg and Union Tin turned in mixed performances in the last quarter. The other, Apex Mines, maintained results.

Union Tin showed the best result in the quarter ended December 31. The ore treated and grades rose, though higher cost of sales resulted in a lower [illegible] profit a ton compared with the previous quarter.

TERMINATED

However, sales revenue was nearly unchanged at R1,53-million (R1,57-million). Cost of sales rose to R1,05-million (R953 000). Profit before tax was lower at R552 000 (R611 000) but lower tax charges of R139 000 (R220 000) pushed profit after tax to R413 000, compared with R391 000.

The directors announce that the second hole to test the mine at depth has proved disappointing. The deep-drilling [illegible] has been terminated.

The other Gold Fields tinmine, Rooiberg, showed a 15,5 percent drop in sales revenue due to lower grades and less ore treated, lower sales revenue a ton sold and an increase in costs a ton sold.

Profit after tax showed a decline of 20 percent from R3,28-million to R2,62-million.

Sales revenue was R6,47-million (R7,66-million), cost of sales was R2,66-million (R3,26-million) and its profits before tax was R2,92-million. The drop in profits would have been much wider had tax not [illegible] back from R1,12-million in the previous quarter to R[illegible].

Cohens Apex Mines turned in lower profits before tax, but owing to lower tax the profit after tax showed a slight rise.

Sales volume rose slightly, but sales revenue was slightly lower at R[illegible]-million (R10,15-million). Cost of sales rose [illegible] R[illegible]-million to [illegible]-million. Profit before tax showed a decline [illegible] from R5,66-million to R5,16-million.

However, owing to a decrease in tax from R[illegible] to R[illegible], profit after tax was nearly unchanged at R[illegible] (R2 751 000).

BANK CARTEL (58) FM 23|1|81

Back on the book?

Amendments to the Banks Act likely to be passed during the forthcoming parliamentary session could change the nature of the baking industry's profitable contingent liability business. It could also make the "all-bank cartel" formed in December one of the shortest-lived in local banking history.

Under the auspices of Merchant Bankers' Association chairman Johan Nel, the cartel was created ostensibly to protect the SA banking industry's two premier lending instruments, the overdraft and the bankers' acceptance, from the eroding effects of an over-liquid market. Subject to rates fixed within limited margins, the former by its traditional link with Bank rate and the latter by the cost of the reserve requirements it demanded, these two instruments were being upstaged by cheaper newcomers like promissory notes and trade bills, on which bank commissions had been shaved.

The final trigger, according to one banker, was the decision by Barclays and Standard to use all their resources to protect their established client relationships, which were being undermined by the cheaper lending rates offered by the smaller banks. Faced with the awesome fire-power of SA's two largest banks, the smaller banks, it is said, were ironically the prime movers of the cartel.

Minimum rates

The cartel, amid adverse press publicity, basically set minimum lending rates for advances not covered by OD conventions, and minimum commission fees on the discounting of all paper. These two pricing agreements have held, say bankers. Its third provision, a minimum commitment fee for back-up facilities arranged to support bill credit, has proved unpopular and largely ineffective.

At the time, Nel maintained that the notion even of an agreement, let alone a cartel, was misconceived. Basically, he explained, he had been authorised to make representations to the authorities concerning the standardisation of treatment of the different instruments floating around the money market. But, he added later, until legislation rights "what is clearly wrong", the banks will protect themselves.

The banks have indeed protected themselves, and representations have been made. But whereas the banks set the market to rights by minimum price agreements, the authorities cannot on principle use the same means.

"We can't go along with the minimum price approach," says Registrar of Financial Institutions Wynand Louw. "But the different provisions relating to promissory notes and trade bills as opposed to BA's do create distortions in the market, and we are aware of the merit in the banks' representations regarding them."

The "provisions" referred to apply to the differentials in statutory reserve requirements between liabilities incurred by lending through the different instruments. Consequently the Technical Committee on Banking has included recommendations concerning them in a package of proposed amendments to the Banks Act. This has already been approved by the Cabinet, according to Louw. So the coming session seems to promise a standardisation of reserve requirements on all the instruments involved. This could mean that BA's become exempt from reserve requirements. But given the abolition of credit ceilings and the need to control bank lending, it is more likely that the other instruments will become subject to these requirements. This would bring them back onto the balance sheet, and a large proportion of the banking system's contingent liabilities would disappear at a stroke of the accountant's pen. But the same stroke would, of course, *ceteris paribus* simultaneously increase both its "real" liabilities, and its lending costs.

When this becomes law, the price cartel should in theory fall away. But given the endurance power of ROCO, the commercial banks' pricing agreement which has limped along for about 60 years, the wider cartel may continue to exist for a long time. One banker, for instance, views it as a necessary stabilising factor in the banking industry, more so because it includes the whole industry, and because the distinctions between the nature of the lending business of the different category banks are less rigid then ever before. This banker is currently engaged with the problem of devising a suitable acronym for the enlarged committee. And as we all know, names confer dignity and dignity at least a hint of longevity.

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David Haddon Prize
For the best student of Architecture (or Quantity Surveying) in the subject of Professional Practice.

D H Pryce Lewis

General J B M Hertzog Prize
For the best final year student.

S A Read

in fourth

in

RDM 23/1/81

"Let black farmers benefit"

58

Pretoria Bureau

BLACKS should share in the fruits of agricultural development in South Africa, Mr J le Riche, of the Federale Volksbeleggings Beperk, said at an agricultural conference in Pretoria yesterday

He said there was a unique situation in South Africa because one group of the population — the whites — were already developed, while the black farmers were undeveloped

"We now have a task to grant our black farmers an opportunity as soon as possible to enjoy the fruits of our agricultural development," he said

Mr Le Riche said South Africa's task was to get white agriculture on the highest level and to maintain that level

MR. SAMUEL'S [illegible]

[illegible]

Only in the [illegible] did the [illegible] [illegible] takes [illegible] [illegible]

[illegible]

[illegible] made possible [illegible]

ly. But even this [illegible] seems rather [illegible]

[illegible]

HILL SAMUEL'S THEFT (58)

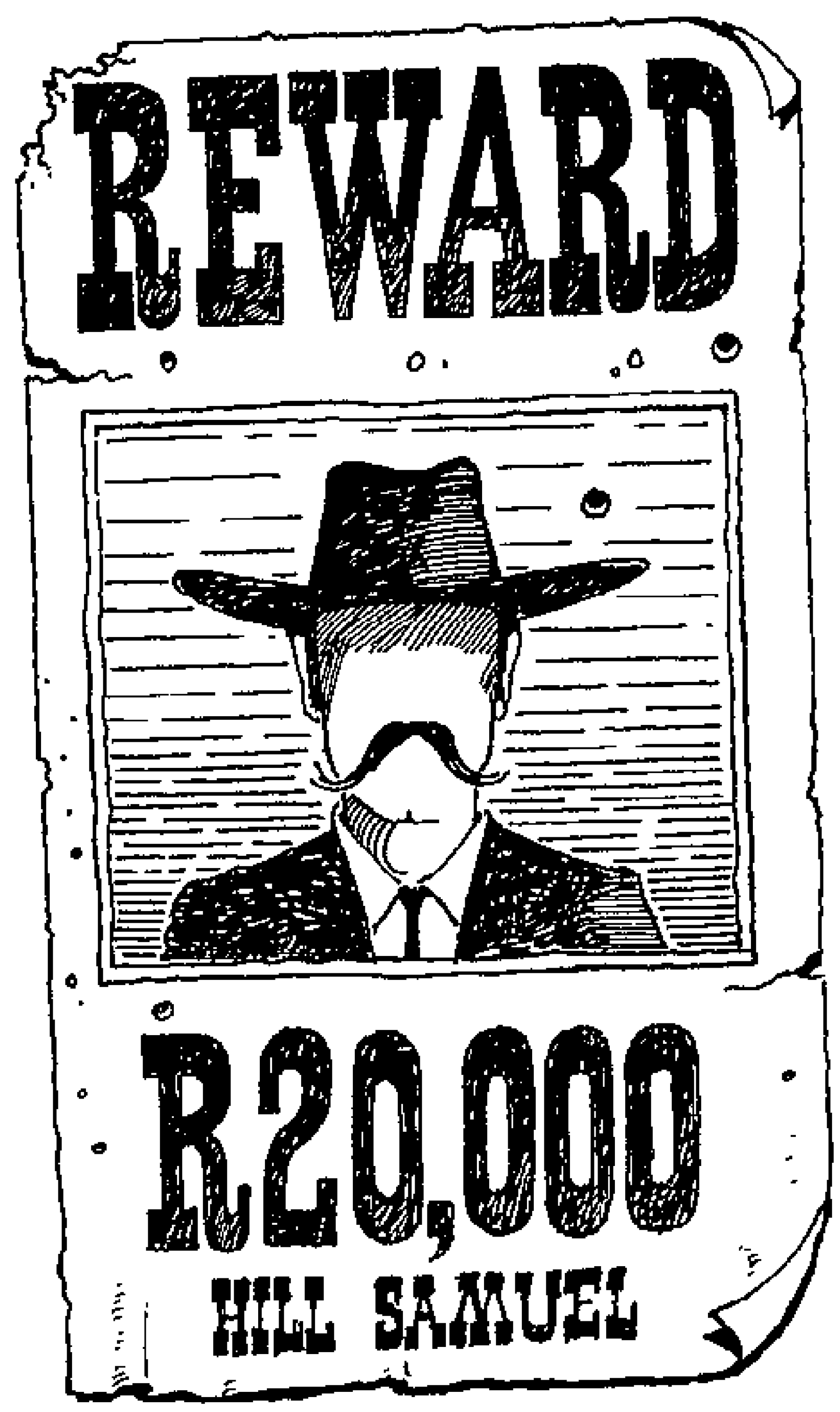
Over-dramatised

FM 23|1|81

Only in the most nominal sense did the thieves who penetrated the Hill Samuel vault take securities "worth" more than R30m, says MD Andrew Fleming. He explains that the face value of all the securities taken is about R50m, of which R18m is "totally non-negotiable."

The balance of R32m (in bills, promissory notes and bankers' acceptances) is "theoretically negotiable", but the ordinary individual would have "extreme difficulty" in negotiating any of it in SA's sophisticated money market. The various institutions which operate in the money market have been given a full list of all details, such as the names of the drawer or maker. The list has been widely circulated throughout SA.

It is theoretically possible, acknowledges Fleming, that individual short-dated instruments could be negotiated to individuals, by-passing the money market entire-



ly. But even this possibility seems rather theoretical.

In the issue of duplicate instruments, Hill Samuel would clearly have to issue an indemnity, which would be done only a few days ahead of due date.

Hill Samuel carries "normal bankers' insurance," which includes protection against theft.

The reward of R20 000 offered for the recovery of the stolen instruments seems high in these circumstances. But, explains Fleming, the administrative costs saved by their early recovery would far exceed the amount of the reward.

BUILDING SOCIETIES (58) FM 23/1/81

Reaping the whirlwin

Building societies are climbing into the money market They are mainly in search of funds to back mortgage commitments, and some are offering up to 12% on 12-month deposits of more than R250 000 against about 9% a week ago.

The speed of the turnaround has been breathtaking "It's the first time in my life," comments a Pretoria broker, "that I've seen quoted rates rise 3% in a week."

The word is that the movement is seeking R60m to service loans granted. Spokesmen concede that it's a contributory factor, but they say there are others. Not the least of them is the need to maintain their position in the lending market.

"Demand for mortgages is still high and man-in-the-street investors can't supply it all," comments UBS joint-MD Peter Richardson. "We keep substantial amounts on hand but it is true to say the need to service our existing commitment is one reason for the more aggressive approach. Basically, however, we are looking for money to lend."

The UBS, he says, won't go as high as 12% and is losing out as a result. One morning this week it lost two large potential investors to banks offering 13% and 14%.

The Allied's Jim Dodds backs the claim. He says society offers of 11% are being well-beaten by banks going up to 12,25%.

Dodds agrees that loan commitment has built up substantially and it is a major reason for the move into the market Normally, the loans could be covered by liquidating excess prescribed stock There's still a lot of it in hand. Last year the movement had more than R1 billion tied up in this way and substantial amounts have already been realised.

Now, with rates rising sharply, the societies are reluctant to sell and take capital losses. As the amounts involved are comparatively small, they obviously prefer to raise new money, even at punitive rates.

But not at any price. NBS regional manager Terry Bradshaw says his society won't chase funds at 12% although it will certainly look at 11%. "To a certain extent we have got to meet the competition and we need the loans to protect our position."

Johannesburg has just received increased quotas from head office in Durban, he says, so the position isn't all bad.

For all that, there's little doubt that societies are over-extended as a result of their constant preoccupation with maintaining volume at all costs. It's an expensive luxury as they are now finding out. And one that the country can ill afford, especially given the disparity between white and black housing standards.

City sales soar to R291-m

Argus 24/1/81

PROPERTY SALES in Cape Town last year soared in value to the record figure of R291-m, 85 percent more than the total for 1979 and more than three times that for 1978.

Last year's sales totalled R291 677 112 compared to the 1979 figure of R157 788 804 and the 1978 total of R92 73[illegible]68. The number of sales jumped from 5 466 in 1978 to 7 409 in 1979 and to 9 965 last year.

The busiest ward last year was No 13 — which takes in Athlone, Crawford, part of Claremont and Kenwyn. Sales there reached the total of R36-million almost double the sales in that ward in 1979 of R19-million.

Second most popular ward was No 14 — Claremont, Newlands, part of Kenilworth and Bishopscourt with sales of R33-million. However the number of transactions in this ward totalled 764 compared to the 2 111 in Ward No 13.

Third most popular ward was No 16 — Plumstead, Ottery, Wetton, part of Southfield, part of Diep River where 1 208 sales fetched R25-million.

There were some large deals in Ward No 7, the Foreshore in the central part of the city, where only nine sales fetched R1 720 000. It was the only ward where sale prices were below valuations.

During the year 1 528 vacant plots were sold for R18-million and 7 065 land and buildings were sold for R267-million privately. A total of 164 vacant plots and buildings were sold at public auction for more than R6-million.

D A Rapoport

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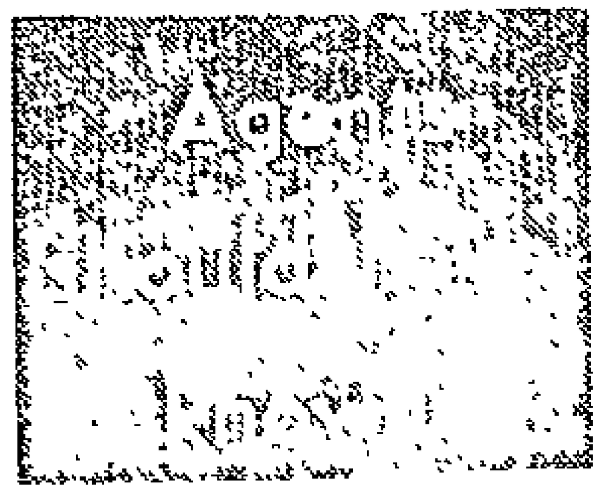


BUILDING societies are under fire by estate agents and aspirant house buyers for the suddenness and severity in the cut-back of bond finances, and are being accused of injudicious management of funds during the 1980 property boom.

While acknowledging that the loan level for 1980 had been 'extraordinary', Mr Boet Viljoen, president of the Building Societies Association, said that estate agents should have realised it could not continue [illegible].

'It is not the first time in South Africa that we have had this flood of money, it inevitably dies down and people should know that by now.'

He said there was less money available for home loan finance because the market liquidity position had become more stringent, corporate and individual investors had moved out of societies to more attractive investments, and societies were committed to large loan amounts from 1980 which had not yet been paid out and were consolidating their positions before deciding on available finance for 1981.

Mr Viljoen said the situation could be improved slightly when the societies' new interest rates — announced on January 12 — had worked [illegible] the market. They should attract more investment and start our money pool growing again, he said.

TITLE SCHEMES AT STANDSTILL

Argus 24/1/81

Alan Cooper, Property Editor

~~122~~ 58

THE majority of proposed sectional title schemes in South Africa are now at a standstill after recent warnings by the Minister of Community Development, Mr Pen Kotze, claim developers and agents.

Concerned about hardships to tenants of flats converted to sectional title schemes, the Minister last month announced that he was to put forward several amendments to the Sectional Title Act. They included:

- The postponement of the date put at April 1, when owners of rent-controlled flats could take possession of them for their own use.
- No sectional title development could proceed until a register was opened.
- No sectional title units could be sold in a project if one of them was occupied by a 'protected tenant', registered as such because of low income qualifications.

These amendments will be put before Parliament at its present session as a matter of urgency, the Minister said.

Developers and agents were ready to accept all but one of the suggested amendments — that which specifies that no sectional title units could be sold while one flat in a project was occupied by a protected tenant.

'If the Minister is intent on destroying the concept of sectional title in South Africa he could not have found a better way of doing it than by insisting on this amendment,' said a developer.

'People cannot find good homes below R25 000 and turn to buying a flat. These amendments, to some extent, deny them somewhere to live.

'The concept of sectional title was to provide reasonably priced homes protected against inflation.

'This amendment and the others have stopped the sectional title market in the country. In Johannesburg no flats had been sold since the Minister's statement in November while the position was equally as chronic in the Cape. He had 12 blocks to convert to sectional title but would not proceed with them until the situation was clarified.

An agent, Mr Haddon Steer of Steer and Co, said that the Minister's statements had had a sobering effect on developers of sectional title who were now waiting to see what would come out of Parliament.

'There are a number of new schemes planned but they are not going ahead with them until more is known about changes to the Act.'

'Because of these statements a developer would not look at a block of flats which has a protected tenant in it.

'Again, developers are wary about considering for sectional title blocks of flats first occupied before October 20, 1949. These are the last group of buildings [illegible] for rent decontrol this year and a special Act of Parliament will be needed for this.

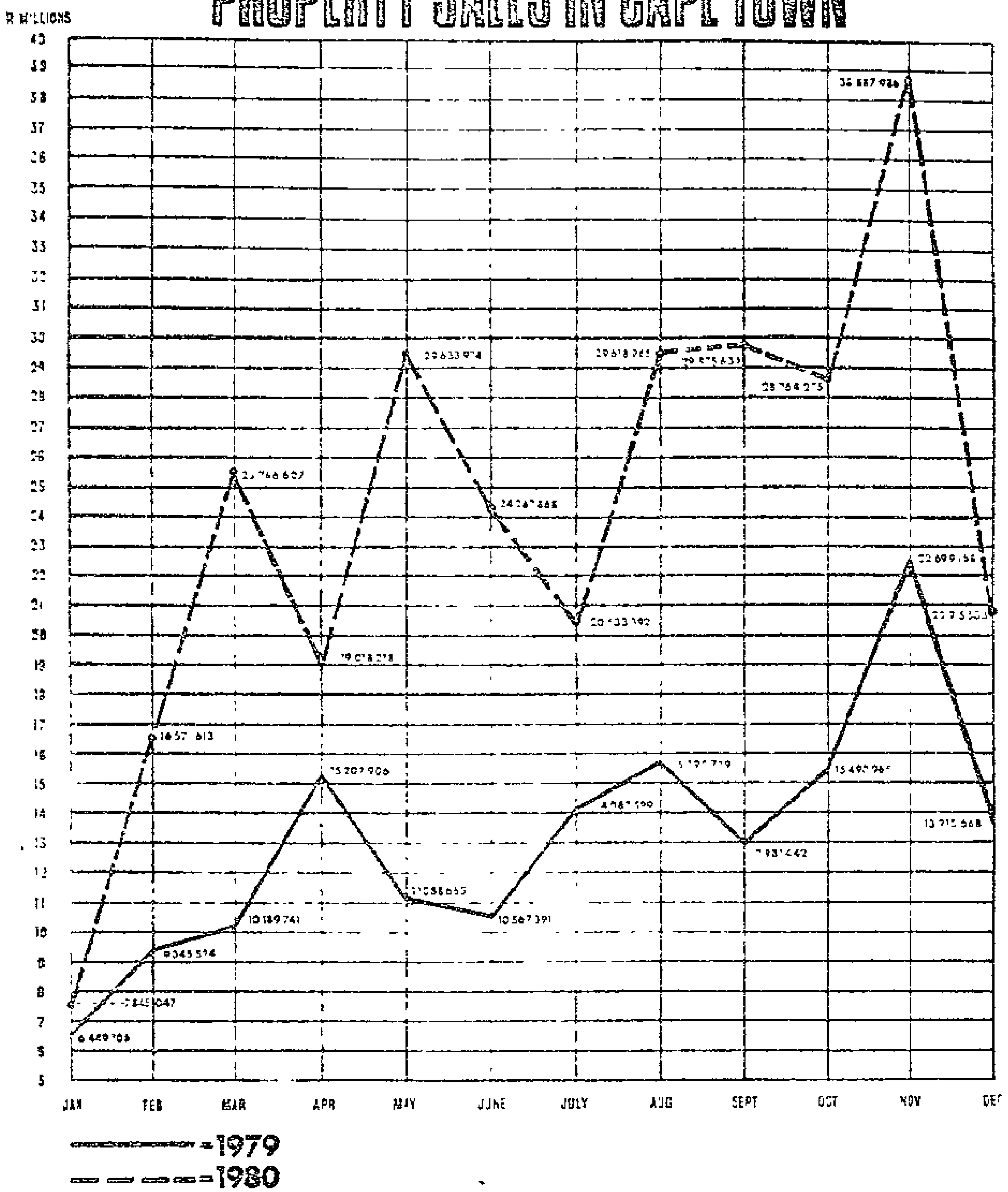
'However, we understand this will take place from April this year. But if any of those blocks of flats have protected tenants in them they will not be able to be converted to sectional title and developers are naturally shying away from them,' he said.

Another agent pointed to the uncertainty now facing hundreds of individuals who had bought flats either as an investment or for retirement.

'If the register for sale is not open or if the flats are occupied by protected tenants then this new class of property owners is frustrated.

'They cannot move into their own flats if they want to and, in some cases where the registers are not open, they are in a state of limbo with their money tied up and nothing to show for it,' he said.

PROPERTY SALES IN CAPE TOWN



PROPERTY SALES in Cape Town dropped seasonally in December to R[illegible] as this graph shows. However, it was still well above the sales for December 1979 and nearly reached the highest peak during that year.

58

Industrials look attractive —but some brokers bearish

Argus 24/1/81

Investment

By DEREK TOMMEY

THE recent decline in industrial share prices on the Johannesburg Stock Exchange has resulted in a considerable improvement in the yields on a large number of top-quality counters.

Many good quality industrial shares are now yielding more than six percent and, with a further increase in their dividends expected this year, that return could improve substantially.

Accordingly, many people are beginning to regard industrial shares as reasonably attractive investments at their present prices. Brokers, however, hold different views on this matter.

Some are advising their clients to stay out of the market at present. One reason is that they believe interest rates could go even higher, leading to a further fall in share prices.

POLITICAL CRISIS

A second reason is that they are concerned about the outlook for gold, and believe there is a possibility of the gold price dropping some way below its present levels.

They argue that the political crisis in the Middle East which followed the seizure of the American Embassy in Teheran by the Iranians was one of the main reasons for last year's sharp increase in the gold price.

Now that Iran has released the American hostages the crisis should gradually cool leading to a lesser demand for gold.

They also argue that the release of the hostages will enable Iran to get Western technical assistance, and help it to increase its oil production and sales.

As there is already some over-production of crude oil, this will make it more difficult for the Opec states to increase oil prices further thus reducing inflationary pressures.

OIL REVENUES

A second effect would be to cause the oil revenues of the Opec states to level off and so reduce the funds they have available for investment in gold.

Considering all these factors together they maintain there is a definite possibility that the gold price will ease this year, which will lessen its stimulatory effect on the South African economy.

However, there are other brokers and investment advisers who are much more bullish about the investment outlook.

They maintain that gold has come through the latest period of uncertainty caused by the US hostages negotiations with flying colours.

Furthermore, they believe that any weakening in the gold price will lead to increased central bank buying.

Although President Reagan is aiming for a balanced budget this is still four years away, they say. The US will therefore continue to flood the world with depreciating dollars which most central banks will willingly turn into gold.

FREE MARKET

They also point out that the amount of gold sold on the free market has dropped substantially in the past year. Today sales of gold through the market are between a third and a half of what they were two years ago.

Consequently, as long as there is even only a small demand for gold the price will remain about where it is, and the metal will continue to stimulate the economy.

As for interest rates, they claim that the Government's primary economic aim is to keep the economy growing rapidly. Therefore it will ensure that interest rates do not reach a level where they will retard the economy.

Accordingly, business should continue to boom and profits and dividends continue to grow, while share prices should also start rising again.

Which group of brokers is right is difficult to say. There is no doubt that it has been the bears who have made the running in the past month or so. But events in the market this week suggest that the bulls are now beginning to dominate events.

DE BEERS

De Beers shares have been under considerable pressure in the past few weeks and dropped below 1 000c this week.

The main reason for the drop in price of South Africa's prestige share is the easiness in the diamond market. Overseas reports speak of a sharp drop in the prices of gem stones and De Beers having to support the market

monds in competition with De Beers' selling arm, the Central Selling Organisation.

However, it is an ill wind that blows no good.

The pressure on De Beers now means that anyone seeking security in their old age can pick up a first class share at bargain basement prices.

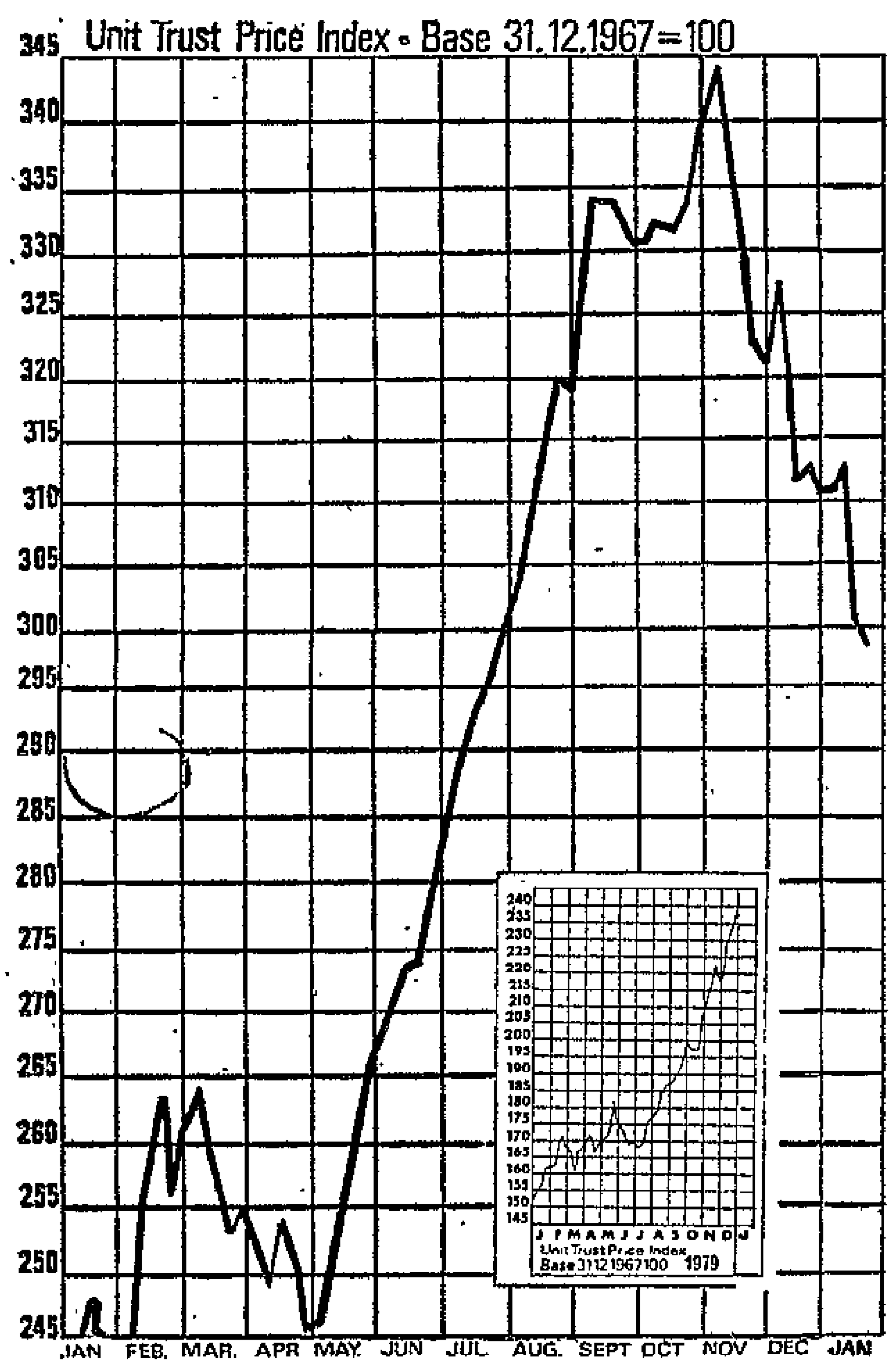
At 1 000c De Beers is yielding just under 8 percent. This is a generous return from what is one of the country's top class investments and it can only get better in the future.

DIVIDENDS

De Beer's dividends last year were covered almost three times by profits, so there is no likelihood of a cut in dividends even if the company's diamond profits are no longer as good as they were.

In fact, it is possible that De Beers may even increase its dividend, for it has been a heavy investor in golds lately and its income from gold shares should go a long way towards offsetting losses on diamonds.

A final reason to buy De Beers at its present price is the recent improvement in the United States economy. It grew at an annual rate of about 5 percent in the December



ARGUS unit trust index fell 2,57 points this week to 298,09.

MONEY MANAGERS FACE CURBS

Argus 24/1/81

58

by DEREK TOMMEY, Financial Editor

THE Registrar of Financial Institutions has been investigating the activities of private share portfolio managers and will soon announce minimum conditions with which they will have to comply.

The investigation followed complaints from the public that some portfolio management companies were:

- Using high-pressure tactics to persuade people to hand their capital over to them.
- Charging excessive fees.
- Misusing their clients' money.
- Disappearing with their clients' funds.

An official of the Registrar of Financial Institution's office says the new conditions will be published soon in the Government Gazette and are expected to come into force from April 1.

The conditions fall under the Stock Exchange Control Act.

It is not the intention to regulate private portfolio managers, but rather to lay down minimum conditions. These can serve as guidelines for the public and lead to the orderly conduct of portfolio management business.

Some of the conditions will aim at preventing excessive fees being charged on unrealised profits. Others will be aimed at making contracts specify the fees charged in cash terms and not in percentages, the official says.

Horrified

Stockbrokers in Cape Town say they have been horrified by the fees charged by some portfolio management companies.

Some of the fees levied by the companies in buoyant market conditions are 40 times higher than those charged by brokers.

It is fairly common for some private porfolio management companies to demand an initial management fee of 9 percent of the funds handled. This means that if they take over a R100 000 portfolio, as one company did in Cape Town recently, they get an immediate payment of R9 000 and the value of the portfolio is reduced to R91 000.

After this there is normally a levy on any capital gains, whether realised or not.

It is common practice to demand a third of the capital gains made every time the value of the portfolio rises by 25 percent. If the owner does not want to sell shares to meet this charge he has to pay in cash or be charged interest on the outstanding amount.

A subsequent reduction in the value of the portfolio does not free him from the need to pay the capital gains levy.

Stockbrokers point out that levying fees on unrealised capital gains in this way can lead to many abuses. It could cause the management company to invest all its funds in one company with a small share capital and push up the price of its share.

On paper

While the company may appear to be making money for its clients, any attempt to take profits would lead to the price of the share dropping.

Thus any gains would be made only on paper, while charges would still be levied on them.

Stockbrokers also criticise the fees levied on portfolio owners if they want to cash their investments within a year of entrusting them to the management company.

This fee often amounts to 12 percent of the initial investment, plus capital appreciation. Should the value of the portfolio slump the 12 percent is still levied on the initial investment.

Thus an investor who may find his R20 000 portfolio reduced in value to R10 000 would still have to pay R2 400 to get his money back.

Stockbrokers

In contrast, the normal fee charged by stockbrokers for managing portfolios is one percent of the market value, calculated annually at the anniversary of their appointment.

In addition they charge a fee of four percent for collecting dividends. Thus for managing a portfolio worth R100 000 they would get a fee of R1 000 plus (assuming a five percent dividend yield) a R200 collection fee.

The charges of merchant banks and investment companies are roughly similar.

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute of Architects' Prize
For the best student in :-

Sixth Year

P F Dunckley

Helen Gardner Travel Prize
For a student who has satisfactorily completed 1st, 2nd and 3rd major courses.

P A Rappoport

Molly Gohl Memorial Prize
For the best woman student in third year.

Miss C Tredgold

David Haddon Prize
For the best student of Architecture (or Quantity Surveying) in the subject of Professional Practice.

D H Pryce Lewis

General J B M Hertzog Prize
For the best final year student.

S A Read

Osbourn Prize
For the best work in fou...

STAR 27/1/81 (58)

Nedbank out of Zimbabwe

The Star's Africa News Service

SALISBURY — The Zimbabwe Government today concluded negotiations to buy Nedbank's 61 percent shareholding in Rhobank for R30 940 000.

A joint statement today by Finance Minister Senator Enos Nkala and Nedbank managing director Mr Rob Abrahamse, said Nedbank's shares would be bought in three batches over the next 24 months for the equivalent of R7,02 per share.

Senator Nkala said the purchase was a "positive step by the Government of Zimbabwe to ensure a major interest in the Zimbabwe banking group, thereby significantly reducing the foreign control of the Zimbabwe banking industry."

Nedbank, he said, had signed an agreement with the Government to continue managing Rhobank over the next two years.

Mr Nkala said no changes were planned in the day to day running of the bank or its staff or dividend policies, but the takeover would accelerate present Government policy of training Zimbabweans and bringing them into its management structure.

Mr Nkala and Mr Abrahamse stressed that there had been no pressure applied to make Rhobank sell to the Government which had entered the market "like any other buyer" after it heard that the Bank of America was negotiating to buy the Nedbank shareholding of Rhobank.

Oppenheimer welcomes poll as chance of change

58 Star 30/1/81

By David Bristow

The forthcoming general election in April was designed to do useful and valuable things for South Africa, says Mr Harry Oppenheimer, chairman of Anglo American.

Speaking at a business conference at the Carlton Hotel on the challenges facing South Africa in the 80s, Mr Oppenheimer said last night the country was living in time of change, of doubt and danger, to which it had to face up.

But he was optimistic that the Prime Minister, Mr P W Botha, would be able to turn the total onslaught facing this country into something positive by turning world opinion in favour of South Africa with positive internal changes.

He said the Government had enormous policies for change and had already made a lot of important changes to improve race relations and the free-enterprise system in the country.

The real objective of the Government was to establish a just society irrespective of race, he believed. The Government was full of attractive rhetoric for change and he was hopeful that "the rhetoric of today" would turn out to be "the political programmes of tomorrow."

Mr Oppenheimer said that in these times of change South Africans were dependent on Government policies to bring them through. He said not everyone in the world would agree with these policies of change, but they would show real evidence of what the Government was trying to do — to move forward. "I believe the election is designed to do just that," he said.

If South Africa was to be a happy and united country, it was not only the Government's duty to work towards this, but that of every private person and business as well. There were great opportunities for all to help build a better and prosperous South Africa, he said.

The country's shortage of skilled manpower had reached crisis proportions, he said. It was the duty of the Government and private enterprise to tackle the problems of underemployment and unemployment among unskilled workers.

BUILDING

M R I Ness

R Stubbs Award
For the best project in structure and design.

J G Kirkman

S A Brick Association Prize
For the student who has made best use of bricks in his design work.

Miss M F J Sandilands

Mrs. Thornton White Prize
For the best work in first year.

ARCHITECTURE (Continued)

CREDIT 58 FM 30/1/81

Consumer benefits

If you are an HP borrower, it has seldom been to your advantage to repay your loan early. But a new law is going to change this.

The change is contained in "one of the most confusing bits of legislation ever put on the books," which is Nedfin MD Ron Rundle's description of the Credit Agreements Act of 1980. He echoes the view of several consumer and wholesale banks on certain of the regulations built into the new Act.

One regulation about which bankers "are not happy" is that governing early settlement of HP contracts. Grumbles one HP bank: "It's likely to benefit consumers at the expense of finance house profitability."

Currently banks discount only roughly one third of total interest when early settlement is effected. In terms of the new Act, instead of charging an effective 7,5% per annum rate on the amount anticipated for the period anticipated, banks will be barred from penalising borrowers who wish to settle contracts before expiry date.

Effective from March 1, the new Act's early settlement terms allow borrowers to give 90-days' notice of early settlement after a minimum three-month period of signing the contract.

The law requires them to pay interest at the originally negotiated rate only on the balance outstanding and for the period that the money was outstanding.

Says Rundle: "Funds have to be placed in the market again. To re-allocate the money in other suitable transactions is expensive. The cumulative effect of early settlements and the rates of interest are not so advantageous to banks which have to incur steep costs when putting the money back onto their books."

Banks stress they "don't want early settlement. We are in a loss situation if settlement is effected in the first three months after the contract is signed on fairly big amounts, six months on small amounts. Breakeven point comes only after that period. Acquisition costs, processing of paper and receipt payments are not covered adequately by the new legislation."

Consensus is it's difficult to assess how dramatically bank profitability will be affected by new regulations. Certainly there's agreement that profitability will be affected adversely. The market feels consumer banks will suffer more substantially than banks in the wholesale [illegible]

[illegible] one banker: "The differential on settlement [illegible]"

[illegible] Stumme, senior GM, Operations [illegible]: "The new Act [illegible]"

[illegible] Stumme [illegible] profitability will be affected."

[illegible]

Parliament

Argus 30/1/81 ~~182~~ 58

Titles policy causing doubt

Parliamentary Staff

SINCE November last year, when a new policy statement on Sectional Title was announced, there had been months of uncertainty for those who had bought, or were in the process of buying, units under the Sectional Titles Act, Mr Colin Eglin (PFP Sea Point) told the Assembly yesterday.

Mr Eglin said that two months ago Mr Pen Kotze, the Minister of Community Development and State Auxiliary Services, had stated the Government intention to introduce far-reaching amendments to the Sectional Titles Act.

He said the Minister had also been reported as saying the draft Bill would not be available for general comment before it went to Parliament owing to the urgency of the matter.

Mr Eglin said this was 'remarkable'. Is this the way to govern; to legislate; to deal with the rights and interests of tens of thousands of people?' he asked.

A notice of motion of the introduction of the Sectional Titles Amendment Bill was tabled in the Assembly yesterday.

The Bill is aimed:

- 'To further determine the circumstances in which applications for approval of development schemes shall not be considered by local authorities.
- 'To prohibit the sale of units in certain buildings before the opening of a sectional title register:
- 'To provide for the date of commencement of a certain provision to be fixed by the State President by proclamation.'

Mr Eglin gave 'some credit' to Mr Kotze for 'this belated attempt to save thousands of flat-dwellers from the consequences of Government policy.'

He said a mess had been created and much hardship caused by the Government's 'hamhanded handling of the phasing out of rent control and its stubborn determination early last year to amend the Sectional T 1971.'

This action l ernment had:

- Unleashed property spect as had not be the South A perty market time:
- Resulted in thousands of flats in cities them elderly living under t threat of evictı
- Caused thou to be faced wit hardship.

FINE ART & ARCHITE

ARCHITECTURE

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BANK CHARGES (58) FM 30|1|81

Tying the knot

The commercial banks are once again close to concluding an agreement on current account charges and commissions. It is due to be unwrapped next month.

This has become something of a perennial claim. They have been working on a formula for four years and have several times apparently come close to a formal announcement.

The most recent imminence was early last year, when the recommendations of the Inter-bank Committee formed to review the pricing structure were accepted by the chief executives of the "Big Five" clearing banks, Barclays, Standard, Nedbank, Volkskas and Trust. The package was then presented to the Technical Committee in Pretoria, whose formal approval is not required, but who found objections sufficient to persuade the banks to take another look.

Now, bankers say, they have put together a package that everybody seems to like. A few technicalities are still exercising the minds of the chief executives involved, but the package will be presented to the public in February.

Details are unavailable, but some tentative assumptions can be made. The early-1980 agreement, according to Registrar of Financial Institutions Wynand Louw, tended to place too great a relative burden on large clients such as companies, stockbrokers, building societies and other institutions that deal in large cheque transactions. The present price structure, he adds, reduces this large-client cost burden by as much as two thirds.

Nonetheless, says Louw, he has been assured by the banks that their total income picture will not change. The overall client burden is the same, but it has been more equitably distributed in the sense that the cost is more properly related to the size of the service rendered. In general, the new structure is more simple, more modern and more related to banking practices elsewhere.

Transfer fees

All this suggests that transfer fees are unlikely to be calculated on an *ad valorem* basis, since it is this that places a heavier cost burden on larger clients.

In addition, the earlier agreement appeared to come down heavily in favour of smaller depositors, advocating as it did the complete abolition of a wide number of current account charges, like transfer fees, remittance fees, ledger fees and other administration charges. This was partly a response to building society encroachment on traditional banking territory.

The claim that the new agreement is more equitable suggests that the abolition of fees will be more selective and reflect real administration costs. Free clearance areas, for instance, are a relic of the days when distance imposed clear cost differentiations on money transfers. So the free clearance area system could well be altered to reflect the cost of more modern communications, if it is not done away with entirely.

And ledger fees, if the reference to modernity and comparability with other countries is anything to go by, may not be abolished entirely but may be tied to the size of the current account balance.

The new agreement will be a minimum pricing structure to replace the rather weather-beaten provisions laid down by the 60-year-old Register of Co-operation. In this sense, it will breathe new life into the much criticised Clearing Banks Association cartel. But bankers reckon that these minima will still undercut revenue needs and suggest that a certain flexibility will have a constitutional place in the agreement. Whether this constitutes voluntary adaptation for survival, or another nail in ROCO's coffin, is yet to be seen.

Old Mutual moves strongly into property

CT 31/1/81 (58)

THERE has been a significant rise in the market value of securities and property of Old Mutual's Multifund Investment System in the past two years with equities again outperforming all other investment channels, Mr F J Davin, managing director, said in Cape town yesterday.

With reference to Old Mutual's pensions services annual report that has just been published, he pointed out that the market value of the Multifund's equity fund increased by 82,3 percent for the year ended June, 1980. This compares with 72,5 percent in 1979 and 31,7 percent in 1978.

In the past 18 months Old Mutual has continued to move strongly into the property market, investing some R125m — of which more than R60m was invested in six top quality office blocks well situated in the country's major centres.

This move was made in anticipation of the upturn in the property market and because of the availability, at prices considerably below replacement costs, of relatively modern properties offering sound investment.

These investments bring the total value of Old Mutual's property portfolio to more than R500m, putting its property operation among the largest South African businesses (excluding mining houses and the large financial institutions).

New investment in completed properties, on a selective basis, will continue to be attractive in the short-term and perhaps even longer, but prices are expected to harden.

There are very few properties on the market now at prices below replacement costs.

At the same time property investment has entered a new era. There is a shortage of accommodation, but the rentals required to justify the new buildings are much higher than were required a few years ago.

The rapid increase in building costs in recent years has increased the problems involved in property development. The property developer has to be careful that the rentals required to provide even a modest initial return on his investment will not prove to be out of reach of the prospective tenants. This applies particularly to flats.

For example, it has been estimated that 60 one-bedroomed flats in a 12-storey block built in 1965 could each be let at a rent of R45 ...

Mr F J Davin

developer the same return.

Today a developer could begin building such a block of flats with rents of R300 a month in mind and on completion of the project be forced to ask R350.

This highlights the impact on the developer of the combined effects of the rising cost of money and the rising cost of building. This combination could result in rents rising quite disproportionately in terms of other items in the consumer price index.

Against this background Old Mutual will continue to seek top-quality office, residential, retail and industrial properties, and development opportunities in prime areas.

According to the report, 1980 has been a very successful year for Old Mutual in the employee benefits field. A 31 percent premium income jump to R298,7m reflects the growing need for pensions services.

Total group business funds administered rose from R1 010,7m to R1 410,3m and total group life assurance in force from R4 945,4m to R6 780,1m. The number of families involved in group benefit plans underwritten by Old Mutual increased from 755 000 to 1 232 000.

The total basic and terminal bonus rates rose from 12 percent in the previous year to 14 in the year ended June 30, 1980.

Costs critical area for developers

58 (123) RDM 31/1/81

By REG RUMNEY,
Property Editor

PROPERTY investment has entered a new era under the combined effects of the rising cost of money and building, says Old Mutual Pension Services Report for 1980.

Costs could push rents up "quite disproportionately" compared with other items in the consumer-price index, and the developer has to take care that rentals needed even to provide a modest initial return will not prove to be out of reach of prospective tenants.

Old Mutual reports that it has over the past 18 months invested R125-million in property, bringing the value of its property portfolio to more than R500-million.

More than R60-million of the R125-million was invested in prime office space in the major centres.

None of the six major properties bought — Mutual & Federal Centre, Triomf House, IBM Building and Johannesburg's Nedbank Mall, Durban Bay House, and African Eagle Centre in Pretoria — was more than five years old.

Old Mutual's move into property was made in anticipation of the upturn in the property market and because of the availability, at prices well below replacement costs, of relatively modern properties offering sound investment.

While prices are expected to harden, new investment in completed properties on a selective basis will continue to be attractive in the short-term, and perhaps even longer.

There are few properties on the market now at prices below replacement cost, Old Mutual says.

At the same time property investment has entered a new era.

There is a shortage of accommodation, but rentals required to justify new buildings are much higher than they were a few years ago

The rapid increase in building costs in recent years has increased the problems involved in property development.

The property developer has to take care — particularly with flats — that rentals required even to provide a modest initial return on the investment will not prove to be out of reach of prospective tenants.

For example, it has been estimated that 60 one-bedroomed flats in a 12-storey block built in 1965 could each be let at a rent of R45 a month.

This would give the developer a return of 1% more than the then-cost of money.

But the same flats built in 1975 would need to be let at R190 a month to give the developer the same return.

Today, a developer could begin building such a block with rents of R300 a month in mind and on completion be forced to ask R350.

"This highlights the impact on the developer of the combined effects of the rising cost of money and rising cost of building

"This combination could result in rents rising quite disproportionately in terms of other items in the consumer-price index."

Massive profit for Besters in Pretoria flat deal

S. Times [illegible]

THE well known Afrikaans property and construction group Besters, made a spectacular R1-million profit when it bought a Pretoria block of flats from the Iscor Pension Fund last year and within 12 days resold it to Armscor.

A Bester subsidiary, La Montagne Sec (Pty) sold a Pretoria flat complex, Chambord, to Armscor's property subsidiary, Pamarco [illegible] (Pty) for [illegible] on August 12, 1990.

Only 12 days earlier Besters had taken over La Montagne Sec (Pty) from the Iscor Pension Fund.

Although neither party will declare the price Besters paid, reliable sources have confirmed that it was more than R1-million below the price to Armscor.

The shares of La Montagne Sec, whose only asset was the Chambord block of flats, were originally held by another Bester subsidiary, [illegible] (Pty), but were transferred to the Iscor Pension Fund in 1978 when La Montagne was unable to meet [illegible] payments to the fund.

La Montagne reverted to Besters control in last year's transaction but its only asset went to Armscor almost immediately.

Several property brokers and flat administrators in Pretoria expressed amazement at the huge sum paid by Armscor for the property.

At that price they will never be able to let the flats on the open market at an economic rate, one flat agent said.

Simply to earn a normal bond interest on that amount they would have to charge two-and-a-half to three times the rentals that the last tenants were paying.

The agent calculated that to obtain about the same return on its investment as the Iscor Pension Fund, Armscor would have to raise the rent of a bachelor flat from R[illegible] to R[illegible] a month and a three bedroomed flat from R[illegible] to R[illegible]. The complex has about 100 flats.

But as the new caretaker of Chambord, the flats will not be let but will house Armscor staff.

Spokesmen for both the Iscor Pension Fund and Armscor claimed to be unaware of each other's involvement in the deal.

Asked why Armscor had not bought the property directly from the pension fund 12 days earlier, Mr Johan [illegible], general secretary of Armscor, said:

"I know we bought a block of flats from Besters, but this is the first I've heard of the fund [illegible]. This is the first time I've heard of the Iscor Pension Fund's involvement."

[illegible]

[illegible]

chairman of the Armaments [illegible] said the [illegible] fund had [illegible] shares in La Montagne [illegible] [illegible] agreement [illegible] [illegible] [illegible] bought for [illegible] comply with the [illegible] of the [illegible]

Viable

The IPF statement said the fund had always intended selling the property, preferably without [illegible].

As a result of the [illegible] property market in 1989 it became a viable proposition to be sold. In June 1990 the fund's board decided to sell it to the Bester group at an amount which resulted in a considerable profit.

The deal was done in the ordinary course of business. It is not the fund's policy to make public details of such transactions, but in this case we will [illegible] no objection in so doing should the purchaser agree.

[illegible] to Besters head office [illegible] about the deal [illegible] referred to the group's [illegible] [illegible] who [illegible]

[illegible] and we do not [illegible] details of such [illegible].

The history of the Chambord property [illegible] as follows [illegible] in the [illegible] of [illegible] Companies [illegible] and the Supreme Court in Pretoria.

[illegible] March [illegible] La Montagne [illegible] [illegible] [illegible] Mr M A Pozniel [illegible], a Bester executive.

On [illegible] 1973 La Montagne [illegible] bought Erf 6 in La [illegible] [illegible] on the [illegible] [illegible] for R[illegible]

[illegible] a bond for R[illegible] [illegible] the property in favour of the Iscor Pension Fund.

During the next three [illegible] further two bonds were registered over the property and by [illegible] 1976 the property [illegible] a total of R[illegible] in bonds to the Iscor Pension Fund, totalling R1,6-million. Two existing bonds [illegible], from [illegible] for R1,3[illegible] [illegible].

In March 1973 the Iscor Pension Fund applied to the Supreme Court in Pretoria for an [illegible] [illegible] whereby the fund took over La Montagne Sec from Besters.

The [illegible] appointed to [illegible] the [illegible], Mr A [illegible], [illegible] to the court that [illegible] the property will only realise R1,7-million on a [illegible] sale."

According to Mr [illegible]' [illegible] the claims of the Iscor Pension Fund against the company totalled R2 413 833. [illegible] the IPF was the only [illegible] creditor.

This week an IPF spokesman said that the fund's actual claim was for a considerably smaller sum. But he could not explain why an incorrect figure had been given in an affidavit to court.

On June 12 1978 the IPF took over all the shares in La Montagne Sec and the Bester directors were replaced by senior IPF officials.

On July 31 1990 the IPF directors on the La Montagne Sec board resigned and were replaced by the directors of Bester Beleggings (Pty).

Twelve days later, on August 12, a deed of sale was concluded between La Montagne Sec (Pty) and Pamarco [illegible] selling Erf 6 (the Chambord flat complex) to Armscor's property subsidiary for R[illegible]

Corporation Medals

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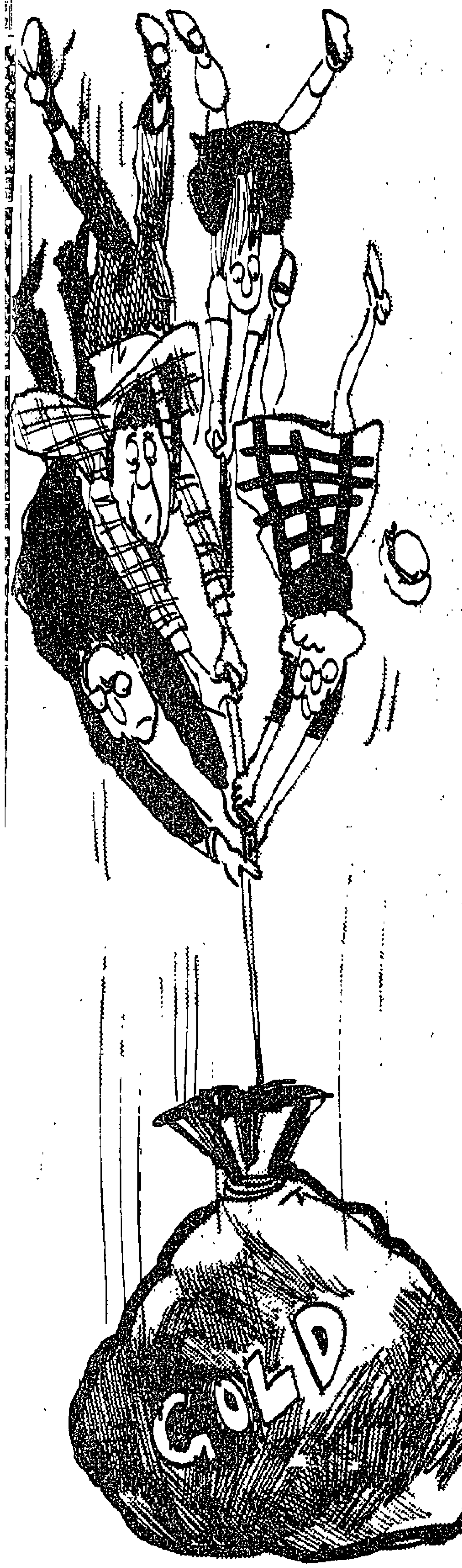
CHEMICAL



Gold massacre tears at JSE prices

R18 000 m is wiped off stock-market capitalisation

S. Times 1/2/81 (58)

Tom Main: Some weakening of the price is to be expected

Robin Plumbridge: Confidence in gold's long-term future

By John Spira

MORE than R3 200-million was wiped off gold-share values in this week's blood-bath on the Johannesburg Stock Exchange.

Since the peak in gold shares was reached a short four months ago, they have shed a massive R12 000-million — fully 41% below their worth on October 13 1980.

This year alone golds have lost R5 700-million. In the process they have dragged down the rest of the market.

For the JSE as a whole, market capitalisation was R78 500-million in mid-November last year. Between then and now the value of ordinary shares listed on the JSE has slumped some R18 000-million to R60 500-million.

The past week's slide was precipitated by the headlong dive in bullion which carried it briefly below the $500 level — a landmark which a few months ago was widely regarded as inviolate.

The speed of the plunge has left investors bewildered. And the man in the street is getting little in the way of clearcut guidance from his stockbroker.

Most Johannesburg broking firms tell Business Times that they are being besieged by smaller investors entreating their advice as to what they should do with their shares.

"But," says one, "the market is so nervous and so thin that it takes a lot of guts to advise them to sell. A sudden increase in world tension could quite easily turn the downtrend the other way."

Another is telling his clients not to panic as the market is oversold for the time being. "Once a rally materialises, I shall review the position."

Yet few are convinced that the market has bottomed. Whereas several months ago the majority of firms were bullish on gold shares, they are now expecting no more than a rally from present levels.

At the same time, the conviction remains that, in the longer term, gold will resume its upward trend, partly because global inflation will always be a feature of the world financial scene and partly because political tensions are bound to grow again after the recent cooling-off period.

An outside view on gold's future is that of Henry S Brown, a US stockbroker who specialises in South African gold shares.

Mr Brown, a delegate at this week's Simpson, Frankel, Hern, Kruger investment conference in Johannesburg, is advising his clients to ignore short-term fluctuations in the gold price.

He believes that bullion's recent decline has been occasioned chiefly by expectations that the Reagan regime will reduce inflation to single-digit proportions.

"But," he adds, "neither Reagan nor anyone else can hope to achieve such an objective. Excess creation of paper money in the past is a legacy which will eventually cause a complete collapse in the fabric of the paper wealth propping up the economies of the Western world.

"Prior to the crack, gold will go through the roof."

Most chartists, meanwhile, are decidedly bearish on gold's prospects for the next 12 months. Some see bullion plummeting to $280 before resuming its upward trend.

They contend that gold is in the grip of a bear market, and "the bear does not skulk off overnight. Gold shares will go a lot lower before they go better".

● More gold stories on Page 3

Commentators bullish

By Tony Hudson

MOST commentators on the gold price are bullish on the long-term price trends of the metal although the general sentiment in the short term is bearish.

More unusual is the view of Natal chartist Tony Henfrey. He is bullish in the short term, bearish in the medium and "extermely bullish" in the long term.

He predicts that the price will rally at around $490 and could rise as high as $600 within the next three months. However, after that the price will begin to slip again and towards the end of the year could reach $360.

Tom Main, chief economist for the Chamber of Mines, says there have been two four-year bull periods for gold in the last decade and one bear run of 18 months. Some weakening of the price is thus to be expected.

Mr Main says that some of the basic bullish factors are political instability in many parts of the world, a generally high world rate of inflation and the broadening of the gold market, which indicates that the monetary role of gold is increasing rather than decreasing.

Volkskas economist At Engelbrecht says there is still a lot of pressure on the price as investors climb out of their gold holdings and put their cash into the strengthening dollar. He feels that the price will probably weaken for some time before the fundamentals start to push it back up.

Michael Hughes, economist for London stockbrokers De Zoete & Bevan, has predicted an average gold price of $523 an ounce for 1981.

Standard Bank economist Andre Hammersma sees the gold price as being unstable in the short term but basically bullish in the long run.

Dr Miroslav Kriz, former senior vice-president of Citibank in New York, sees the exodus from gold and the rapid price drop as a short-term affair and is bullish about the price in the long run.

Robin Plumbridge, chairman of Gold Fields, has also gone on record as saying that he has great confidence in the long-term future of gold.

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J H Rens

Sammy Sacks Memorial Prize
Awarded to the student with the best classwork in Engineering Drawing.

CHEMICA

Bank Rate rise set to cut SA's big spending spree

STAR 3/2/81 (58)

A curb on South African's excessive spending spree seems to be behind the decision by the Governor of the Reserve Bank Dr Gerhard de Kock to raise the Bank Rate from seven to eight percent.

Buying on credit will become even dearer as the prime overdraft rate is expected to rise by another 0,5 percent today. This comes within two weeks of another 0,5 percent rise which brought the prime overdraft rate to 10 percent.

The rise in interest on credit would help curb the spending spree and cool the boom, sources in banking circles say.

The situation was ripe for a dangerous rise in inflation, according to one spokesman. As money was more readily available due to sharp rises in salaries in the past year and easy and cheap bank credit, prices rose as production neared full capacity.

As Government tightens the purse strings of the man in the street, rises in other areas can be expected as well.

While the raising of the Bank Rate will not directly affect the home mortgage rate, there is little doubt that the increase comes as an alert that another bond rate rise is on the way — probably about June writes Frank Jeans.

Rate pressures on building societies have already been experienced, hence the 0,75 percent bond rate rise now in effect.

According to a spokesman for one of the building societies this increase was "not nearly enough to compensate for the present increase in investment rates." He said "The bond rate is bound to take another jump about the middle of the year."

Optimism singed as big investors' expectations drop

RDM 3/2/81

58

By DAVID CARTE
Deputy Financial Editor

CONFIDENCE among South Africa's biggest and most influential investors has been badly shaken by the plunging gold price, the Rand Daily Mail's third quarterly survey of investment opinion reveals.

The 13 top investors, who are surveyed on their three-month and one-year outlook every quarter by Business Mail, are sharply more bearish than previously about the gold price, gold shares, industrial shares and interest rates.

They are slightly more optimistic about the inflation rate.

After being hopelessly optimistic in their last forecasts, the investment researchers of SA's six biggest insurance companies, two biggest pension fund administrators, two biggest mining houses and three most influential stockbroking firms have scaled down their expectations sharply.

The most pessimistic team last survey — Team F — turns out to have been most accurate with a forecast of a $500 gold price at the end of January. This compares with the most optimistic forecast of $740, the average view of $650 and the actual monthend gold price of $507.

Now the average forecast for the gold price three months hence has plummeted 27% to $477, suggesting a further fall of $30 by the end of April.

The most optimistic gold price forecast last survey was $725 and the most pessimistic $500, with most respondents forecasting around $650.

Now the most optimistic three-month forecast is $525 and the most pessimistic $400, indicating not only relative gloom but more agreement between respondents.

For the second time, one heavyweight respondent, Team I, has refused to forecast the gold price, saying this is "impossible".

Unsurprisingly, in view of their expectations for gold, the respondents take a much less sanguine view of gold and industrial shares.

Three months ago the average forecast was that the JSE Actuaries gold index would be on 825,3 last Friday. It was 571,5.

Now the average three-month forecast is down 39% to 502, suggesting a further retreat in gold shares in the next three months.

At the end of October the most optimistic forecast for the JSE Actuaries gold index was 925 and the most pessimistic 500. This time the most optimistic forecast is 600 and the most bearish 400.

The average forecast for the JSE Actuaries industrial index has fallen 16% from 643 to 538, against the actual monthend figure of 561,5.

The most optimistic forecast for the industrial index three months ago was 760 and the most pessimistic 600. Now the brightest forecast is 590 and the gloomiest 480.

The average expectation is that the Escom long-term interest rate will rise from the current 13,1% to 13,8%. Team F, once again one of the most bearish, forecasts the highest rate of 15,5% in three months, while Team D forecasts the lowest rate at 13,2%.

Last survey the average forecast for inflation was 13,7%. The official figures for the end of January are not yet available, but they are unlikely to be much below the 15,8% year-on-year rate recorded at the end of December. Team A looks like being closest.

The new average forecast for inflation i[illegible] 6%, suggesting a slowdown [illegible]rice rises in the next three [illegible]onths. Teams E and G, looking for 17%, are out on one limb, while Teams C, D and J, out on another, forecast between 14% and 14.5%.

The big investors are even more hopeful on a one-year view, forecasting on average a rate of 14,5%, with the maximum 17,5% and the minimum 12,6%.

All respondents expect the five crucial indicators to improve on a one-year view, with the average gold price forecast at $600, Escom long rate on 13,9%, inflation rate on 14,5%, industrial index on 583 and gold index on 605.

While it is true, as one institution has pointed out, that "it is possible to drown in a river an average of one metre deep", averages are the only way of establishing a "group view".

The main purpose of these surveys is to obtain an approximate measure of confidence among the JSE's major market makers and, as imperfect as they are, averages serve to illustrate trends — especially when these are fairly definite, as with this survey.

Maximums and minimums in the text and the table itself show the spread of views.

Respondents are not identified, as the investment outlook of the various participants is a closely guarded secret, but each team's identifying letter remains constant, so it is possible to see changes in views over time.

Overdrafts to follow bank rate increase

58

RDM 3/2/81

By ALEC HOGG

THE 1% increase in the bank rate announced by the Reserve Bank last night is a clear indication that Pretoria will guide, and not follow, the market in future.

Coming only four weeks after the Reserve Bank Governor, Dr Gerhard de Kock, took office, the increase will force commercial banks to raise their prime overdraft rates by at least 0,5%.

Dr De Kock said in a statement the increase was a way in which the authorities could regain effective control over the money supply and add monetary discipline to existing fiscal discipline.

Further measures would be taken, he said.

After a meeting between the clearing banks and the authorities on July 12, 1975, the banks announced that the prime overdraft rate would be set between 2,5% and 3% above bank rate.

The prime overdraft rate is now 10%, and the move by the Reserve Bank, which takes effect from today, will mean an increase to 10,5% in the prime overdraft rate.

In the past, a move in the bank rate was made only after the commercial banks had been charging the maximum rate allowed on their overdrafts.

The new compulsory increase in the overdraft rate will come as a windfall gain for the banks.

Sources say most banks wanted a further increase in the prime overdraft rate (it was raised by 0,5% on January 24), but no agreement was reached.

With prime at 10%, commercial banks were forced to take a negative turn of nearly 3% on every wholesale deposit taken in.

The interest-rate spiral has made it impossible for banks to raise wholesale money at less than 12%.

When one includes the administration and hidden costs, such as prescribed asset requirements, the actual revenue generated on a prime overdraft was little more than 9% compared with the 12% which had to be paid for deposits.

In fact, the banks need a prime overdraft rate of more than 13% to reach break-even point on their deposits.

The increase in the bank rate is expected to send shock waves through the money markets, and further increases in deposit and mortgage bond rates now become almost certain.

The market is likely to interpret the higher bank rate as a signal from Pretoria that it is happy about the way rates are rising.

Building societies will need to raise their mortgage rates if they are to compete with commercial banks for deposits.

The higher overdraft rate will enable banks to offer better returns on one-year money — the building societies appear restricted in this regard.

The authorities look set to carry out their intention of excercising greater control over the money supply.

The corporate sector could find it more difficult to build up inventories, which are financed mainly through overdrafts.

RDM 4/3/81

Fedvolks gets 75% of Firestone

By DAVID CARTE
Deputy Financial Editor

FEDERALE Volksbeleggings has bought 75% of Firestone SA from Firestone of the US for an undisclosed sum.

Partly to finance this deal, FVB has also announced a R30 million rights issue of 9,5% R5 convertible preference shares.

This is the second large acquisition FVB has made from a major North American company in the past year. Last March it bought 75% of Massey Ferguson from that company's Canadian parent.

Firestone SA has about 25% of the South African car tyre market, Federale's chairman Dr A Rousseau told a news conference yesterday. He believed this made it No 2 in the market.

It has two major factories, one in Port Elizabeth and one at Brits and employs 3 000 people.

Dr Rousseau stressed that the sale was not "disinvestment from SA" by Firestone US. He said Firestone US sold to FVB as part of a new policy of involving partners in its overseas operations.

He showed reporters a copy of a letter from Mr John J Nevin, president of Firestone US, stating: "It is my view that companies like the Firestone Tire and Rubber Company will be more successful overseas long term if they associate themselves with partners who are nationals of the countries in which we are doing business."

The firm has sold associates in Japan, Mexico and Spain.

Firestone US is under new management and is also trimming its sails in the recession, selling off other subsidiaries as well.

Dr Rousseau said the management of Firestone SA was nearly entirely South African and would not be changed.

Mr Peter Moore stays on as managing director and Firestone US will have two representatives on the board — its president, Mr Nevin, and vice president Mr Peter McCornely.

Dr Rousseau said Firestone SA would continue to benefit from US know-how and a technical agreement had been signed.

The reason price has not been disclosed, according to Dr Rousseau, is that "the details are subject to exchange control regulations" — always a sensitive issue.

Dr Rousseau confirmed that Firestone SA would use synthetic rubber from Sentrachem's R150 million plant being built at Newcastle. Sentrachem is also a subsidiary of FVB.

The convertible prefs will be issued on a basis of 23 prefs for 100 ordinary shares. They will be convertible when the ordinary dividend exceeds the pref dividend of 47,5c. Santam will underwrite the issue.

While it was unprepared to comment on price, profits or even turnover, Federale said the acquisition would be favourable to profits. Dr Rousseau would say only that the company would absorb more than half the R30 million being raised by the pref issue.

COMMENT: Perhaps Firestone does want a South African partner and perhaps it is trimming its sails internationally but it is hard to imagine that the political problems of US investment in SA did not enter the equation. Especially with the Rev Mr Sullivan breathing down US companies' necks. For this reason I would suspect that Firestone US was a fairly willing seller and the deal will turn out favourable to FVB.

The closest I could get to a price was one FVB source's statement that this was a "big" acquisition, amounting to something like 10% of FVB's assets. Last year these were about R358 million.

Police uncover huge currency racket

RDM 4/2/81 ~~34~~ 58

By EMIELIA JAROSCHEK
Crime Reporter

SOUTH African Police have uncovered a racket involving "financial" rands which has cost the country more than R3-million.

The "financial" rand is currency sold abroad at a discount varying from 20% to 35% — to encourage investment in South Africa.

Now, it seems, South African racketeers are approaching immigrants and persuading them to convert funds which they provide into "financial" rands.

The immigrants get a better rate of exchange — and then the "agents" take a commission

The head of the Johannesburg Commercial Branch, Colonel Nollie Hulme, disclosed yesterday that four people had been arrested after and an intensive investigation — but it is continuing, and more than 60 people are suspected to be involved.

Police have established that the racket has been going since December 1979

They were alerted to it in mid-January when a bank queried a financial rand transaction by an immigrant in Johannesburg.

Police investigations have found out that racketeers use immigrants, mostly British, to pretend that money they are trasnsferring to South Africa is their own — when, it fact, it belongs to principals abroad.

In this way, R3 300 000 was brought into the country fraudulently last year, police say.

They are are still trying to establish where the 'principals' funds come from, and cannot confirm at this stage that they originate in South Africa.

They also cannot say yet how the profits reach the principals overseas

The profit to be made in this type of money transfer comes [illegible] between the "financial" rand and the normal (commercial) rand

Immigrants to South Africa can buy the financial rand at a discount to the commercial rand, which gives them 20%-35% more for their currency

South African agents and the principal abroad can rake off the difference between the two currencies by bringing money into the country under immigrants' names.

The immigrants are suspected to have paid over a percentage of the profit

The financial rands benefit to immigrants is limited to R50 000 a family

Some are apparently approached by "agents" in South Africa and asked if they are willing to supply details of their bank accounts

These are then conveyed to a principal abroad who arranges for funds to be transferred to the immigrants' bank accounts in South Africa.

After the immigrant has received the money he is contacted by the local "agent" who collects a "commission"

The financial rands benefit to immigrants is limited to R50 000 a family.

Two alleged agents and two immigrants appeared in the Johannesburg Magistrate's Court this week

They were Mr Neville Eber and Mr Peter Templeman (allowed R10 000 bail), and Mr Leslie Noble and Mr Leonard MacGarrity (allowed R300 bail)

Colonel Nollie Hulme, who personally headed the police investigations, said yesterday that immigrants who had been approached about financial rand transactions should get in touch with him at 836-8828 or phone Lieutenant Hennie Borman, at 834-2736

He added that immigrants who are approached to enter dubious transactions should contact their consulates to check the legality of the proposals made to them

BANK RATE

New era dawns

(58) FM 6/2/81

This week's 1% rise in Bank rate is primarily a signal of monetary intent.

It is a very important signal as it heralds a new dawn in monetary policy. The money market has been waiting 20 years for it.

By moving this key rate closer to market dictated levels, the indication is that regulation will now be via the market mechanism and not by decree. That is the message.

The linkage with the real business world operates through an informal connection with prime overdraft rate, which is traditionally set between 2,5% and 3,5% above Bank rate.

The original reason for this arrangement was the political need to protect building society funding by controlling the deposit rates of their main competitors, the banks.

The upper limits on these rates, effectively the price paid by banks for money borrowed, are set by the return on money lent, the overdraft rate.

The banks, in consultation with Reserve Bank Governor Gerhard de Kock, wasted no time in raising their prime rates by 1%, bringing them to 11%.

At the same time, De Kock stated publicly that the rise in Bank rate should be interpreted as a signal to the economy that Pretoria is determined to regain control over the money supply which rose by about 30% last year.

A rise in Bank rate (and thus prime overdraft rate) does not in itself put pressure on the funding abilities of the banks, although it does raise the cost of day-to-day business finance, especially for the servicing of inventories.

Crucial margin

In fact, it gives the banks a crucial margin within which to raise deposit rates and attract a wider funding base.

Nor is it necessarily a tacit recognition of the role played by private sector demand, which was a significant one, in expanding money supply in 1980.

Bank rate, in short, does not operate in SA as it does in other countries — as the prime monetary lever.

It is not the penal rediscount rate charged by the central bank for accommodating banking system squeezes. The SA banking system is accommodated during times of temporary shortage mainly through the discount houses, whose shortages are in turn made up by the Reserve Bank rediscounting selected financial paper (mainly Treasury bills) at fixed margins above market rates.

But De Kock has expressed his desire to see Bank rate play a more central monetary role, to become the penal rate through which rediscount policy is applied.

The rise in Bank rate will nonetheless have a ripple effect throughout the financial sector. Bankers say that most money market rates had already discounted the 1% increase. "But retail deposit rates," they add, "must be tickled."

And if the banks tickle their deposit rates, the building societies will do the same. This will inevitably mean pressure for an increase in mortgage rates.

The next important development should be a substantial increase in the Treasury bill rate this week or next.

For, as the rate to which last-resort assistance is linked, it now needs to be more closely related to the 90-days bank-

De Kock . . . revealing his monetary intensions

ers' acceptance rate. In future, these two rates should be moved in tandem.

Not only would a higher TB rate give further credence to the new monetary policy, it would indicate that Church Square is preparing to handle the large amount of liquidity that will flow out of the Exchequer in April.

At that stage the next consistent step would be a reduction of exchange controls.

For the amounts involved are so large that even if all manner of assets were sold, open market operations are unlikely to be sufficient to contain the flood.

If that happens, there will almost certainly be a decline in net reserves, and some temporary foreign borrowing may be needed to window dress.

Capital inflow

But the loss should not be permanent. The important point is that domestic interest rates will not have declined and should soon attract a capital inflow.

That approach is symptomatic of a forward-looking monetary policy that takes into account market forces. It opens the door to a more effective anti-inflationary policy and to the possibility of a significant development of the domestic money market.

It will be in sharp contrast to the backward looking accountancy of De Kock's predecessor, Dr Bob de Jongh, whose prime concern was always that the cash content of the reserves be maintained whatever the economic cost.

BANK CHARGES 58

Bypassing the book?

FM 6/2/81

The imminence of the release of the commercial banks' reformed current account pricing structure has brought forward a suggestion as to how clients might react to possible increases in their banking costs.

Since earlier pricing proposals were rejected because they appeared to discriminate against large corporate clients, speculation was that the offending system intended pricing cheque clearance on an *ad valorem* basis. A widely-expected alternative to this would be pricing on a quantity basis, which would, of course, penalise clients proportionately to their cheque traffic levels.

If this were to happen, according to FCI economist Arthur Hammond-Tooke, and depending on the marginal costs involved, corporate clients could rationalise extensively their inter-company transactions to reduce costs. This would involve changes to internal accounting procedures, assisted by cheap computer facilities, the level of sophistication of which is, in principle, unlimited. An example, says Hammond-Tooke, is setting an inter-company debit against a credit in the opposite direction, which would liquidate the transaction without the need for the passage of cheques.

Large company treasurers are, however, sceptical of the suggestion. "The main conglomerate clients," says one, "do not have many inter-company transactions to start with. And the price of cheque transactions is minimal compared to other bank charges, like overdraft lending. When you consider the kind of accounting problems involved in reducing inter-company transactions, then cheque charges would have to be pretty high to justify it. And the banks themselves have as good an idea of marginal utilities as anyone else."

And another comments: "A back-to-back debit/clearing exercise would reintroduce the kind of nightmares that induced the world at large to move away from the barter system."

According to another treasurer, the main reasons for corporate cheque usage are to pay employees and suppliers. "To avoid issuing individual cheques for the former," he adds, "you'd have to pay in cash or kind. And the negative effects on your industrial relations would far outweigh the positive ones on your financial administration costs. And with the latter, the cheque traffic is mostly in one direction only. So a back-to-back arrangement there would be anatomically impossible!"

Bankers also tend to doubt the viability of such a system. "Our current account revenue falls far short of administration costs. And we compare favourably in that area with the US, where revenue is about 38% of costs. So I doubt that other industries would find it profitable to set up what amounts to their own banking departments. It would be like a pharmaceutical company deciding it was cheaper to build their own motor vehicles rather than buy them."

Main corporate objections to the current pricing structure seem to revolve around the cost of remittances and the iniquities of the free clearance area.

"Charging on a percentage basis for remittances is grossly unfair," says one corporate treasurer. "The banks' costs are the same whether its R10 or R10 000. But yours are a hundred times higher."

And free clearance areas, or more precisely the differentiation in charges between the free and unfree areas, are hardly commensurate with the service offered, according to another treasurer. It is especially hard on companies operating on the Reef, he adds, which is a fairly discrete industrial area, but which is cut across by banking area demarcation lines.

Some cold comfort may be in the pipeline. The banks are hinting strongly that the free clearance area system will be made more "equitable". This seems to suggest that the free areas will vanish. But the unfree ones will, of course, remain.

(58) FM 6/2/81

INSURANCE BONUSES

Policyholders richer

With 8% economic growth last year and handsome investment profits under their belt, insurance companies are busy announcing higher bonus payments for policyholders. Comments one broker "The companies have done well and policyholders are reaping the rewards."

As an example of this largesse, the accompanying table lists different quotations offered by insurers, on a conventional endowment assurance policy with profits, for a man turning 40 next birthday, over 25 years to age 65. The premium is R40 a month, payable by debit order.

Estimated death and maturity values are based on the assumption that the last declared bonus rate will remain constant. Reversionary bonuses vest as and when declared and experience shows it is virtually unprecedented for reversionary bonuses to be reduced. Terminal bonuses, however, are declared for the current year only and are more prone to fluctuation in economic conditions. Thus there is always the possibility of their reduction or discontinuation.

Some companies, such as Protea, declare bonuses triennially rather than annually so that favourable economic growth in the last two years will not yet be reflected in their bonus rates. Other companies have concentrated on marketing policies other than conventional endowment, for example, linked policies, and so their competitive position will be better in respect of policies not listed in the table.

One feature shown by the table is that the four companies quoting the lowest initial life cover (Commercial Union, Old Mutual, Sanlam and Federated) anticipate the largest maturity values, whether terminal bonuses are included or not. This change in the policy's value is apparent after 10-15 years, as higher bonuses are compounded.

LIFE ASSURED .... 40 year old male.
DESCRIPTION OF POLICY .... Endowment with profits over 25 years to age 65.
PREMIUM .... R40,00 per month.

MEASURING BONUSES

Assurer	Initial life cover	Projected death values after 5 years	10 years	15 years	20 years	Estimated maturity value excluding the terminal bonus	Estimated maturity value incl. terminal bonus
Commercial Union .	10 349	13 619	17 924	23 585	31 192	27 487	41 230
Sanlam	10 909	13 115	16 527	21 616	29 027	29 300	39 645
Old Mutual	10 648	13 371	16 881	21 962	29 328	29 566	38 435
Federated Insurance	11 161	14 041	17 802	22 757	29 443	30 012	38 260
National Mutual	11 793	13 671	17 591	22 415	28 328	24 692	35 556
Southern Life	11 375	13 975	17 303	21 567	27 175	26 471	34 411
Prudential	11 575	13 900	17 036	21 239	26 844	25 889	34 287
Norwich Union	11 374	14 181	17 625	21 843	26 998	25 611	33 294
Legal & Gen. Volks.	11 304	14 050	17 340	21 307	26 066	24 958	31 786
Protea Assurance ..	11 884	14 781	18 003	21 596	25 682	25 827	30 284

Source: Robert Enthoven Neblcon

Barclays after-tax profit R76,4-m

11/2/81 STAR

58 24

By Ann Crotty

Barclays National Bank has announced after-tax profit of R76,4-million for the year ended December 31.

This represents an increase of 52 percent, on an annualised basis, over the figure for the previous 15 months and is in line with expectations expressed at the time of the release of the interim figures in June.

Earnings a share were 143,6c, an increase of 52,6 percent over the previous period.

A final dividend of 32c a share has been declared making a total of 58c for the year, an annualised increase of 45 percent on the 15 months to December 1979. It is covered 2,5 times.

A buoyant economy and consequent demand for credit in the commercial and consumer markets enabled Barclays National Bank and Barclays Western Bank to report significant growth in earnings, and earnings were in line with expectations for Barclays National Merchant Bank and Barclays Insurance Brokers.

FINANCING

Earnings for 1981 are expected to be similar to the year under review.

Mr A Aldworth, managing director of Barclays, expect the main problem facing the bank to be financing.

This problem would be eased if the gold bullion price moved back upwards.

Mr Aldworth said that in the coming year demand in the commercial markets would be much stronger than that of the consumer sector.

BIG PROJECTS

Barclays earnings for 1981 would be helped by the financing of big projects such as the Richards Bay Coal Terminal. He felt that the big projects would help ensure that the economy would not slow down too much in 1981.

Mr Alworth said of interest rates that if the Government was going to increase the Bank Rate again they would have to alter the Usury Act which limits interest payments on loans to 14 percent.

At present this Act produces a situation in which there is only a margin of 2,5 percent between the overdrafts offered to high-ranking customers and those offered to high-risk customers.

Building societies reply to charges

(SS) RDM 12/2/81

By REG RUMNEY
Property Editor

CRITICISMS of corporate investment with building societies are "quite out of place", according to Mr A [illegible] Viljoen, president of the Association of Building Societies.

At a press briefing [illegible] he presented [illegible] societies' [illegible] on other controversial [illegible] including their role in [illegible] prices [illegible] the past year, the nature of growth and [illegible] policy.

Mr Viljoen said the ratio of investments by private individuals to those of corporate investments — about [illegible] — was the same today as in 1969.

Building societies have been criticised for going out of their way to attract "hot" corporate money which would [illegible] and leave the societies in the lurch.

Mr Viljoen said the societies had a strong client base and strong assets. They were [illegible] to have had the support of corporate [illegible] for a long time, and could not refuse [illegible] offered recently.

"Societies are well informed on money market matters and are applying prudent policies to money management [illegible] their lending to meet each [illegible] expectations."

Mr Viljoen stressed that the mortgage bond "tap had not been turned off."

In December 1980 and January 1981 the societies were still lending R9-million a day, about the same as in December 1979 and January 1980.

Mr Viljoen said money was being made more expensive by the authorities as part of a campaign to reduce the money supply which had been growing alarmingly. Interest rates had been allowed to find their own levels in terms of market operations, and societies, as part of the economic structure, were happy to fall in line.

"This means that we will pay market rates for money only on a competitive basis, and adjust bond rates accordingly."

Mortgage bond rates would go up as money became generally expensive — although Mr Viljoen would not be drawn on when the rise would come.

The societies expected a stabilisation in house prices, which may seasonally come down a little after the residential property boom of 1980 as bond terms became tighter.

But it should be borne in mind that building societies were [illegible] determining the [illegible] of houses.

Mr Viljoen [illegible] that the societies' loan [illegible] had [illegible] the [illegible] [illegible] started to [illegible].

"But it must be borne in mind that house prices in 1977/78 were at a lower level than for 1974 [illegible], so there was some leeway to be made up. Furthermore the cost of new houses [illegible] due to increased costs for labour and materials [illegible] between prices for old and new homes [illegible]."

Defending the societies' policy of pursuing growth, Mr Viljoen said the societies would gear their organisations to strive [illegible] to:

- Accommodate ever increasing [illegible] in lending.
- [illegible] loan finance to more people [illegible].
- Stimulate the societies' [illegible].

Mr Viljoen said that in 1980 the societies used the high degree of liquidity in the system, and showed a net increase in investment balances of R1 730-million for April 1, 1980 to January 31, 1981.

This was 40% higher than the amount of R1 231-million for the corresponding period last year.

The societies' rates were attractive, Mr Viljoen said, and they had turned away many millions because they had to gear intake to loan demand.

"However societies still lent out R4 311-million for the 10 months under review, about [illegible] more than the amount of [illegible] for the corresponding period last year."

The turnaround came in November last year when rates started to climb.

"Investors switched their maturing investments into more rewarding avenues and such as high-yielding stocks and other financial institutions offering rates beyond what societies could afford."

This drained money from the societies as well as reduced inflow so the societies were forced to reduce lending.

INTEREST RATES

Hobson's choice

58 FM 13/2/81

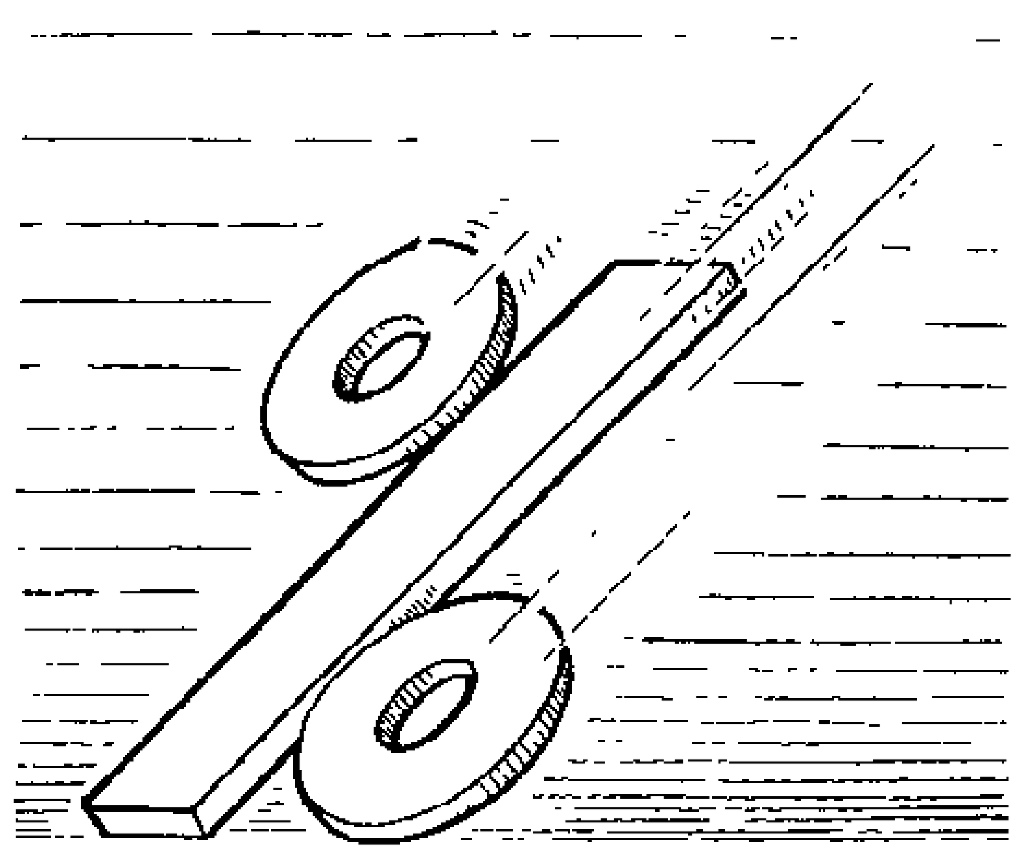
The gold price has shown some signs of stability this week. But no matter whether it rises or falls again in the months ahead, the direction of this country's monetary policy must remain the same — it must be tightened.

There are two basic reasons for this:

□ Rising gold earnings, on top of the billion rand due to flow out of the Exchequer in April, could easily stimulate aggregate demand well ahead of supply if this liquidity is left in the financial system.

Open market operations — in this case the sale of securities to non-banking institutions or investors — would be too limited to adequately absorb this tidal wave and contract the money supply. So, exchange controls will, of necessity, have to be relaxed

In that event, it is important that domestic interest rates be sufficiently high to reverse leads and lags, arising from our foreign trade, to protect the cash content of the reserves.



□ Declining gold earnings will mean that spending must be cut back in line with the erosion in national income to protect the reserves from the cost of rising imports. Rising interest rates are essential for that purpose — which is no more than the application of financial prudence.

If a cut-back is not achieved in the face of declining revenues, government could be faced with the 1974 situation all over again — there will be strong pressure to print money to meet expenditure. That would encourage prices to rise even faster than at present.

There is yet another important economic reason for a rise in domestic interest rates closer to the current rate of inflation and to interest rates abroad.

It is that there will be less imbalance and distortion in the spot and forward exchange markets which have, with exchange controls, hindered the floating of the rand along the lines envisaged by the De Kock Commission.

With reduced exchange controls, no matter whether gold earnings rise or fall, the rand's value must be determined to a greater degree by the market. If not, a time will come when the authorities will be under pressure to ward off speculative pressures by dipping into cash reserves.

Church Square has given unmistakeable indications that it will apply a tough monetary stance. It has done so by increasing Bank rate and allowing Treasury bill rate to rise sharply to bring it in line with other money market rates.

But, equally important, the new Governor of the Reserve Bank, Dr Gerhard de Kock, has made plain that he will apply monetarist principles to the gathering squeeze. This means that a limitation on the quantity of money (broadly speaking total bank loans) is his policy objective. And it implies that the cost of achieving this quantitative restraint — reflected in rising interest rates — will not deter him.

That, in turn, means that interest rates are likely to rise sharply and fluctuate substantially. It will have a direct bearing on the lives of everyone, not least of all home buyers. For, in view of the way building societies have financed a substantial proportion of their lending, the rising cost of money is likely to push up mortgage rates more rapidly than in the past.

The societies are losing corporate funds — about 10% of their total liabilities — at an alarming rate. They are having to swing more of their investments away from higher-yielding bonds and into low-yielding prescribed investments as rising interest rates reduce the value of their fixed interest portfolios.

Within months, the mortgage rate is likely to be raised by at least 1%, and the availability of bonds is likely to be severely restricted.

Government could give further indication next week that it is prepared to grin and bear the short-term price of its monetarist approach as the only means of containing the far greater longer-term cost of inflation and lost growth opportunities.

On Monday, two Appropriation Bills (or mini-budgets) will be seeking parliamentary approval for additional expenditure until the end of the fiscal year and for government spending until the delayed national Budget.

As monetary policy has its roots in the Treasury, it is essential that government spending — the financing of which has an impact on the money supply — be as conservative as in the budgets of the past three years.

Apart from reining in the money supply, the economy must be held on its present course. There must be no fancy fringe benefits or capital gains imposts. Productive assets must continue to be released to the private sector if the anti-inflation policy is to reach to root causes.

It is not the gold price to which government must give first priority when considering the measures in these Bills. It is the rate of increase in the money supply that must be its main concern.

USURY LIMITS

Important changes

58 FM 13/2/81

Last minute regulations to be gazetted before the controversial Limitations and Disclosures of Finance Charges Act (Ladofca) passes into law on March 2 are expected to make two changes, one palliative and one decidedly unwelcome.

But despite recent rises in interest rates and thus the cost of money, it is unlikely that the existing maximum rate stipulations will be raised, nor that the R100 000 HP and leasing ceiling will go.

The present Act falls into two broad categories governing money lending and HP. A third category will be introduced to cover leasing.

The Act also lays down a maximum 14% rate on the first category, and 21% on the second. Leasing maxima, it seems, will fall into the second category.

Unlike the money lending category, there are at present no sub-divisions in the HP (and by implication leasing) categories, and the original Act stipulated that *only* the percentage charged could be changed by decree. However, a subsequent amendment altered this to state that the *percentages* were thereafter subject to decree.

Legalistic as it might appear, the use of the plural provides the loophole which allows for sub-divisions to be introduced. In the face of vociferous opposition from general bankers, it makes it very likely that a two-tier structure of rates relative to transaction sizes will become law.

Trigger point

Given the stated intention of the Act to protect the smaller borrower, and the traditional size of small HP and leasing deals, the trigger point will probably be around R7 000. In other words, bankers say, transactions under this level will be subject to a 21% maximum rate, and transactions above it to 18,25%, which was the previous maximum rate.

Earlier proposals for a two-tier structure were described by bankers as "draconian and unrealistic", because the variety and miscellany of the credit risks they face requires a whole gamut of possible rates. So if it is decreed, it will undoubtedly be seen as a slap in the face.

Considering, however, that in the discussions Deputy Registrar Naas van Staden persistently stated his desire to lower the maximum to its old 18,25% level, the maintenance of the 21% ceiling would be a victory for, and a source of cool comfort to, the market. The 21% is regarded as the minimum level at which small, high-risk borrowers (and the authorities are almost certainly referring to the black market) can be accommodated. Anything lower would squeeze them out altogether.

The money lending category of the Act already contains a three-tier transaction-size structure, with maximum rates attached to each. Transactions up to R200 cannot attract interest charges higher than 21%, between R200 and R400 higher than 17,5%, and above R400 higher than 14%. In effect, this places a 14% ceiling on most transactions, within which normal bank overdrafts are probably predominant.

By the same amendment this structure and the rates can be altered by decree. Fired by the fact that the Registrar intends to follow the guiding principle of "market related rates", considerable pressure has been applied to try to bring about an increase in these rates. Bankers say that contrary to the spirit of the Act, the 14% maximum discriminates against smaller borrowers A 4% to 5% margin, they add, needs to be preserved between prime borrowers and smaller, higher-risk clients. With prime rate at 11%, and the maximum at 14%, this margin is obviously being cut. And the result is that smaller clients will be refused OD facilities.

Although most bankers are pessimistic, they admit that a slim possibility still exists "for a last-minute attack of sanity in the Registrar's office." However, if it is raised, they add, it will be by no more than a paltry and largely ineffective 1%.

Equally paltry, conversely, is the sop that will definitely be included in the pre-enactment decree, perhaps intended as a substitute for a rate change. The transaction-size subdivisions will be upgraded slightly to become: up to R500, R500 to R1 000, and R1 000 and over, at the same rate structure as before.

The passage into law of Ladofca has been a stormy one indeed, and no one in the market likes it. Most of its provisions can be criticised, say bankers, but one in particular demonstrates superbly that many of its shortcomings are less the result of misguided principle than of sheer incompetence. This one states that if a leasing debtor defaults on payments, he can be charged on his arrears at no higher than the rate written into the contract.

As many leasing deals mean tax concessions for the lessor (the bank), rates to the client can be very low, and the shortfall on the bank's returns made up by the extra income generated by tax concessions. But if the lessee defaults and paybacks are deferred, the nature of the "time value" of the money involved means that this compensating income is seriously eroded. It cannot be made up by penalising the lessee because his interest charges are fixed. The obvious consequence, say bankers, is that leasing costs for all clients, however trustworthy, must rise

RISE CHECKED

A steady build-up of liquidity in the money-market has checked the furious upward momentum of short-term interest rates, according to dealers.

Gold revenue flows have been restored, and in addition, currently low Treasury Bill (TB) tenders set against the historic R50m parcels now maturing mean net gains for the market. Raising their call rates 25 points to 7,75% last Friday, the discount houses came out of the bank with comparative ease after having to seek about R300m in accommodation over the January monthend. The three-month bankers' acceptance rate also rose a relatively modest 25 points on Friday, and had not been readjusted by Wednesday afternoon.

The one notable exception was the TB rate, which increased 75 points to 7,52% last week, on a R30m tender. But this, say dealers, was an expected and obvious adjustment to the earlier rise in bank rate from 7% to 8%. Bank rate reflects monetary policy directions, and the TB rate is a factor in the cost of last-resort lending to the banking system. This latter role was played by bank rate until 1973. So there is an historical link between the two which has traditonally made them move in tandem.

The market is now gearing for the seasonally tight February monthend. A R700m to R800m shortage is expected, after accounting for the due maturity of about R800m in tax-anticipation bills, Reserve Bank debentures and buybacks tailored to the crucial date.

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B F McCleland

Professor George Menzies Prize

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J H Rens

Sammy Sacks Memorial Prize

Awarded to the student with the best classwork in Engineering Drawing.

L Menegaldo

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A E & C I Prize

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G L Cragg

Questions over interest rates

Political Staff

HOUSE OF ASSEMBLY. — Questions are to be asked in parliament about the high interest rates paid by South Africa on foreign loans.

The interest rates — one going as high as nearly 20 percent — have been disclosed in the auditor-general's report and are to be queried by Mr Harry Schwarz, the chief opposition spokesman on finance.

The figures were shown by the auditor-general in his latest report.

Interest rates on one loan for R51 million are from 10-and-five-eighths to 19-and-nine-sixteenths. Another, for R81 million, has interest rates ranging between 13 and 17-and-thirteen-sixteenths.

BARCLAYS (58) FM 13/2/81

Record growth

With only one major group still to report, it is a fair bet that Barclays' 53% earnings increase will prove the top growth rate in the commercial banking sector for 1980.

These results are comfortably ahead of the 41% improvement scored by Nedbank for the year to September, while Stanbic, which announces its results next week, will have to show a second-half gain of more than 66% if it is to beat its main rival.

The superior growth rate of Barclays resulted in a significant narrowing of the profitability gap between itself and Nedbank — traditionally SA's most profitable banking group because of its smaller branch network.

Net return on shareholders' funds for the year to December 31 was 22,1%, up from an annualised 16,7% in 1979. And that is now just over three percentage points below the 25,3% of Nedbank, whereas the difference a year ago was nearly 4,5 points.

Performance of the two groups during the course of the year, however, was significantly different. Whereas Nedbank achieved the major portion of its earnings improvement during its second half (the six months to September), Barclays appears to have shown a fairly significant — although not unexpected — slow-down in the six months to December

This is difficult to quantify with any accuracy because of the change in financial year-end in 1979 But the difference in growth rates, from 67% in the first half (as measured between the six months to June 1980 and the six months to March 1979) and around 42% in the second half (calculated on annualised results for 1979), is nevertheless sufficiently large to suggest a somewhat less buoyant climate.

It would, of course, have been unrealistic to expect Barclays to have maintained its earlier growth rate, if for no other reason than it was operating from a much higher base in the second half. But the slow-down also coincides with the upturn in interest rates and the effect this must have had on banking margins. Given the timing of the upturn, this factor would obviously have affected Barclays, with its December year-end, more than Nedbank.

The results nevertheless continue to reflect the extent to which the banking sector has benefited from the surge in consumer spending. The growth in Wesbank taxed profits, for example, at 87%, was way ahead of Barclays itself which notched up a 50% gain. These growth rates were exceeded only by the insurance broking division which doubled its contribution, as a parting shot before its merger with Bowring as from January 1 The enlarged company is now equally owned by Barclays, Anglo and Bowring in the UK, and will thus no longer be consolidated.

As the economy moves into the fixed investment phase of its growth cycle, there is no reason to believe that banking profits will not remain buoyant, and Barclays should have little difficulty in attaining its long-term profit growth target of inflation plus 10%. This, as far as it applies to 1981, could even prove conservative.

After earning 144c (94c annualised) last year and paying 58c (40c), this year's dividend may well be around 75c for a 30% increase. Barclays shares, currently at 925c, are thus on a prospective yield in excess of 8%. Add to this the fact that the price is 14% below last year's high, and it is clear that the counter offers an exceptionally attractive buying opportunity for long-term portfolios. *Brian Thompson*

SUNDAY TRIBUNE, FEBRUARY 15, 1981

HERE'S A MAN WHO ENJOYS A CHALLENGE

Sir Albert has got to the top of the business world through team work and individual flair

15/2/81

S. Trib

58

By JACK BRICKHILL

THEY were celebrating something at Anglo American last week and it certainly wasn't the gold price.

But there was no doubt about the champagne corks that were bombarding bystanders outside the forbidding entrance to 44 Main Street, Johannesburg. Anglo is so huge, with so many tentacles, that it could have been a business coup in any of a number of fields — or it could just have been a bit of good natured horseplay for which a section of its management is well known. Managing this huge amorphous mass is no task for ordinary mortals. It takes a special type of person with a flair for teamwork and tact.

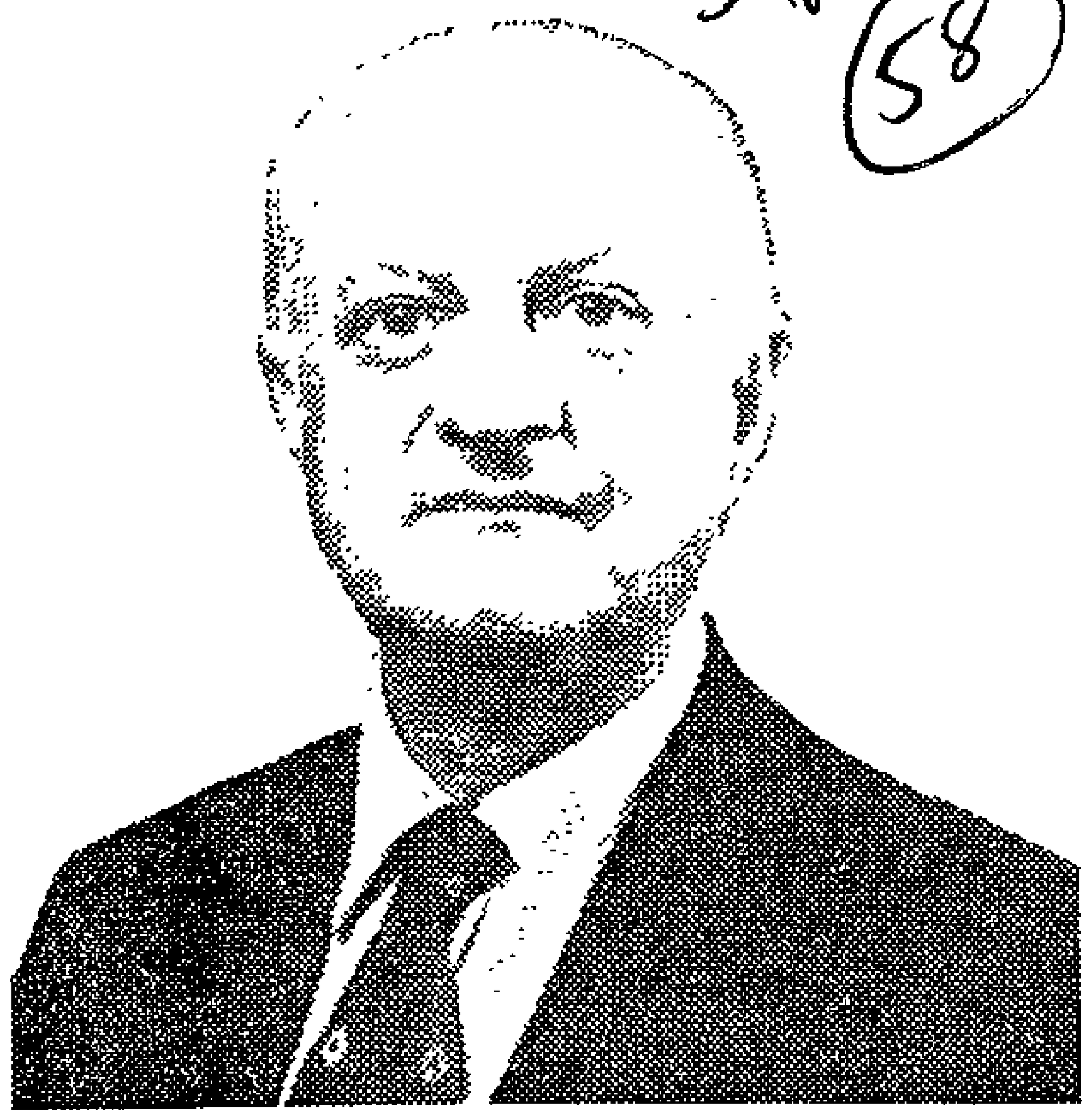
One of the group's generals, who has these qualities, has just returned to headquarters at 44 Main Street to resume his place on the Anglo executive committee after another successful foray — this time into the world of platinum.

Sir Albert Robinson, now 65, has relinquished the chairmanship of J.C.I. and Rustenburg Platinum Mines and taken on the less onerous task of an Anglo director and chairman of the prospecting company, Australian Anglo American. This does not mean he is retiring. There is still plenty to keep him occupied with directorships and interests here, in Australia and in Zimbabwe.

Barrister, politician, diplomat, airline chairman, mining house tycoon — he has done the lot and looks no worse for wear.

He comes from a well-to-do Durban family and has probably not had many hungry days in his life. So what hones the character of a man who, having scored a century and is still batting, is completely at ease with the world and, looking back, has no regrets?

"There are two types of people," says Sir Albert.



Sir Albert Robinson

"There are those who prefer entrepreneurial activity conducted for their own account, and who don't fit easily into a team.

"And there is another group which finds it satisfying and reassuring to be part of a large group in which to pursue a career. They don't have to face the problems of individual entrepreneurs." Sir Albert had his own business in Rhodesia and he has also worked for large groups.

"I prefer the latter in which you have much greater opportunities and wider interests. Also, the companionship of colleagues means a lot in terms of business satisfaction."

Sir Albert says he is fortunate enough to have surfaced at the top in business. "It is very important not to try and assume total responsibility for a company's affairs. It is also important to preside over other people's expertise and ensure their opinions are taken into account."

He believes in collective wisdom rather than assuming total responsibility for decisions. "A committee can be absolutely effective and running it efficiently is part of the test of leadership," he says.

Sir Albert's tact and leadership has been stamped on many companies. He also approaches each task with enthusiasm.

"I am one of few people who have had the privilege of serving in many diverse areas of business and public life. Each phase was filled with challenges and interest and I look forward to the next phase with keen anticipation.

"I am lucky because I have enjoyed my life," he says.

It all sounds easy but consider the achievements. After qualifying as a barrister in England he returned to South Africa in 1938 to work for a leading QC in Durban, Mr Graham Mackeurtan.

He joined Anglo American as a trainee at Sallies Mine in 1939 when he realised that his political ambitions conflicted with his duties as a lawyer.

After serving in the army in the war he was elected at the age of 29 to the Johannesburg City Council. He was elected to Parliament for the United Party in 1947. After narrowly losing his seat in 1953 and inspired by the racial partnership philosophy of Sir Roy Welensky and Lord Malvern (then Sir Godfrey Huggins), he moved to the Federation of Rhodesia and Nyasaland where his family had business interests.

In 1961 he became Federal High Commissioner in London. He was knighted in 1962.

When Federation broke up he joined the board of General Mining at the invitation of Harry Oppenheimer whose group enjoyed a big minority interest in that company. After General Mining merged with Federale Mynbou he was asked to stay on the board as deputy chairman of this group with a large Afrikaner involvement.

He became chairman of JCI and Rusplats and at one stage was executive deputy chairman of Highveld Steel.

Sir Albert went to school at Durban High but he didn't enjoy it much. "I passed what I had to pass. It was something that had to be done. My greatest joy in life was when I passed matric and realised that schooldays were over."

He enjoyed university immensely because it encouraged individuality.

Sir Albert might be a team man but he has combined it with an individual flair which has taken him to the top.

Spectacular earnings leap by Hortors

By Geoff Shuttleworth

Hortors has increased earnings by around 115 percent to 31,3c a share soundly beating its own forecast of 22c a share and the dividend has been raised to a total of 13c against last year's 10c.

Dividend cover has against expectations been raised to 2,4 times covered compared with 1,45 times.

The new dividend total now puts the share on a 9,3 percent yield.

Taxed profit of R1,9-m (R333 000) was achieved on turnover of R30-million (R[illegible] million) but because of the decision to finance certain new machinery by [illegible] sale rather than by leasing, the tax rate was relatively low at R[illegible] 000 (R[illegible]).

Analysts believe that earnings are more or less in line with expectations, especially as the share was bound to perform better than the average because of the recovery [illegible]. They said that the earnings [illegible] geared to the state of the economy and added the increase in cover is proof of a more [illegible] stance in the year ahead.

The stake held in Hortors by the Argus Group has increased from 25 percent at the end of March last year to nearly 40 percent.

This probably represents the largest single shareholding in the company and was built up through [illegible] operations from that time.

Building societies reply to charges

CT 16/2/81 (58)

Own Correspondent

JOHANNESBURG. — Criticism of corporate investment with building societies is "quite out of place", according to Mr A F V ("Boet") Viljoen, president of the Association of Building Societies.

At a press briefing he presented the societies' case on other controversial points, including their role in house prices over the past year, their policy of growth, and their financing policy.

Mr Viljoen said the ratio of investments by private individuals to those of corporate investments by private individuals to those of corporate investments — about 10 percent — was the same today as in 1969.

Building societies have been criticized for going out of their way to attract "hot" coporate money which would ebb away and leave the societies in the lurch.

Strong base

Mr Viljoen said the societies had a strong client base and strong assets. They were happy to have had the support of corporate investors in lean times, and could not refuse the money offered recently.

"Societies are well informed on money-market matters, and are applying prudent policies in money management, gearing their lending to meet cash-flow expectations."

Mr Viljoen stressed that the mortgage bond "tap had not been turned off".

In December 1980 and January 1981, the societies were still lending R8-million a day, about the same as in December 1979 and January 1980.

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"This means that we will pay market rates for money only on a competitive basis, and adjust bond rates accordingly."

Bond rates

Mortgage bond rates would go up as money became generally expensive — although Mr Viljoen would not be drawn on when the rise would come.

The societies expected a stabilization in house prices, "which may seasonally come down a little" after the residential property boom of 1980 as bond money became tighter.

But it should be borne in mind that building costs were still rising, underpinning the value of houses.

Mr Viljoen admitted that the societies' loan activity had "stimulated" the housing market and prices had started to rise rapidly.

But "it must be borne in mind that house prices in 1977/78 were at a lower level than for 1974/75, so there was some leeway to be made up.

Furthermore, the cost of new homes rose rapidly due to increased costs for labour and materials. The gap between prices for old and new homes narrowed."

Defending the societies' policy of pursuing growth, Mr Viljoen said the societies would gear their organizations to grow along set lines to:

- Accommodate ever-increasing prices in housing.
- Provice loan finance to more people, of all races..
- Stimulate the societies' staff.

Mr Viljoen said that in 1980 the societies used the high degree of liquidity in the system, and showed a net increase in investment balances of R1 730m for April 1, 1980 to January 31, 1981.

"This was 40 percent higher than the amount of R1 231m for the corresponding period last year."

The societies' rates were attractive, Mr Viljoen said, and they had turned away many millions because they had to gear intake to loan demand.

"However, societies still lent out R4 310m for the 10 months under review, about 60 percent more than the amount of R2 582m for the corresponding period last year.

The turnaround came in November last year when rates started to climb.

"Investors switched their maturing investments into more rewarding avenues and such as high-yielding stocks and other financial institutions offering rates beyond what societies could afford "

This drained money from the societies as well as reduced inflow, so the societies were forced to reduce lending.

Loans will now cost more

58

17/2/81

STAR

MR OWEN HORWOOD

Finance Staff

Sweeping measures by the Minister of Finance to remove the ceiling on interest rates is likely to mean a new round of increases in the cost of credit in all forms — from home loans to hire purchase agreements.

Mr Danie Steyn, Deputy Minister of Finance, announced in Parliament during the mini-Budget reading that some interest rates may now go as high as 24 percent.

Until now legislation contained in the Usury Act had blocked interest rates to a maximum of 14 percent on money lending.

Banks and financial institutions were studying the implications of the move today and have yet to set new lending terms.

But a steady rise in repayment costs is almost certain to emerge in the next few weeks.

For more Budget news see Pages 3, 7 and 24.

Much dearer credit

STAR 58 17/2/81

from page 1

market forces, a spokesman from Wesbank said. Despite the current ceiling, rates on hire purchases range between 12 and about 17,5 percent at the moment.

"The adjustments were rather an indication of rises that the public can expect," another spokesman from a large general banking group said. "It is a sensible step in advance of any further rises."

Economists said it could help to take the heat off the top of the current spending boom.

Transactions of under R5 000 — which will carry a maximum rate of 24 percent — are expected to dampen some of the demand, especially in the furniture industry.

The new range of maximum in[illegible] will be:

- Money lending deals under R500 — up to 24 percent a year.
- Money lending transactions between R500 and R1 000 — up to 21 percent a year.
- Money lending exceeding R2 000 — up to 21 percent.
- Credit and lease agreements under R5 000 — up to 24 percent.
- Credit and leases over R5 000 — up to 21 percent.

Mr Boet Viljoen, President of the Association of Building Societies, which announced 0,75 percent increases in house mortgage rates a few weeks ago, said today he expected home bond rates to rise further this year.

The first round of bond rate increases lifted average repayments by around 5 percent a month for all bond holders.

Mr Horwood has made clear that higher interest rates are seen as an inevitable chain reaction to new measures to combat steep rises in the money supply which are fuelling inflation.

Mr Steyn has given warning to traders not to regard the new pattern of interest ceilings as a norm when they fix the specific rate they charge customers in credit deals.

He also warned customers to check the rates demanded to ensure they were in line with current rates elsewhere.

Mr Horwood has stressed he believes that further increases in interest rates form an essential part of an anti-inflation policy and an inevitable result of improved monetary and credit control.

He disclosed that bank credit to the private sector last year bounded higher by R3 240-million — one of the main causes behind money supply problems in the economy.

Rates are determined by

To Page 3, Col 6

RDM 17/2/81 (58)

Rates up on loans and credit

THE ASSEMBLY. — Maximum interest rates on loan, credit and lease transactions were increased yesterday.

The new rates would be:

- For money lending transactions under R500, 24% per annum.
- For money lending transactions exceeding R500 but not R1 000, 21% per annum.
- For money lending transactions exceeding R1 000, 18% per annum.
- For credit and lease transactions under R5 000, 24% per annum.
- For credit and lease transactions exceeding R5 000, 21% per annum. — Sapa.

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For the best student in each of the 2nd, 3rd and final years.

Second Year (Bronze Medal)

Miss G C Littlewort

Third Year (Silver Medal)

Miss N C Davidson

Fourth Year (Gold Medal)

P M Salmon
T J Cumming
D P Weeks
J H Rens
B F McCleland

Professor George Menzies Prize

Awarded on results of final examinations to the best male student in Land Surveying or Civil Engineering.

J H Rens

CHEMICAL

RDH 13/3/81

Up goes interest on HP and overdrafts

By HOWARD PREECE
Financial Editor

INTEREST rates on hire purchase deals of less than $5,000 will mostly go up next month from 21% to 24% a year.

Personal overdrafts will cost up to 19%.

People who use bank credit cards [illegible] be charged [illegible] if they fail to get in debts promptly.

Bank customers who run up small, unofficial overdrafts may even find themselves paying a punitive 24%.

These are the main consequences of the Government's decision to raise the 16% "usury" ceiling on money [illegible] ing and to let interest rates rise [illegible] market forces.

[illegible]

Rates on hire purchase deals of more than $5,000 will remain pegged at a maximum 21% a year.

[illegible]

The deeper HP [illegible] not have a [illegible] impact on [illegible]

[illegible]

to be seen against a background of inflation running at nearly 17% in 1980 as measured by the consumer price index.

This means, of course, that an overdraft of 19% is [illegible] in real terms.

[illegible]

Rising interest rates will [illegible] the money supply.

[illegible]

In the short and medium term, however, rising interest rates can have the paradoxical effect of adding to inflationary [illegible]

[illegible] inflation. The Government [illegible] acting against inflation [illegible]

RDM 18/2/81 (58)

Shocks for borrowers

By ALEC HOGG

THE 1% increase to 18% in the usury rate is a further indication of the authorities' determination to bring money supply under control.

The new maximum rates at which credit and money lending transactions can be carried out will become effective from March 2.

The increases will:

- Make the man-in-the-street's overdraft more expensive to run.
- Increase the cost of hire purchase.
- Raise the cost of credit card buying.
- Make home improvements more expensive.
- Enable banks to levy heavy penalties on people who overdraw their banking accounts without first notifying the bank.

The maximum rate which banks will be allowed to charge on overdrafts of over R1 500 is raised by 4% to 18%, but senior banking officials maintain that the maximum rate will not be fully imposed.

Nedbank's deputy managing director Mr Anton van der Merwe told me yesterday his bank would increase the spread between the prime overdraft rate and the rate paid by the highest risk borrowers to between 4% and 5%.

With the usury rate at 14%, the spread was fractionally below 5%.

The prime rate is 11% which means individuals using overdraft facilities at Nedbank will be paying a maximum of 16%.

Mr Van Der Merwe added that only a small proportion of the bank's total portfolio would be paying higher than the present maximum of 14%.

The rise in overdraft rates — prime has risen 1,5% in less than three weeks — was, he said, a direct consequence of the increased cost of funds in the money market.

Barclays Bank's managing director Mr Bob Aldworth said the increase in the usury rate would allow the proper rate structure to apply, but the increase would not happen overnight.

He said it was unlikely that Barclays would charge any customers the maximum rate of 18%.

Mr Aldworth praised the authorities' decision to raise the rate because it was an indication of the rising interest rate trend.

He is on record as saying banks needed a spread of at least 5% between prime and the usury rate.

Standard Bank's general manager (credit), Mr Arthur Daymond, warned that people who abused their current accounts now ran the risk of a heavy penalty.

Abuse in this sense is the customer who persistently overdraws his account without making prior arrangements with the bank.

Under the new rates, banks may charge up to 24% on amounts of between R1 and R500, and 21% for overdrafts of between R501 and R1 500.

Although Mr Daymond does not envisage that anyone with an arranged overdraft of lower than R500 will be charged more than 18%, those who persistently overdraw their accounts could find themselves footing a hefty 24% interest charge on the overdrawn amount.

Banks are well within their rights, because under law it is a criminal offence to make out a cheque when you know there is no money in your current account.

Mr Daymond said this decision would, however, be up to each branch manager.

He expects Standard will adjust its overdraft rates so that the spread between prime and the worst borrower is 5%.

Good news for Standard's revolving credit customers is that the rate on this scheme will be held at 14%.

General manager of Standard Bank Card Division, Mr Denis Maxfield, said the news of an increase was particularly welcome as the division's margins had been cut severely in the past three months because of the increase in deposit rates.

Although he would not be drawn into what the new rate payable on credit cards would be, informed sources expect it to be 18% — 4% higher than the present rate.

This is not as bad as it sounds because credit card holders are given 21 days interest-free to settle their accounts

The president of the Association of General Banks, Stannic's Mr Ken Gager said the increases in the rates were "realistic".

He did not think general banks would start charging the maximum, however, because competition would keep rates market-related.

Mr Gager said rates charged by general banks would not go up immediately, although in certain areas there could be increases soon — in particular, home improvements, where the 14% maximum is uneconomical, and the interest charge on smaller transactions could be affected.

General banks may now charge 24% on credit agreements of less than R5 000 and 21% on transactions of more than that amount.

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(58) NM 28/2/81

Building societies' phenomenal growth drawing to an end

Mercury Correspondent

JOHANNESBURG—The Association of Building Societies' quarterly newsletter shows the movement's phenomenal growth over the past months is drawing to an end.

In the quarter ended December 31 last year, the movement's deposits received increased by R445-million — 42,5 percent down on the previous quarter's R774-million.

The biggest drop was in fixed deposits, where the net increase over the three months was R106-million compared with July to September's R305-million.

Funds kept in the movement's savings accounts rose by R156-million to R2 600-million, compared with the previous quarter's rise of R214-million.

On the subscription and tax-free shares side, the movement's deposits increased by R169-million in the quarter.

Amount lent

But this is well below the previous quarter's R240-million.

The net amount lent by the societies (mortgage loan advances) dropped from R1 323-million to R1 102-million.

'This proves we have not turned off the tap,' the Association's president, Mr Boet Viljoen, told me.

Mr Viljoen said the fall in the inflow of investment money to the societies was caused by the high level of consumer spending and a general reduction in liquidity.

Discussing the recent rise in the building societies' deposit rates, Mr Viljoen said it must be understood that deposit-receiving institutions competed in a free market and rates of interest would have to be very sensitive to that market's requirements.

COMMENT: To my mind, the statistics make the societies' position look far better than it really is.

They receive an average inflow of around 11,5 percent on their mortgage bonds, yet have to pay 13 percent plus to keep institutional deposits, which came to them during the flush beginning of last year.

At the time, the societies were offering far better rates than any other institution.

Mortgages

Some critics believe the societies offered these higher rates to finance more mortgage bonds, thereby causing 'unprecedented' inflation in property prices.

But, the popular theory that 'growth is all-important' to building societies — at the cost of all else — is, people in the movement tell me, a misconception.

What is certain is that if the mortgage rate does not rise soon, societies could find they cannot afford to keep paying exorbitant rates to keep deposits.

All of which means higher costs to the homeowner, who can expect a 2 percent higher interest charge on his bond by the end of 1980.

Interest rates 'a blow to poor'

CT 19/2/81

58

Political Staff

HOUSE OF ASSEMBLY. — The "astronomical" increase in hire purchase interest rates on deals below R5 000 would be a tremendous blow to the man in the street who had to use hire purchase to buy daily essentials such as furniture, Mr Harry Schwarz, opposition spokesman on finance said yesterday.

"The mini-budget brought bad news for South Africa's poor. It is symbolic that the mini-budget brought down the price of champagne for the rich but sent the interest rates on personal overdrafts and hire purchase soaring."

Mr Schwarz was commenting on the government's statement that interest rates on hire purchase deals of less than R5 000 will mostly go up from 21 percent to 24 percent, that personal overdrafts will cost up go 16 percent and that people who use bank credit cards may be charged 18 percent.

'Cruellest'

Mr Schwarz compared these interest rates with those paid by banks and financial institutions for money — 10 percent on average, he said.

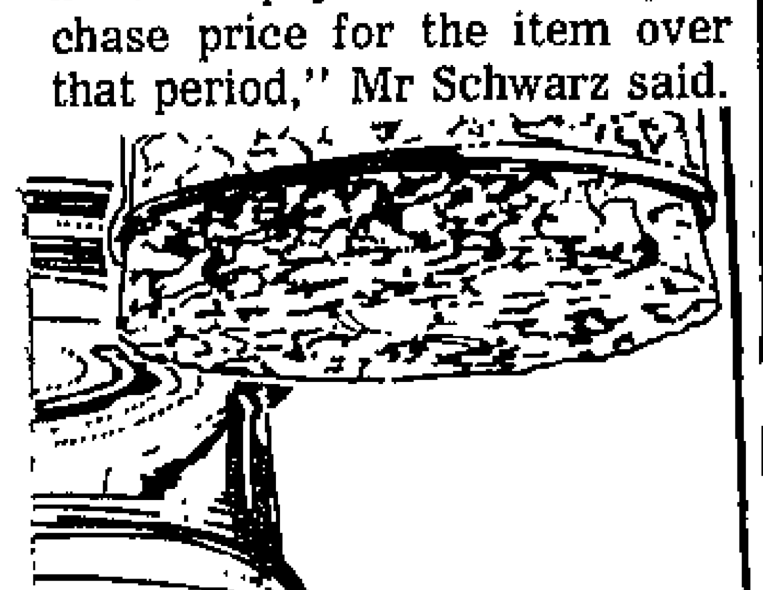
But the proposed interest rates on hire purchase deals of 24 percent were the cruellest blow of all, he said, particularly for those who did not have sufficient credit-worthiness to get loans.

These would affect blacks particularly hard, as they relied on hire purchase for many daily essentials such as buying their furniture.

'Double'

"If we look at some of the profits earned by the furniture companies in recent time we see they are under no pressure.

"If you take a 24 percent interest rate it means that a person taking a four year transaction would virtually have to pay double the purchase price for the item over that period," Mr Schwarz said.



USURY ACT

Breathing space

58 FM 20/2/81

The upward adjustments to the lending rate ceilings of the Limitation and Disclosure of Finance Charges Act (Ladofca) announced by Finance Minister Owen Horwood in Parliament on Monday took the market by surprise. But that diminished in no way its appreciation.

The maximum rate on money lending transactions, aimed mainly at bank loans and advances, rose to 18% from 14% at the upper bracket level of R1 000 and over. And the ceiling on HP and leasing transactions under R5 000 rose to 24% from 21% (*FM* February 13).

Pre-enactment discussions on the provisions of the Ladofca amendments, due to pass into law on March 2, gave the market the impression that the central question was whether or not the maximum rate structures would be lowered. So the increases came as something of a surprise.

"This is very gratifying," says Ken Gager, MD of Stannic. "I accept the principle that unsophisticated people need protection in the lending markets, but at the same time I am glad that the control levels were set at realistic levels to give the banks more flexibility."

Control mechanism

Most bankers consulted by the *FM* claim to have detected the hand of Reserve Bank Governor Gehard de Kock behind the increases, in particular his well-known commitment to an interest rate structure that is determined by the market. And the fact that realistic rates have been squeezed into what is essentially a control mechanism reflects, they add, the kind of compromise characteristic of new policy approaches meeting old ones head on.

According to one banker who has been intimately involved with the contentious evolution of Ladofca, the spectre of too low a maximum rate structure threatened to subvert the intentions of the Act. Like a statutory minimum wage, he says, this was a device intended to protect the smaller, less-knowledgeable man. However if the rates had been set too low, he would have been squeezed out of the market altogether.

"But the rate structure announced on Monday is quite adequate for the moment. What is more, one can see the broad drift of an overall economic policy working through it, for it provides the credit arm, as it were, of the Small Business Development Corporation."

Bankers hasten to add, however, that the extra leeway granted them will not mean an overnight jump in lending rates across the board. But there will be selective rises, and some of them will be introduced soon.

Bank credit card operations, for instance, have been showing little or no profit for some time. So card holders, say bankers, can expect an increase, possibly to the maximum 18%. And home improvement loans, which generally operate on rates fixed for five years, will also tend towards the maximum of 18% "One of the main advantages of the extra leeway," says Nedfin MD Ron Rundle, "is that it allows us to take a more flexible view on future rate movements."

USURY CEILINGS

OLD

MONEY LENDING		HP CREDIT	
To R200	21%	Maximum:	21%
R200 to R400:	17,5%		
R400 and over:	14%		

NEW

MONEY LENDING		HP CREDIT AND LEASING	
To R500:	24%	To R5 000:	24%
R500 to R1 000:	21%	R5 000 and over:	21%
R1 000 and over:	18%		

But, says Gager, the general banking market is too competitive to allow HP and leasing rates to shoot upwards at a pace faster than that determined by the cost of money, in this case mainly fixed deposits. The competition for funds between the banks and the building societies is a prime factor. But for the majority, those involved in transactions of over R5 000, the maximum rate of 21% has not changed. Those under R85 000, however will be pushed up towards the maximum 24%, particularly by motor and furniture dealers.

Despite commercial bank claims of the need to preserve a 4% to 6% margin between prime and other borrowers, small overdraft and other loan facilities will not necessarily see a blanket rise to the 18% maximum.

"This will be implemented very selectively," explains Standard Bank GM of credit, Arthur Daymond. "Much depends on what the rest of the market does. The casual borrower, one who runs up an overdraft without prior notice and creates administrative expenses not justified by the size of his debt, will almost certainly be penalised. But the average overdraft or revolving credit will be within a 13% to 16% band, depending on past record, collateral, size, etc. And prime rate, of course, is still 11%."

TRADE & INDUSTRY

FM [illegible]

A budding blue-chip

The recent emphasis on the overseas expansion of T & I has meant two things: firstly, that the local profile of the international merchant banking group which had annual receivables in excess of R55m last year, has been kept low, and secondly that the future earnings pattern of the company has been considerably enhanced.

In the year to June 30 1980, chairman Ivor Jacobson reported that the R2,9m taxed profit picture was being distorted by heavy expenditure on the setting-up of new branches of the group in every continent, except South America and Africa north of the Limpopo.

Nevertheless, earnings a share grew almost 40% in that year, from 65,9c to 92,2c, and meant that the five-year compound rate of growth in earnings was only a fraction short of 50%. Receivables grew much more slowly, with a five-year compound rate of under 13%, and it is at this variable that the overseas programme is specifically aimed.

The group's major operational arm is international merchant banking, responsible for around 70% of earnings. The division aims at providing any sort of financial facility, be it locally or abroad, import- or export-orientated instalment credit finance, lease or corporate services. As Jacobson puts it: "We will match a specific facility with any sort of [illegible]."

The listing of motor group Dan Perkins, in which the group has a [illegible] stake, for instance, was a first for the corporate finance division.

If the group does not already provide the service which a client requires, Jacobson insists, a facility will be devised which matches the requirements of that client. He cites, as an example, the current starting-up of an employment advisory service within the group, which is a response to burgeoning customer demand. And here, as in all the group's divisions, Jacobson insists on high quality staff and a professional approach to the new operation.

This attitude is reflected in the high costs of the facilities provided, but, as Jacobson points out, he himself has never been down-market in anything he has done.

The other arm of the business, responsible for the remaining 30% of profits, is investment banking. Jacobson points out that most of the major international banking groups, including Rothschilds for example, have built up a considerable portion of their equity through similar operations.

T & I first got into this area through Svenmill, though this was not a typical example of an investment banking operation. The textile manufacturer was a client of T & I but was very close to going under back in 1977. Partly as a client service and partly, of course, to cut down T & I's exposure, the group took up a 39% holding and reorganised management.

The result has been a rapid turnaround, to the point where Svenmill is considering a dividend payment at the coming year-end, assuming no cash-based acquisitions are made before June.

Next came the 64% holding in President Catering, which was closer to the real thing. The catering and kitchenware manufacturer and distributor was very well run, Jacobson says, but it was "unlean and unhungry." Indeed, a capital reduction was made immediately after taking the stake, as the company had R400 000 in liabilities — mainly tax and dividends — and over R4m in equity.

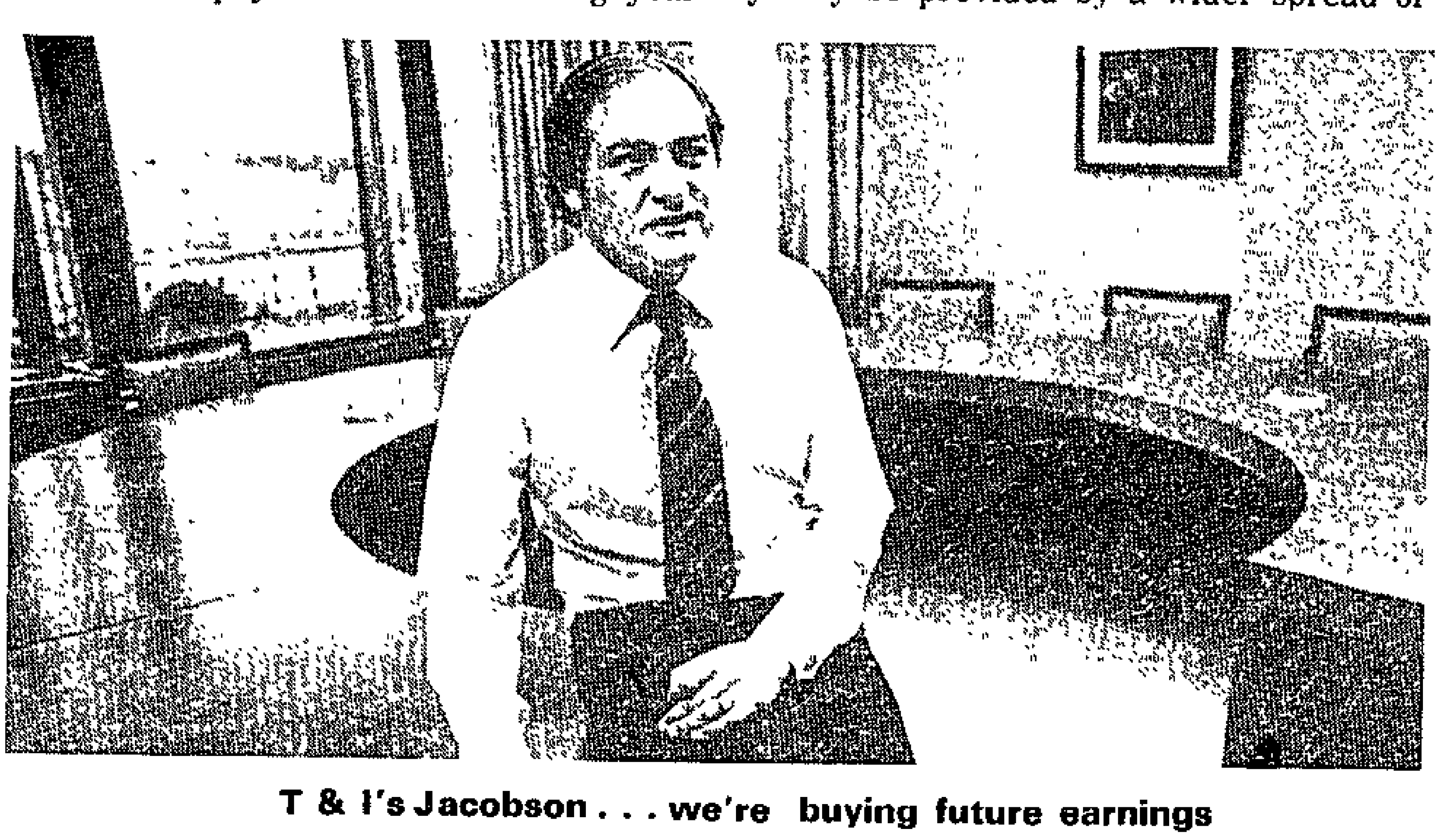
Dan Perkins was a pure investment banking move — the taking-up of a stake in a well-run company which could be watched "through the keyhole."

The group's biggest acquisition over the last year was Commonwealth Shippers, which slots easily into the merchant banking side of the group and which will be represented in the coming financial statements for the full year. The takeover was a very significant one for T & I, adding at least R50m to receivables and R4,2m to net tangible assets.

On the financial side, Jacobson says that other international bankers operate on gearing in the region of 16:1, or a debt-equity ratio of 1 600%. This includes all contingent liabilities and is notwithstanding the fact that their receivables tend to be uninsured.

At present, he says, the debt structure of the company, with fully reinsured receivables covering approximately 80% of all debts, is 4:1, and the target is 8:1. The group has the capacity, therefore, to double its receivables on the same equity base — a point, Jacobson says, which could be reached by June 1982 — though he adds that he would be "most surprised" if this were the case.

At this level, and this assumes a highly unlikely nil growth in equity at the same time, receivables could amount to R200m, compared with the R120m which will probably be reported at the end of the current year. The extra capacity can really only be provided by a wider spread of geographical operations.



T & I's Jacobson . . . we're buying future earnings

The south-east Asian operation, which is run through 1979 acquisition William Baird in Hong Kong, could provide a strong peg on which to hang this future earnings growth. The division has only just started up, but Jacobson believes it should be able to multiply its receivables as much as 8-fold within the next 18 to 30 months. An office in Taipei has yet to be founded and will strengthen the group's hold on the "exploding" Asian market considerably. "It's ridiculous what we're going to do there," concludes Jacobson.

T & I's UK division is budgeting to hike profits by 260% this year and is already making a contribution to group earnings. The US office is looking for a 40% improvement in earnings, while the Benelux market, according to Jacobson, is "absolutely ripe." The group's operations in Israel, he adds, have no competition.

While the current high levels of expenditure on developing subsidiaries are maintained, the so-called "distortion" in the earnings pattern will obviously continue. Is there, then, a time when shareholders will see a break in the programme and the subsequent switching-on of the earnings flow from these investments?

"Not for some time," says Jacobson. "Certainly, not so long as we're prepared to keep pumping R1m a year into infrastructural development. We're buying future earnings and if we're to try and keep compound earnings growth rates at above 38% a year, we have to keep our eyes on the next three financial years."

The management of the expanding group is still pretty much centralised, and it seems unlikely that this situation will change in the near future either. As things stand, outside centres have discretionary limits on the facilities they may provide, and even finance within these limits is quickly reported back to Johannesburg.

Anything above these limits has to be assessed at head office but as the foreign offices grow, so their discretionary boundaries rise. Jacobson does not anticipate any bottlenecks or other problems associated with this large and rapidly growing flow of information and sees management, in fact, as one of the greatest strengths of the organisation. He is always on the lookout for more staff, he adds, all of whom must be experienced banking people.

Up to now, the group has managed to avoid having to take out a banking licence and has thus circumvented the restrictions, which could be placed on it as a result. In the future, however, such a licence may be unavoidable.

Jacobson has structured the shareholding of the group to what he believes is the optimum for a blue-chip share. Consequently, the controlling pyramid, with a 50% stake, is Ivor Jacobson Holdings, which has been in this position since 1974. Other significant shareholders are Sanlam with 5% of the 3,8m ord shares in issue and UAL with another 5%, while executive staff hold 8%. The remaining 32% is in the hands of the public.

The share was marked up steadily from the beginning of 1979, when it stood at 180c, until it reached something of a plateau in about September last year at 520c. It has moved only slightly since then to trade at 560c this week. At this level, the indicated 38c dividend offers a yield of under 7%. The PE at this price is less than five.

That may sound expensive even for current market conditions, but it may well be worth getting on at the ground floor of this budding blue-chip. Jacobson believes that the group is not yet operating at more than 10% or 15% in some areas of its business. There certainly seems room for growth.

Scott Hawker

Two Cape trust companies plan merger

Argus 20/2/81

THE Board of Executors, the 142-year-old Cape Town-based trust company which has become prominent in recent years, proposes to merge with a similar company in Port Elizabeth.

In a statement today the Board said it plans to form a new financial group with the Fidelity Bank and Trust Company of Port Elizabeth.

Fidelity is almost as old as the Board. It was established 121 years ago.

The directors of the two companies say many of their activities are complementary and they expect the merger to be of significant benefit to both their shareholders and clients.

Apart from trust business, Fidelity's services include leasing, hire purchase and term finance.

The merger is subject to the approval of shareholders, and also of the Registrar of Banks, who has signified his agreement in principle.

It is planned to carry out the merger by forming a new holding company to be known as the Board of Executors and Fidelity Bank.

Shareholders in the two companies will receive shares in the new company.

It is proposed that Liberty Life and Guardian National Insurance Company, which hold 20 percent of Fidelity shares will be bought out for cash.

The merged group will then have about 1 000 shareholders.

No shareholder is to be allowed to hold more than one percent of the new holding company's shares, thus ensuring the continued independence of the new group.

Total assets of the merged company will exceed R30-million and assets under administration will exceed R800-million.

The new group will operate in five major centres — Cape Town, Port Elizabeth, Durban, Johannesburg and Pretoria.

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Professor George Menzies Prize

Awarded on results of final examinations to the best male student in Land Surveying or Civil Engineering.

Scramble for industrial properties

58

Argus 21/2/81

INDUSTRIAL property in Cape Town, which has for a long time been in the doldrums, is now eagerly sought after and rents have risen up to R2 a sq m while industrial land in the popular areas is almost unobtainable.

Agents dealing in industrial land and properties confirmed today this sector of the market was now showing great activity.

'We are being flooded with inquiries for industrial properties,' said one agent, 'mostly for buildings to rent.' Local firms wishing to expand and firms from the Reef formed the majority of inquiries.

Paarden Eiland, Metro township and Epping Industria were the most sought after areas. High quality industrial space here was fetching rents from R1,50 a square m to R2 a square m.

Divaris Real Estate achieved high rents for factory sites at Parbel, Parow. New premises were leased at an average of R1,82 per square m with an 8,5 percent escalation.

Vacant industrial land was also scarce. DCF Properties said there was virtually no vacant land left in Paarden Eiland while Montague Gardens, once almost dormant, was the scene of intense building activity.

Epping Industria 1 and 2 was almost built up. City Council land brought on to the market recently sold for R20 a square m. In contrast Philippi land prices were from R5 to R7,5 a square m.

Participation mortage funds for industrial development was still available though rates had recently gone up to the borrower. One company was now lending at 12,16 percent on new bonds.

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J H Rens

Sammy Sacks Memorial Prize

Awarded to the student with the best classwork in Engineering

CHEMICAL

CRUSADE AGAINST NFI 'WOULD HAVE FAILED'

Argus 21/2/81 (58)

Richard Benson

By TOM HOOD

MR RICHARD BENSON, long-time crusader against National Fund Investments, would probably not have succeeded in his claims against NFI had they gone to trial, a Supreme Court judge said this week.

He tried in 1973 to claim damages of more than R64 000 from NFI after shares he bought in the 1968 boom at 150c had crashed to 45c when he sold them. But his actions were later dismissed for failure to comply with court rules.

In a 17-day trial that began in Cape Town last March, Mr Benson, a city investment brokers, defended a claim by Bowens, his former Johannesburg attorneys, for R4 306 in fees and disbursements.

He counter-claimed for certain costs that the amount he would have recovered against NFI had the summonses not been dismissed.

NEGLIGENT

He alleged the attorneys were negligent in letting the summonses against NFI be dismissed before they went to trial.

And in a 'trial within the trial' he told Miss Justice van den Heever he discovered the truth of the NFI 'debacle' only when he had sight of NFI's annual report in about November, 1970.

This week, when her judgement was issued, the judge commented that 'the in-quick, out-quick profitable venture he had envisaged' did not come off.

And the NFI report did no more than provide confirmatory evidence of what Benson already knew.

The judge said Benson himself was a NGF agent and investment adviser in 1968 — it is clear that he is no fool.'

She said he was better aware than ordinary investors of events within the funds.

'He knew of the investment stampede and that the funds' offices were inundated.

'In April 1969 difficulties began to be experienced in the processing of units, commission began running months late.

BACK into the news jumps National Fund Investments, the company whose shares crashed in 1969 and millions of rands were lost by about 200 000 people.

- **In a 68-page written judgment, a Supreme Court judge in Cape Town commented that NFI's pre-listing prospectus was 'misleading in that to the knowledge of the directors the proposed property mutual fund it holds out as a future project had already been vetoed by the authorities.'**
- **A call for a Government investigation into NFI's activities at the time of the crash was made in Parliament by Mr George Bartlett, MP for Amanzimtoti.**

the causes that induced him to plunge heavily into speculation in the hope of quick gains.'

The judge dismissed the action by Bowens against Benson and Golden Disc and upheld a plea based on non-compliance of mandate.

The judge also dismissed Benson's counter-claim against Bowens.

Both parties were ordered to pay each other's costs.

The judge said a finding that Benson would not have succeeded in his NFI litigation must of necessity absolve Bowens from refunding the costs awarded against him when these cases were dismissed ultimately, since these costs — and more had the cases gone on, which Benson has now been spared — must have been awarded against him in any event.

SATISFY

To have succeeded against Bowens he would have had to satisfy the court on a balance of probabilities that he would have won the cases against NFI.

Benson's claim against NFI was based not on negligence on the part of the directors but that the management breakdowns were not disclosed to him when they should have been — but he failed to do so.

In her judgment, the judge spoke of the 'NFI debacle' and said she could only summarise

She said Duffy, the secretary of Fund Advisers from 1966, conceded that 'in retrospect I agree that the whole of this flotation was unfair and should never have taken place.'

The judge said steps were taken after the listing 'which one cannot regard as particularly moral or proper.'

- Reassurances were given to shareholders after the listing that everything was in order and the management was actively pursuing the objects outlined in the that it scarcely kept abreast of them.
- Passive euthanasia was applied to the offer to repurchase shares received by allottees too late to be able to deal with them on the day of listing.
- The loss of National Fund Holdings, which could not hold on to certain properties it had bought on credit, were foisted on to NFI shareholders.

'They had a most disadvantageous purchase inflected on them without the opportunity of protesting at the general meeting NFI's attorneys advised ought to be called.'

- Members of the management were by repurchase of their shares secured against financial loss since 'it was felt that managers who had held on to their shares should not be, as a result of that, placed in serious financial difficulties.'

SIT TIGHT

But outside buyers who had been exhorted to 'sit tight' were not 'met' in any way.

Benson, said the judge, 'expended a good deal of time and energy, on occasion using various strategems such as the cover of a company to raise funds for charitable purposes, in unsuccessfully trying to get the burnt-fingers' brigade bailed out too.

'Only when he got no joy from approaches to the Prime Minister, other Cabinet Ministers, the board, the police, financial journalists and others did he ultimately do what he had been advised to do by some of those to whom he wrote: consider litigation.'

'He knew that the issue of shares was linked to the recording and issue of unit purchases, and the postponement of the listing was a pointer that all was far from well.'

ALLOCATION

The judge said Benson's evidence as to what shares were allocated to him, went to his company, (Golden Disc (Pty) Ltd), what he kept, what he sold and repurchased was not satisfactory.

Assuming that a false representation in the (NGF) prospectus would be relevant to the purchase of shares not from the company but on the stock exchange, Mr Benson had to prove he was induced by the misrepresentation/concealment relied on to buy shares.

'But there are many pointers that Benson's strongest motivation was a comparison with Sage, plus perhaps the promise of an open-ended property fund, and that these were such events as were laid before her as evidence in circumstances where neither NFI nor any of its directors were at risk.

'There may be another side, not revealed in these proceedings, to many of the events; explanations that could perhaps be given and were not.

'Without such explanations, the NFI story is not a pretty one.'

The judge referred to the NFI share issue in 1969 as 'a stampede based largely on inexperience and motivated by the greed of the public which had seen the success of Sage Holdings and wanted to climb on to this new bandwagon of instant enormous capital appreciation.'

The judge said the NFI prospectus was misleading in that to the knowledge of the directors the proposed property mutual fund it held out as a future project had already been vetoed by the authorities.

Ladofca — stripped to bare the best and worst

RDM 24/2/81 (58)

By HAROLD FRIDJHON

LADOFCA — the Limitation and Disclosure of Finance Charges Act — is an anachronism, even before she exerts her influence for better or for worse from next Monday. She stands for legislative and bureaucratic control at a time when South Africa is supposed to have switched to a free-enterprise, free-market tack.

This emerged at a seminar organised yesterday by Nedfin Bank at which the wily, somewhat two-faced witch was stripped and, as with most strip shows, what was shown was revealing.

Unveiled, Ladofca has her good points, as well as other features which are certainly not desirable. With her sister legislation, the Credit Agreements Act, she might well be a protective mother figure to the so-called Little Man who might be rash enough to incur leasing or hire-purchase debts up to R100 000.

But to people in business and to the ethical general, banks and others who subscribe to the code of leasing practices, Ladofca and her shadow will be a pain in the neck, or where you will.

Ladofca was conceived in the sinning of the old Western Bank which had committed many grave misdemeanours in the years before Barclays Bank gave it a new image, new principles, and led it to an entirely new way of life.

Instead of curing a few warts and blemishes from the face of acceptable capitalism, officialdom inspired by Dr Daantjie Franszen delivered Ladofca.

In the old days, leasing was governed by common law on the premise that people running their own businesses didn't need looking after. If they couldn't look after themselves or didn't know how to get the guidance of professional advice, it wasn't for the Government to provide nannies.

But not now. Every transaction under R100 000 falls under the spell of Ladofca and the Credit Agreements Act, except if the scheduled goods — and it's a schedule as long as Ladofca's embracing arms — are used for mining, engineering, road building and any manufacturing process.

That's a pretty wide list of exemptions, particularly as engineering is not defined. This could include backyard motor mechanics who are penalised under the schedule by having to deposit a third of the purchase price of their machinery while everyone else has to deposit only 10%. (And we are trying to encourage small businesses).

Between Ladofca and the CAA (almost as sinister as the CIA), there is a cumbersome procedure for repossessing goods which can keep suppliers — known in the CAA as credit grantors — on a string for 60 days unless they use one or two of the loopholes in the legislation. I won't enumerate them; they will be closed sooner rather than later.

The law now says that if anyone gives an inducement to sweeten a sale — "Lease your TV set and we will give you a free licence" — that inducement must be included on the credit agreement.

And a CAA provision says that there must be a five-day "cooling-off period" if a sale emanates from the credit grantor or his agent and is signed by the credit receiver (that's a new phrase) at any place other than the credit grantor's business place. This is a shot in the eye for the high-pressure house-to-house salesman with the hypnotic charm. Book salesmen too.

The one good thing about Ladofca is that all leasing organisations now have to present their finance charges on a standardised formula showing a fixed nominal annual rate of interest. This eliminates fancy-fingerwork with different types of interest (flat, effective and so on) displayed on an electronic calculator.

Things that can't be done because Ladofca says, "no":

- Include insurance charges for policies which run the length of the lease (for collateral purposes or ordinary cover) in the full-term leasing costs. Now it has to be calculated year by year.
- Have commissions paid by credit receivers. It has to come from the giver.
- Have residual value of goods calculated on a straight-line depreciation. It's now on a morgtgage residual rate.
- Cancel a lease before it has been in force for 90 days and then only after 90 days' notice has been given.

What must be done:

- Give the receiver the excess on residual value, *but the deficiency on residual value cannot be claimed back from him.*
- Not later than 14 days and not earlier than 30 days before a lease is terminated the lessor must advise the lessee of the value placed on the goods so that he can buy them, have them sold or continue the lease on agreed terms.

When I first met Ladfoca, Pretoria told me that the R100 000 ceiling had been chosen to protect farmers who acquired expensive equipment, but I learned yesterday than any farmer who leases equipment should have his head read because he can write off his tax the cost in a single year — which he can't do with a lease.

So who is protecting whom?

FACULTY OF ENGINEERING

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Fourth Year (Gold Medal)

5T/Om

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26/2/81

(58)

Sharp profit rise for Anglovaal trio

Three more Anglovaal Group companies have published interim reports for the six-month period ended December 31, all reflecting sharply improved attributable profits.

ANGLO-TRANSVAAL INDUSTRIES — The group's industrial investment and finance company — reported estimated consolidated profit after taxation and minorities of R15 327 000, 40 percent higher than the R10 917 000 for the six months ended December 31, 1979. The figures were equivalent to earnings of 110c (79c) a share.

Turnover rose to R402 483 000 (R308 754 000) and resulted in a pre-tax profit of R41 772 000 (R30 420 000). Taxation amounted to R15 731 000 (R11 924 000), minority interests R10 604 000 (R7 469 000) and preference dividends an unchanged R110 000.

Excluded from the foregoing is an extraordinary item of R538 000 being the company's share of profit made by the subsidiary, Globe Engineering Works, on the sale of its 73 percent holding in James Brown and Hamer.

Market value of quoted investments — all in subsidiaries — at December 31 was R92 826 000 (R67 659 000), with a book value of R15 561 000 (R15 442 000).

COMMITTED

The board notes that Bakers South Africa shareholders, holding 65,9 percent of that company's ordinary shares, have committed themselves to accepting ATI's offer of 1 535c a share. Other Bakers shareholders will be asked to consider a scheme of arrangement which, if agreed to, will make Bakers a wholly-owned subsidiary of ATI at a cost of about R44-million.

Since completing arrangements to acquire a controlling interest in Grinaker Holdings — which involved, among other things, exchanging ATI's 64,4 percent shareholding in National Bolts — ATI has bought GKNSA's 12,5 percent holding of National Bolts ordinary shares.

Anglovaal's other industrial holding company, **SOUTH ATLANTIC CORPORATION**, boosted consolidated profit after tax by 39 percent to R5 188 000 (R3 728 000), equivalent to ordinary share earnings of 41c (30c) a share.

With turnover rising to R194 306 000 (R153 689 000), there was a pre-tax profit which was R2 632 000 higher at R12 729 000. Of this, taxation absorbed R4 756 000 (R4 355 000), minorities R2 698 000 (R1 927 000) and preference dividends an unchanged R87 000. Not included in the profit was South Atlantic's share of the profit on the sale of James Brown and Hamer, R718 000.

Market value of quoted investments — also all in subsidiaries — at December 31, was R56 759 000 (R38 749 000), which had a book value of R18 190 000 (R15 277 000). During the half-year, the company increased its Irvin and Johnson shareholding by 7,3 percent.

GLOBE ENGINEERING consolidated attributable profit after tax was 50 percent higher at R1 042 000 (R662 000), equivalent to earnings of 34c (19c a share). However the figures for the half-year ended December 1979 included the results of James Brown and Hamer, sold from July 1, 1980.

Turnover decreased by 40 percent (increase 5 percent), but the pre-tax profit rose to R1 602 000 (R1 107 000 — had this figure been adjusted to exclude the loss of James Brown and Hamer, then it would have been increased to R1 538 000).

Taxation absorbed R520 000 (R574 000) of the profit, minorities R31 000 (R140 000 credit) and preference dividends R9 000 (R11 000).

There were two extraordinary items excluded from the attributable after-tax profit — a taxation refund of R82 000 and a surplus from the sale of Globe's investment in James Brown and Hamer of R852 000.

Little change is expected in trading patterns during the rest of the financial year and profit should be at about the same level as that earned in the year to June 30, 1980 of R2 424 000.

The group acquired 1 028 300 ordinary Grinaker Holdings shares at a cost of about R11 550 000. — Sapa.

BANKS ACT REFORM

New deal hits grey market

(58) FM 27/2/81

An amendment to the Banks Act, which has passed its third reading and is about to become law, will increase the official liabilities of the banking system, make redundant the all-bank pricing cartel formed last December (*FM* Jan 23) and deal a severe blow to the grey market.

The amendment rules that all contingent liabilities incurred by the banks in the form of bank-endorsed paper negotiable in the money market are now subject to a capital reserve requirement of 4% and a liquid asset requirement of 5%. Previously, only bankers' acceptances were subject to these requirements, at a capital ratio of 6% and a liquid asset ratio of 10%.

This means that the requirements on all forms of negotiable paper, including promissory notes, and trade bills, have been standardised, and those held against bankers' acceptances have been lowered.

As a contingent liability is by definition one free of reserve requirements, and for this reason is called an "off-balance sheet item", it means that a substantial portion of off-balance sheet financing will move back on to the balance sheet. It also means the reserve differential between BAs and other paper, which helped to fuel the furious activity of the grey market in the last few years, has been statutorily eliminated on an equitable basis.

This differential, or at least its end result, was in fact effectively eliminated in December last year, by an all-bank pricing cartel. Formerly, banks could endorse promissory notes, trade bills, and other forms of negotiable paper at commission rates lower than those on BAs, since their effective reserve cost were lower.

The smaller banks, apparently, whose lending was restricted by their narrower capital bases, but which nevertheless wanted a slice of the off-balance sheet market, consistently shaved margins, enticed business and ran up huge contingent liabilities.

The larger banks, watching with exasperation, the erosion of valued client relationships, eventually joined the price-cutting fray. And with their huge resources and free balances, they could undercut to a greater extent.

Eventually the market called itself to order by agreeing on a minimum price structure of 9,5% for advances, a 1,5% commission fee on endorsing paper, and a 0,5% commitment fee, which incidentally is the only provision that has not been generally observed.

Registrar of Financial Institutions Wynand Louw says the Technical Committee on Banking, which he chairs, had been considering changes to the contingent liability reserve structure for some time before December. But as Louw is "absolutely against price fixing", the advent of the cartel provided a final impetus.

Merchant Bank Association's Johann Nel . . . saving small banks from themselves

The Registrar's reasons for the new regulations are, ironically, similar to the justification for the cartel given by its informal head, Johan Nel, in his capacity as the chairman of the Merchant Banks Association. These are the need to preserve the BA as one of South Africa's traditional lending instruments, and to protect the smaller banks from overreaching themselves. But their respective approaches are, of course, different.

There is more to it, undoubtedly, than the bald facts suggest. Nel explains, for instance, that commission rates were standardised on the understanding that the same thing was about to happen to reserve requirements. So the banks and the monetary authorities do work closely together.

But the impression remains that the creation of the cartel was an expression of impatience by the banks at the slow and wondrous ways of Pretoria. And the cartel is unusual in the sense that it provoked legislation.

The increase in effective costs due to the attachment of reserve requirements to all paper will be offset to some extent by the lowering of requirements on BAs, and bankers say it will not make a material difference to their overall cost structures.

Smaller institutions with huge contingent liability exposures, like French Bank, which in September carried over R50m of bill rediscounts on a R4m capital base, may feel uncomfortable. But the Registrar has granted a six month grace period to allow the banks to run off those liabilities they do not want on the balance sheet.

The standardisation of the reserve requirements also mean that distinctions between different types of paper will now come to the fore. The traditional aspect of the BA and its rediscountability with the Reserve Bank should make it more attractive, according to bankers, and the commission rates on other paper could therefore rise. This, and the fact that the rise in rates has made borrowing on and off the balance sheet almost equal in cost, should also eliminate the need for the cartel.

In fact, the amendment must be seen, say bankers, as part of a wider strategy to regain control of the monetary system, but at the same time create a fair arena for the operation of market forces. However, given the endurance power of ROCO, the commercial banks' price cartel that has limped along for about 60 years, and the cautiousness of the banking community, the chances of the all-bank cartel quietly fading away don't appear very good.

58 BANK CHARGES

FM 27/2/81

On Sunday the commercial banks' long-awaited new current account pricing structure will be published, and become operative on May 18.

Agreement on the new structure, which will reform a wide number of current account charges, was first reported in the *FM* on January 30.

Owing to the controversy surrounding the early release of the last agreement a year ago, the banks are displaying excessive secrecy with this one. Early indications are, however, that the new structure leans heavily in favour of the individual at the expense of the corporate customer, and is said to cut present charges by as much as two-thirds.

Transfers will probably continue to be charged on an *ad valorem* percentage basis to a certain limit, although the rates will probably be lower. And it appears that charges based on the volume of cheques, as well as their values, will be operative.

The anomalies of the free clearance area system have been reformed, and sources say that ledger fees will be lower, and instantly calculable "virtually from your cheque book stubs." This suggests that ledger charges will concentrate on payments drawn on the account holder, rather than on credit entering his or her account.

While reluctant to give official approval, Registrar of Financial Institutions Wynand Louw indicates that the new structure constitutes a thorough revision of commercial banking charges.

23/2/81

Police to reopen NFI fraud probe

(58)

(34)

By Tony Duigan and Mike Cohen

National Fund Investments, the huge public growth company that crashed in 1970 costing nearly 200 000 shareholders about R70 million, is to be investigated by the police.

This was announced in Parliament this week by the Minister of Police Mr le Grange and followed questions raised in the House by Mr George Bartlett (NRP, Amanzimtoti) after a civil court hearing in the Cape Town Supreme Court last week.

The court hearing arose from a claim by a firm of attorneys, Bowens, against Mr Richard Benson, a Cape Town investment broker and long-time crusader against NFI.

The claim, for R4 306 in fees and disbursements, was for payment for work carried out by the attorneys on Mr Benson's ongoing case against NFI.

Mr Benson claimed Bowens had not complied with his mandate to them and were not due payment. His plea was upheld.

In a trial within a trial during the hearing Mr Benson told Miss Justice van den Heever that he discovered the full extent of the NFI "debacle" only when he saw the company's 1970 annual report.

Summarising Mr Benson's evidence of the "debacle," Miss Justice van den Heever said the NFI story was "not a pretty

To Page 3, Col 5

Police renew NFI probe

From Page 1

one" but added that there was possibly another side to the affair — "explanations that could perhaps be given and were not."

Allegations in Mr Benson's evidence were that:

- The NFI prospectus was misleading in that the directors knew that the proposed mutual property fund held out as a future project had been vetoed by the authorities.
- After the stock exchange listing of NFI, false assurances about the affairs of the company were given to shareholders.
- Losses of the NFI holding company, National Fund Holdings, were passed on to NFI shareholders.
- Members of the NFI management were secured against financial loss by repurchase of their shares. Outside buyers were not "met" in any way.

Brigadier Theo Scherman, head of the SAP Commercial Branch, said today that police had investigated NFI several times since 1969 after statements made to them by Mr Benson.

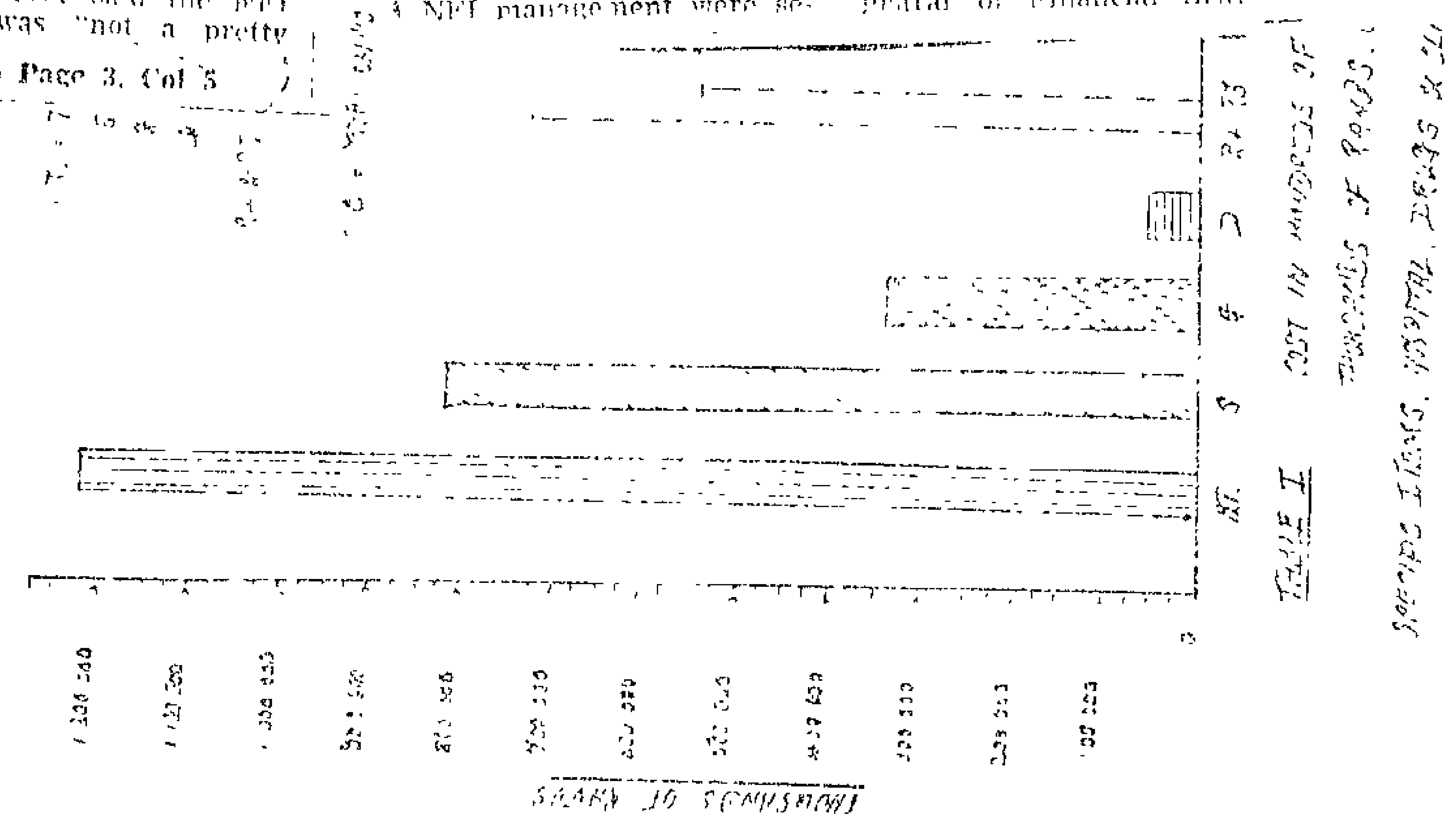
"On each occasion the Attorney-General at the time declined to prosecute without giving his reasons," Brigadier Scherman said.

"As a result of the latest civil case we will get a copy of the judgment and decide what action to take. But we will be starting another thorough investigation."

In addition to the police investigations the Registrar of Financial Institutions also investigated the NFI in 1970. The then registrar, Mr Wynand Louw, said he was satisfied that nothing was wrong with the administration of NFI.

After further representations to the Government in 1971 the then Minister of Economic Affairs, Mr Louwrens Muller, said he was also satisfied there was no justification for a further investigation into the company.

Mr Henri Kuiper, former chairman of NFI who left the company in early 1972 after he had "had a bellyful of the NFI and Mr Benson," said today that neither he nor any of the other directors had ever made false statements and that the prospectus did not contain false information.



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Good first six months for Anglovaal

Culminating the Anglovaal Group's interim results for the half-year ended December 31, are those of Anglo-Transvaal Consolidated Investment Company itself, which show a consolidated after-tax profit attributable to ordinary, "A" ordinary and participating preference shareholders of R22 769 000.

This was 36 percent higher than the R16 746 000 made in the six months to December 31 last. These figures were equivalent to earnings of 537 cents (394 cents) for each ordinary and "A" ordinary share.

Not included in the figures was an extraordinary item of R334 000 being the group's share of profit on the sale of James Brown and Hamer.

Turnover increased to R436 722 000 (R335 318 000) and resulted in a pre-tax profit that was almost 33 percent higher at R61 776 000 (R46 291 000). Taxation increased to R18 161 000 (R14 961 000), while minority interests absorbed R20 561 000 (R14 470 000) and preference dividends an unchanged R145 000.

Capital commitments on December 31 totalled R36 351 000 (R15 717 000). Market value of quoted investments was R257 631 000 (R211 676 000), while their book value was R81 258 000 (R45 913 000).

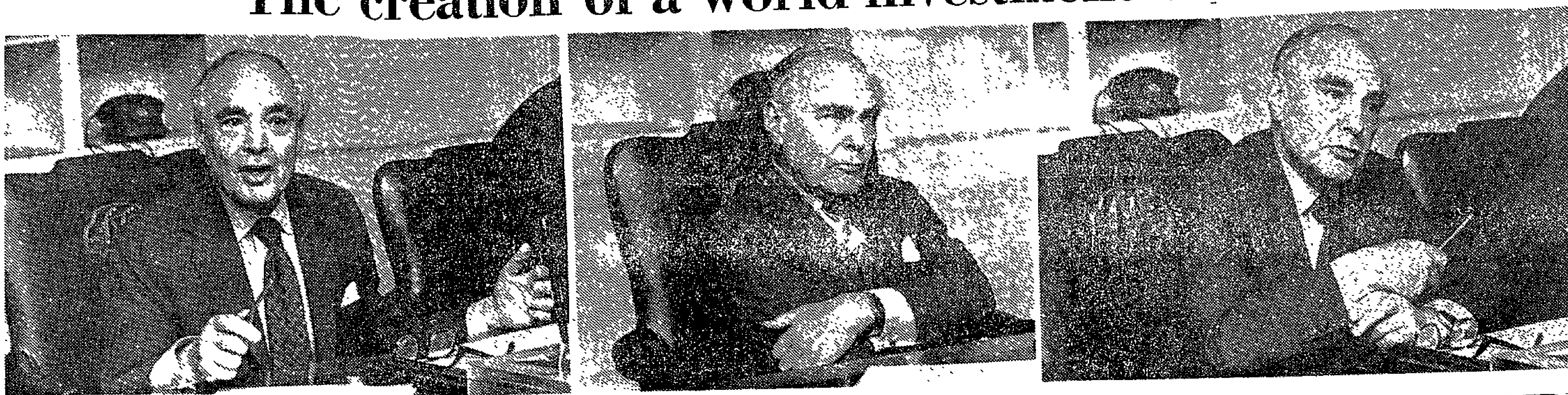
The directors state that all the principal industrial companies contributed to the improvement in profits.

Profits during the second half of the year, excluding those from the new acquisitions — Bakers South Africa and Grinaker Holdings — are expected to be about the same as during the first half, provided there are no radical changes in trading conditions.

Income from the group's mining investments was substantially higher and for the full financial year it is expected to be higher than that of the previous year. — Sapa.

BUSINESS

The creation of a world investment vehicle



By injecting into Minorco most of the important holdings outside South Africa of Anglo American and De Beer's, Mr Harry Oppenheimer has created the world investment vehicle he has long wanted, The Times said in London today.

Mr Oppenheimer is shown in three different moods at yesterday's Johannesburg Press conference.

The pictures were taken by The Star photographer Mark Peters.

- Self-financing is company target
- Oppenheimer 'thinks of the Americas'

Minorco's share capital gets massive boost

58 ~~232~~ 57 1981 27/2/81

By Geoff Shuttleworth

Minorco's issued share capital is to be increased by 59,4 percent to 159,1-million ordinary shares and its asset base is to be enlarged to about 2 000-million US dollars — an increase of 807,4-million dollars.

The reason for the increase in the share capital is to pay for the new assets which include the combined 29,8 percent Anglo/De Beers interest in Cons Gold, the transfer of 37.5-million ord shares in Charter representing 35,8 percent of its share capital and all the ord shares and promissory notes of Amcan not already owned by Minorco, thereby making Amcan a wholly owned subsidiary of Minorco and raising Minorco's interest in Hudson Bay to 44,8 percent.

As a Press conference last night, Anglo chairman Mr Harry Oppenheimer said that over a great many years he has tried to build up Minorco as an overseas-investment arm and the steps taken in 1979 was a certain step in this direction. At that time Minorco was given a 10 percent stake in Anamint and 50 percent of Amcan.

He wanted Minorco to be big enough and powerful enough to finance itself. In addition, because of the 75 percent asset and earnings dependence on Engelhard Minerals Corp, it had been decided to spread its investments and to boost its actual cash income from other sources, such as the transfers referred to above.

Actual cash contributions under the 1978 rearrangements were still relatively small and did little to enhance borrowings potential. Through dividends from Charter, Cons Gold and Amcan its cash receipts will be considerably increased.

The combination of the substantial asset base, small existing debt and expected improvement in the level of cash retentions will increase significantly Minorco's borrowing capacity and hence its ability to pursue its objective of taking advantage of attractive investment opportunities, primarily in mineral and other natural resource industries, the official release noted.

Asked into which specific area Minorco was likely to move, Mr Oppenheimer said that "in the immediate sense we are thinking of North America and are hopeful of new business in South America."

He noted that in respect of Charter there was a common element of the UK and the Continent in its sphere of operations.

The effect on Angola, De Beers and Charter will, says the release, enhance the intrinsic value of shareholders' investments in the long-term advantages. In the short term there will be no material effect on the earnings or net asset value of Anglo, De Beers and Charter.

Under the new proposals Minorco is expected to pay a 16c final in the second half making a prospective 22c total. In the next year, barring inforseen circumstances dividend distribution is expected to be at least 30c a share.

The new proposals mean that Anglo will enlarge its stake in Minorco to 42,5 percent, and De Beers will hold 23,5 percent.

Asked why Anglo and De Beers will hold such a high percentage (66 percent), Mr Oppenheimer said that Minorco paper could be used to raise cash and the current proposed Anglo/De Beers holding could be diluted and the 66 percent stake catered to this possibility.

- The issue price of the new Minorco shares is to be based on the average market value of Minorco over the four weeks ended February 24.

- The listing of the shares of Minorco will be reinstated today. [illegible] circular [illegible] setting [illegible]

16c final in the offing

Results for Minorco's first six months ended December 31 show that a 6c a share interim dividend has been declared and that according to today's restructuring proposals a 16c final is in the offing, writes Geoff Shuttleworth.

Results for the immediate prior period, that is the second half of its financial year, are a better comparison than those of the 1979 interim results because no revised figures are available which take into account the restructuring initiated in December 1979.

Comparisons of earnings with the review period and the last six months of the immediate prior year show that earnings retained rose to 236,2-million US dollars as against 160.4-million dollars before. Net earnings for the period were 84,5-million dollars against [illegible] 8-million, the

Lonrho gets R66-m boost from Southern Africa

Star 27/2/1981

58

By Colin Campbell
Financial Correspondent

LONDON — Southern Africa contributed R66.22-million to Lonrho's total 1980 pre-tax profit of R263.94-million, and R326.18-million towards total turnover of R3 654-million, the annual report shows.

Mining, agricultural and hotel interests were the strongest performers, and mining profit rose from R45.24-million to R109.6-million.

Mr Tiny Rowland says that mining continues to be the group's principal exploration target and it is researching a number of deposits.

The pipeline from Umtali to Beira had been tested and was in good order after being idle for 15 years, although a portion would need to be replaced where it crossed the Pungwe marshes.

Lonrho's total gold production last year was 367 000 ounces. Production of platinum-group metals rose 6 percent to 131 000 ounces.

Minet, Nedsual merger

RDM 28/2/81 (58) 232

J H MINET & Company (South Africa) and Nedsual Insurance Brokers, two major insurance broking and consulting firms, have reached agreement in principle to merge their respective South African interests under the name of Minet SA Insurance Holdings.

This was announced yesterday by Finansbank and Union Acceptances, joint merchant banks to the merger.

Minet Holdings UK, a company listed on the London Stock Exchange, will hold 50% of shares, Nedbank Group 40% and SA executive management 10%.

Mr Gerry Muller, chief executive and deputy chairman of nedbank Group, and Mr Athol Hall, representing Minet Holdings UK, will be chairman and deputy-chairman respectively of Minsa, which is to be constituted to reflect the relative shareholdings of both Nedbank Group and Minet.

Implementation of the merger is subject to approval of the South African and United Kingdom authorities, and confirmation by respective shareholders. It is not expected that there will be much delay in securing approval. — Sapa.

FINANCE General

1-3-81 - 31-7-81

MARCH 1, 1981

Too many savings account holders are shirking ledger fees so . . .

THE BANKS PUT ON THE CLAMPS

S Tribune (8)

1/3/81

By JACK BRICKHILL
Finance Editor

Long bank queues . . . now it's save more and spend less.

THE big banks are putting the clamps on savings bank account holders who are spending and not saving.

Standard Bank this week sent out letters to account holders with less than R50 to their credit asking them to raise their savings level by July. Barclays already has similar restrictions and Nedbank has a lower limit of R10.

A Standard spokesman says the bank does not want to drive these customers away but it wants them to save more.

People who are using savings accounts as current accounts escape payment for ledger fees and cheque forms.

The bank is handling its customers with kid gloves, and, it is unlikely the July deadline will be strictly enforced. But the writing is on the wall for recalcitrant account holders.

With immediate effect, no new accounts for under R50 will be opened.

The banks are feeling the pressure from high operating costs and say that the small accounts are not profitable. The cost of savings books, machine time and labour are rising and at least R200 is needed in an account before there is any profit in it for the bank.

It is estimated by a banking source that 60 percent of the accounts represent only two percent of the total balance.

Another factor is the crowding of banking halls especially at the end of a month when hordes of savings bank account holders flock in to withdraw their "savings" deposited by their employers.

The banks are not averse to acting as paymaster in some areas where special savings schemes have been made with big employers, but crowding of main banking halls interferes with the business of other clients.

A Barclays' branch in the Transkei has 25 000 small savings accounts and a banking official with queues stretching a kilometre from the bank.

Jim McKenzie, general manager Natal for Barclays, says the whole question is being looked at again. A new scheme is being considered involving interest payments on a sliding scale.

The building societies generally adopt a different view from that of the banks. They regard the nuisanie-value small aicounts as a client base from which more business will eventually be generated in the form of bonds or bigger deposits as incomes rise.

It seems probable that the societies will gain a bigger share of the small savings account business in future.

Company tax

*7. Mr. H. H. SCHWARZ asked the Minister of Finance:

What amount in company tax was collected from (a) mining and (b) non-mining companies in each month of 1980?

The MINISTER OF FINANCE (Reply laid upon the Table with leave of House):

	(a) Mining Companies	(b) Non-Mining Companies
	R	R
January	[illegible] 035 453	293 654 226
February	[illegible] 373 516	121 427 507
March	[illegible] 162 025	208 027 382
April	[illegible]	135 479 311
May	[illegible] 255 379	120 255 702
June	[illegible] 357	178 095 042
July	[illegible] 751 [illegible]	330 140 082
August	[illegible]	116 539 272
September	[illegible]	231 463 000
October	[illegible] 10 003	174 107 567
November	[illegible] 753 666	104 744 362
December	[illegible]	236 229 318

Company tax

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January	3 035 453	293 654 226
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March	3 162 025	208 027 382
April	[illegible]	155 479 811
May	[illegible] 235 879	120 255 702
June	17 [illegible] 757	178 095 042
July	[illegible] 751 111	330 140 082
August	[illegible] 30	115 559 372
September	15 [illegible] 16	241 463 000
October	[illegible] 13 [illegible] 03	174 107 567
November	[illegible] 123 [illegible]35	104 744 362
December	21 [illegible]23 [illegible]62	206 229 318

2/3/81 STAR 58

Companies refute inflation charge

In 1980 many big companies showed vastly increased profits — in some cases more than 300 percent over those of 1979 — and this has led consumers to make charges of profiteering and contributing to inflation. The companies deny this and, in turn, accuse consumers of ignorance about the causes of inflation.

By Marion Duncan

Massive profits announced by companies for 1980, some of which are more than 100 percent over those of 1979, are baffling consumers.

Accusations of blatant inflationary practices are being levelled at the larger organisations.

But, at the same time, there is a large body of opinion — mainly economists and businessmen — who maintain that the free market principle of profit motive, with its resultant high profits and high prices, is not a direct cause of inflation.

There is no doubt that 1980 was a record year for profits. Of 41 companies and groups who have announced their figures since the middle of February only three showed profits of less than 20 percent.

Nine were between 21 and 40 percent; nine between 41 and 60 percent, 11 between 61 and 100 percent; six between 100 and 150 percent; and three (Toyota, Group Five and Gresham Industries) exceeded 300 percent.

All of which, says Professor Joubert Botha (head of the department of economics at the University of the Witwatersrand) proves that big business is responsible for South Africa's soaring inflation.

"Companies cannot justify rising prices with profits like this. I know, and support, the free market principle but business is freer than it should be," the professor said.

"Inflation is due, not so much to the excess of private money and consumer spending — as Mr Horwood has said — but to the price-forming policies of big business."

Professor Botha is supported in his accusations by the Housewives League of South Africa whose national president, Mrs Joy Hurwitz, said her organisation had received many complaints and queries about the profit announcements.

"We are concerned about these high profits because we know what the consumer is paying for commodities of all kinds — and for food in particular.

"We are not opposed to profits. We support private enterprise. But these enormous profits have been earned by prices being set at levels companies think consumers can afford. But not all consumers can afford them.

"I agree that inflation comes from price-setting rather than from consumer spending. It is obvious."

Another to support Professor Botha is ombudsman Mr Eugene Roelofse, who says: "I believe there has been a smash-and-grab raid on the incomes of consumers by big business. The recent upsurge in the economy has caused those in company boardrooms to run wild.

"Most people still think the price for which a commodity sells has some relation to its cost of production. Nothing is further from the truth. Price is a policy laid down by companies and usually corresponds to what they think the market will bear.

"It seems that we are reaching the stage where the profits of some companies or groups of companies are being made at the expense of the creation of poverty among sections of the population. It is time to draw the line. The Government must step in because it bears part of the responsibility for these inflationary pricing policies."

But many economists and most businessmen do not agree. A survey of 10 economists working for banks and large businesses produced the following points:

- Companies have a duty — if not an obligation — to their shareholders to make as much profit as possible.
- Many companies prefer to finance increased plant capacity (thereby increasing output and employment opportunities) from profits rather than by borrowing, which means that actual return on investment is not as high as profit figures suggest.
- Consumer demand causes prices to rise.
- A figure of profit increase is meaningless without relation to turnover and capital invested.
- Company pricing policy is not a direct cause of inflation.

Businessmen added that 1980 profits seemed higher than usual because of the low base (1979), which was the start of the recovery from the recession) to which they are compared.

They also deplored consumer ignorance of inflation and a majority (18 out of the 20 canvassed for comment) said the Government should educate the public about inflation and its causes and effects.

The Consumer Council supported the companies. Said council public relations officer Mr Chris du Plessis: "Only a few companies have made questionable profits."

The h... individuals or groups of people who do get involved are a definite minority. Most of those I met are firm believers in Westernisation and they believe that "development" is possible as long as people work hard.

set up the same type of project successfully. The important thing here is that these people often watched what was going on, decided that the activity would be beneficial and then as a group decided to try to implement it.[53]

External development work often consists in a group of people sitting in a distant city developing plans and models whether paying patients will, or should, get a more leisurely consultation. The main difficulty will probably continue to be excess demand: during the new doctor's first month he saw an average of 30 'state' patients per working day, though some came on public holidays and weekends. Some of this is undoubtedly a backlog, and it remains to be seen how the situation will develop.

The most pressing needs seem to affect the old, who have chronic illnesses, who find it hard even to walk from the location to the doctor and do not always think treatment worth the expense; and who suffer from bad eyesight for which they have not sought help; and women and children in rural areas whose illnesses may not easily come to the attention of the farmer, or whose husband/father may be unable to take to town on his own. This applies particularly to all families living on farms where there is no white family; these are particularly isolated and especially likely to suffer from nutritional deficiencies. In view of the usefulness of the work done by the SANTA volunteers it would seem that some routine check-up for general health would be very fruitful. In former times, when it was common for private doctors to visit the sick on the farms and perform inoculations there, other illnesses could more readily have come to light. In recent years, visiting of 'state' patients has ceased. Even with two doctors in Tiersdorp, they appeared to be too busy to do much routine visiting: clearly now extra manpower (not necessarily a doctor) would be required for surveillance. Education for blacks on home health care would also help in the present situation.

63 21/3/76

Mr Justice Steyn joins UBS board

MR JUSTICE STEYN

The United Building Society, one of the pioneers in championing the cause of home-ownership for blacks, has appointed Mr Justice Jan-Hendrik Steyn, executive director of the Urban Foundation, to its board.

The appointment follows a recent announcement that Mr Justice Steyn would be stepping down from the bench to devote himself to property matters, particularly in the field of black housing.

Commenting on the appointment, Mr Philip Sceales, chairman of the United, said: "Mr Justice Steyn's considerable experience in the field of non-white housing will be invaluable to our board. We are deeply committed to the 99-year leasehold system which we believe will prove to be the prelude to ultimate freehold title."

Mr Sceales has over many years been one of the country's strongest protagonists for home ownership for blacks and it is significant that of the 500-plus 99-years leasehold schemes registered to date, no fewer than half are registered with the United Building Society

"We are still deeply concerned about the relatively small number of 99-year leasehold registrations, but I believe that in the near future registrations are going to increase dramatically to the benefit of all sections of the community," Mr Sceales added.

River
Railway
Permanent clinic
Weekly clinic

clinics at Enon, a mission settlement 12,5 km from Kirkwood, and at Dunbrody on a large estate (see map). The same services are provided. The white sister at the Kirkwood D.C. clinic also makes two fortnightly trips to roadside stops in areas more distant from the clinic, and a monthly visit to Bluecliff area, incorporating TB follow-up and casefinding.

3.1.4. Emergencies

A taxi service is run at D.C. expense from Kirkwood for the transport of emergency cases to the point of treatment, normally Kirkwood, Uitenhage or Livingstone hospitals. It can be commissioned

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transport infectious

Port Elizabeth.

3.2. Specialist and

Specialist service

Uitenhage. Patients

to the Kirkwood nurs ... in

Uitenhage or the Livingstone Hospital at P.E. Better off patients consulting a private doctor may be referred to private specialists in these towns.

3.3. Services in Surrounding areas

These are described in some detail in Appendices I and III. Services in the Valley provide an interesting contrast with the mobile clinic system in the rest of the Uitenhage D.C. area, and with the private clinic supported by Albany D.C.

4. Utilization of Health Facilities

4.1. Analysis of clinic attenders

A study of 'minor ailment' patients' cards was made at Addo and Kirkwood Divisional Council clinics to discover the areas served by them and the age/sex distribution of their clientele. The results are given below:

Table 1: Distance travelled to clinics

km	0-1,9	2-3,9	4-5,9	6-7,9	8-9,9	10-14,9	15-19,9	20+	Total
Addo	38	33	30	1	3	7	0	5	117

Executive director

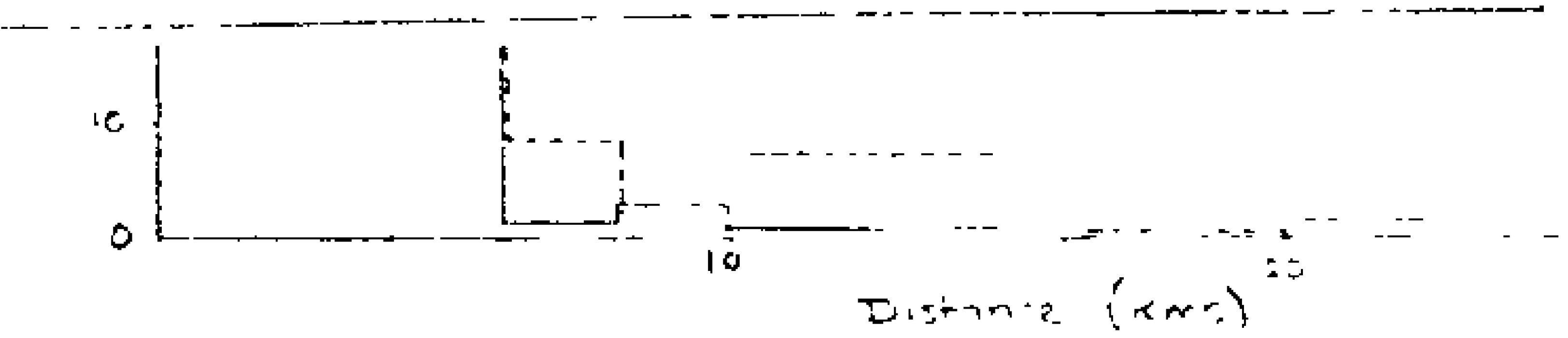
Mr N F Oppenheimer, a director of Anglo American Corporation, who has been appointed a member of the executive committee of the board.

After joining Anglo American Corporation in 1968, Mr Oppenheimer was appointed a director in January 1974.

He is also a director of De Beers Consolidated Mines, chairman of SA Land and Exploration Company and East Daggafontein and on the board of more than 70 other companies.

In 1979 he transferred to the chairman's office of Anglo to widen his responsibilities, and at the end of 1980 relinquished responsibility as marketing director of the corporation's gold and uranium division.

As chairman of the employment policy committee he headed the introduction of the undergraduate cadet scheme, through which groups of black matriculants are recruited, trained and specially educated at university level to form a pool of potential managers, both in the financial and engineering fields.



From the graph it can be seen that Kirkwood has relatively fewer patients from close by: this is because residents of the municipal area must use the municipal clinics. Only those living on farms can use the D.C. clinics. There are fewer patients from distant locations because, paradoxically, Kirkwood clinic is reckoned to serve a larger area than Addo and the sister makes fortnightly visits in her car to a number of stopping places,

SASRIA (58) FM 6/3/81

Cover costs attacked

The cost and other aspects of providing political riot cover through the government-backed Sasria (SA Special Risks Association) is coming in for sustained criticism. In more than one case cheaper cover has been found elsewhere.

Moreover, Sasria and some brokers appear to be avoiding public discussion on these important issues.

Last week representatives of the SA Insurance Brokers' Association and the Sasria board met to discuss some of these criticisms — a get-together described by Sasria chairman Warren Plummer as "a private affair."

Specific items on the agenda dealt with the high cost of Sasria cover, more flexibility in allowing deductibles, moves to change Sasria regulations to provide for consequential loss and net profits, and to redefine the onus of where claim liability falls.

Sasria's rates schedule, says one critic, is costly, inflexible and in effect racially discriminatory. Market rates for fire and storm risk are less than for Sasria political riot cover. In non-residential white townships, Sasria rates are a hefty 0.1 per R1 000 insured; in Indian townships 0.3 and in black townships 0.5. And risks not of a purely private residential nature are charged at four times the residential rate. While risks insured in white areas are three times cheaper than in Indian and five times less than in black areas.

While black townships have higher rates due to the greater likelihood of political violence there, the fact that apartheid laws largely forbid black ownership of property outside the homelands means the burden of these differentiated tariffs falls on Indian and coloured owners. Although [illegible] be more exposed in an insurrection than a [illegible] Soweto [illegible] what about Grey Street, the biggest Indian business area in Durban?

Says Grey Street Local Affairs committee chairman [illegible]: "It [illegible] that Grey Street, being part of the CBD, does not [illegible] higher premium rates in relation to the black [illegible] will [illegible]. It leaves that [illegible] not [illegible] in a [illegible] but if they want to be insured [illegible] pay three times the rate."

Another critic argues: "If Sasria needs a certain fixed income it should average out rates and should not adopt enormous differentiations which are arbitrary and unrelated to claims experience. Furthermore, having provided political riot cover, Sasria makes little attempt to market itself. With its fund standing at R[illegible], arguably too little to justify lower rates, a more appealing product might boost premium income and enable rates reform."

Cheaper cover

It was cheaper cover — at 20% below Sasria rates — which led insurance broker Nedsual, now merging with Minets, to place riot business for Syfrets bond nominees and other major corporate clients with Holland Insurance Company. The cover includes consequential loss and the use of deductibles. Last year, in another case, National Acceptances' Claremont property development scheme was insured for political riot protection on the overseas market for better cover at cheaper rates.

And on deductibles, Sasria has maintained that it cannot underwrite every individual approach as a deductible on one risk means more premium cover on another. Instead it has given magnitude risks which allow discounts on the size of sums insured in certain areas. "But," asks one broker, "if they can give an arbitrary scale for magnitude discounts why can they not give an arbitrary scale for a deductible?"

Answering these criticisms, Sasria spokesman Rodney Schneeberger denies Sasria's tariffs are racially discriminatory. "They differentiate purely on situation of risk," he says. "The question of occupancy, management and ownership is irrelevant. Situations like Durban's Grey Street are an anomaly which the board is trying to iron out." But then why is the basis of classification racial (between black, Indian and other townships) rather than a more precise measure of risk assessment?

On high costs, Schneeberger explains that rates figures are based mainly on experience arising out of the 1976 riots. The rates structure, he adds, is under constant review" by the board. While Schneeberger agrees that Sasria rates are higher than thóse on fire and storm risk, he says the potential riot liabilities are far greater and fire and storm rates uneconomically low.

Moreover, Sasria cover will remain available should there be unrest, whereas cover obtained abroad can easily be withdrawn when it is most needed.

Schneeberger describes the brokers' meeting as "most satisfactory." The matter of allowing deductibles will be referred to the Sasria board for consideration and government pressed to allow Sasria to insure for consequential loss care of their own mothers, of whom one was spastic and partially sighted due to tuberculous meningitis as a child, one a 15 year old and one destitute because the father was in a TB hospital. Four mothers were dead, one a defective epileptic and nine were working, seven because their menfolk had deserted them.

PARASOLS (58) FM 6/3/81

Flexibility assured

Insurance brokers scored a major victory over short-term underwriters this week when they won agreement on more flexible conditions for controversial asset all-risk (parasol) policies.

Although the Insurance Association (the underwriters) and the Insurance Brokers Association were still locked in negotiation at the time of going to press, the brokers have obtained agreement on major points of principle.

This is a sequel to an attempt by the underwriters last May for a market agreement on these policies — stipulating standard wording, minimum rates and specified excesses. It led to a major row and angry letters to the authorities. The attempt floundered when the AA Mutual refused to accept an impost that would limit competition and amounted to interference in the internal affairs of the Insurance Association's members.

The basis of the deal is that there should be a clear division of liability with regard to the various forms of cover (fire, burglary, money, liability, fidelity, machinery, business interruption, motor, etc). Moreover, separate premiums will be charged for each type of cover and suitable loss limits imposed while business interruption cover will be effective only when material damage occurs.

The Insurance Association wants standard wording to include clauses on war and civil war, average, nuclear exclusion, subsidence and landslip, political riot exclusion, the exclusion of losses arising in countries outside the normal geographical limits of a SA policy and losses involving aircraft and waterborne vessels. The insurers have also agreed with the brokers that large risks be exempt from standard asset all-risk policies — it suggests that to qualify for this exemption, a risk must have a sum insured on material damage against fire and allied perils greater than R75m.

Principles conform

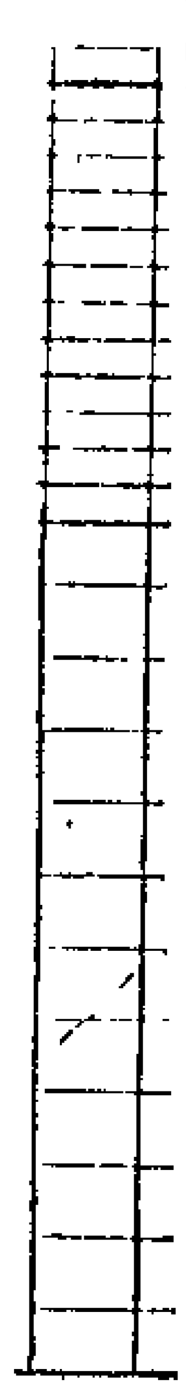
These principles conform with the brokers' proposals on asset all-risk policies, forwarded last November to the Insurance Association in a letter written by Brokers Association chairman Ken Palmer (*FM*, December 12). One detail to be iron out, however, relates to stock throughput policies, which the brokers do not want subjected to the standard asset all-risk policy if used for the purpose originally intended Others are over clear procedures for departures from material damage warranties, a need to negotiate exceptions on subsidence and geographical limits (on the grounds that the Insurance Association already has a subsidence agreement while geographical limits should be restricted only by members' ability to transact such business), and that works damage cover be included.

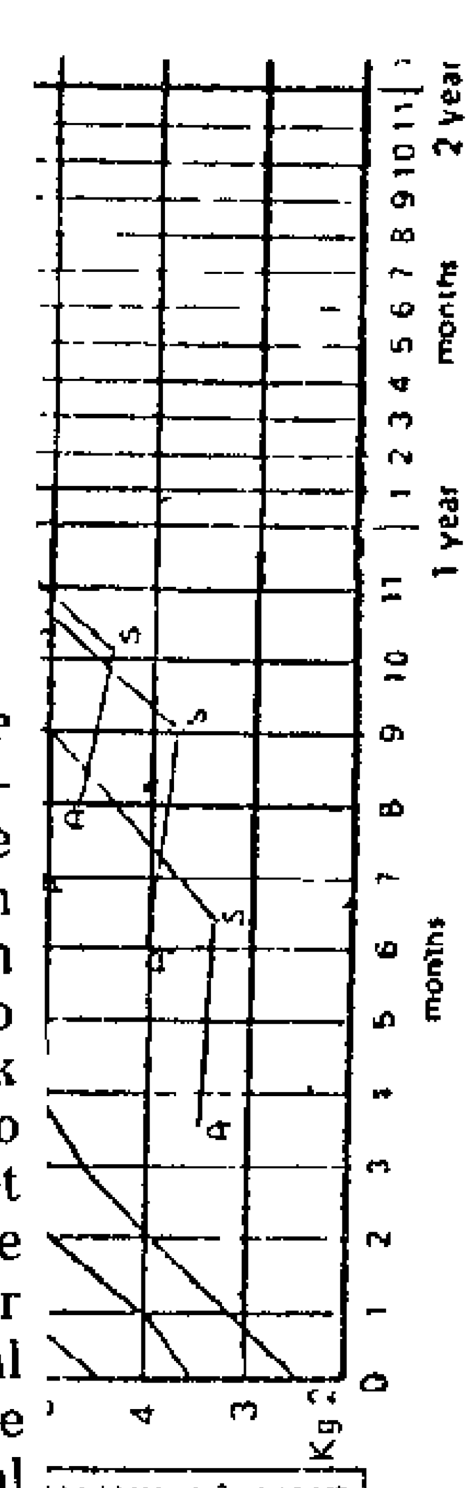
The brokers have been seeking to ensure that the principle of flexible wording of such policies, with the right to negotiate exceptions tailored to the insured's needs, be firmly established. The onus is now on both sides to show the agreement is in the consumer's interest, especially if local assets all-risk cover is to be comparable with what is obtainable abroad.

(c) Adequate convalescence. ...
they were gaining over a r...
trained doctors and nurses
to expect untutored guardi...
caused the condition to be
children who survive and h...
weight gain and specialisat...
medically fit for discharge
after such apparently adequ...

Thus, of fifty children who
had died of another episode
twenty were stationary and ...
three months.

It seemed necessary from these findings to keep children longer and thoroughly to investigate the conditions into which they were to be returned before they were discharged. This leadsto a policy of prolonged convalescence, which of course leadsto overcrowding in the ward. This was solved by accommodating children in huts in the local .../..





- 9(a) -

SEE PAGE 9
GRAPHS II.
A=Ad...
S=Tra...
SP=Pr...

BANK CHARGES (58)

Belated streamlining

FM 6/3/81

On Sunday the Clearing Banks' Association announced a radical reform of the present structure of current account charges that will become operative on May 18.

The new system disposes of the old arbitrary division of the country into areas within which deposits of cheques emanating from other banks within the same area were free, but which attracted charges when area boundaries were crossed. At one stage this structure reflected real administration costs related to communication across distance. But modern methods of communication have rendered this system archaic, and in eschewing it the banks will end years of controversy and criticism.

The new structure, far more standardised and streamlined, breaks roughly into two main categories.

☐ The service fee: all debits on a current account initiated by the holder (like cheques drawn), will be subject to a service charge with minimum and maximum levels and varying according to the value of the cheque. The parameters of the charge and its escalation mechanism, will be decided by individual banks and like overdraft services will vary according to the status and record of the client. This flexibility is essential for banks to maintain existing relationships with large corporate customers and managers should be advising individual clients by the end of April.

Debits for bank charges, for movements of an account between different branches of the same bank, for payments to approved religious and charitable bodies, for transfers to interest-bearing accounts and all credit entries, will be exempt.

☐ The cash deposit fee: a handling fee, at a minimum of 0,2% up to R10 000 and 0,1% thereafter, will be charged on the deposit of notes, coins, money and postal orders. Deposits under R200, to saving accounts, to term accounts over 7 days and to accounts included in the service fee exemptions above, will be exempt.

Additional handling charges will be levied on a number of items, like consolidated payments services, stop orders and manumatic debits. In terms of consolidated payments, *bona fide* salary payments involving a large cheque drawn accompanied by a number of mail transfer orders will be subject to the service fee on the cheque, plus a handling charge (now 5c for paper and 3c for magnetic tape) on the orders. However, attempts to disguise a number of private payment orders in the same way, will involve the attachment of both service fees and handling charges to each order. Manumatic debits are regular automatic payments on insurance policies etc, most of which are tending to go onto magnetic tape.

Fixed charges

Charges now levied for magnetic tape services, calculated on a value/transaction number basis, will be reviewed and possibly move onto a fixed charge basis at a lower effective cost. July 1 is mooted as the relevant date.

Charges now abolished include commissions on the collection of cheques, mail and telegraphic commissions, ledger fees and certain others. Stop orders, since they constitute a customer-initiated debit on the account, will be liable to the service fee and a handling charge. But cheque books will not have to be paid for beyond the value of the revenue stamps (now 3c) on each cheque.

Although it is generally recognised that the new system will favour the individual at the expense of the corporate client, the flexibility of the service fee structure means that corporate clients are not yet in a position to estimate the effect on their overall banking costs of the new system. "But," says one mining company treasurer, "it seems that costs will rise. We're watching in particular the *ad valorem* charges. However it seems clear that if much of a company's business is conducted by cheque exchanges, it will find ways of using less cheques."

FCI economist Arthur Hammond-Tooke agrees, but believes that the new system is an improvement on the old, "which was very high-stool."

"The new one appears to be geared to charging what the traffic can bear, which is a sound tariff-setting principle," he adds.

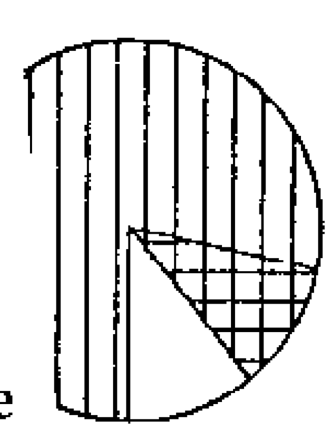
But one thing is certain. The emergence of the new system, given a four-year history of negotiation and controversy which has included at least one "final agreement" aborted by premature publicity, is in itself something of a triumph. And, however unpalatable in principle is an industrial pricing agreement, the fact that this one replaces a patchwork quilt of ad hoc measure intitiated 60 years ago gives a measure of cool comfort.

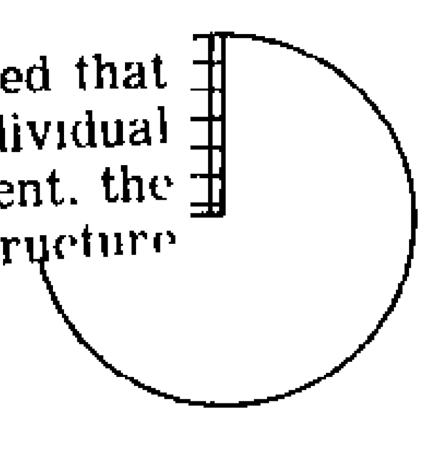
It was not possible to distinguish between qualified in-training and assistant nurses in the statistics. Without these distinctions, no valuable assessment of the real expansion of nursing care can be made. (8)

V. FINANCES 1919-1976

The money set aside for mental health in state budgets has increased from £310 379.00 in 1919 to R38 092 793.00 in 1976.

GRAPH 8





in-training nurses
assistant nurses

There is no necessary conne
and level of educational tr
in custodial institutions.
where nurse-aides in traini
overall welfare of patients
with a low formal standard
quality service to mental p

Not only would this difference affect the nurse:patient ratios, it would alter the quality of care delivered by the nursing staff as a whole. (** See page 14a)

The actual staff position could not be ascertained. Only the limited observation can be made that the total number of nursing staff kept pace with the total inpatient population; in fact, it rose at a slightly higher rate.

There is no evidence available to show that the psychiatric nursing staff is rising. It is probable that the ratio is rising.

Graph II demonstrates the growing discrepancy between bed capacity and inpatient population from 1935 onwards. This discrepancy continued up until the 1970's with a brief respite in the immediate post-war years. It recurred from 1955 in a more acute form. From the early 1970's, both bed capacity and inpatient population fell absolutely, and began to

FM 6/3/81

HOW THEY PERFORMED (58)

	Expense ratio†	Pension business as a proportion of all life income	Life fund growth %‡	Investment return on assets %*	Lapse ratio (in terms of premium income)**
African Eagle	26,6	43.0	54,3	9,0	52,1
Colonial Mutual	38,4	7,1	5,0	9,5	34,5
Federated	11,1	92,2	51,3	9,5	50,0
Leg & GenVolks	28,4	32,7	46,1	9 1	17,3
Liberty	23,1	18,0	109,2	8,4	12,5
Metropolitan	27,7	28,8	45,6	6,6	41,5
Prudential	18,5	43,5	51,5	8,9◆	26,4
SA Mutual	17,0	36,4	62,7	8,9	17,6
Sanlam	15,5	42,7	47,6	9,1	14,8
Southern	19,2	53.9	56 8	9,1	24,1

† Covers life and group pensions business ex Registrar's returns 1978
‡ Excluding investment income ex SA Life Assurance Yearbook, 1979
* Calculated on all long term business assets, ex Registrar's returns, 1977 and 1978
** Covers life (non pensions) business only ex Registrar's returns 1978
◆ 1977 figure

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patients tate hospitals)	%Resident in State hospitals
915	80%
725	90%
791	90%
919	95%
957	80%
851	45%

disordered patients
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...matically since 1965. Alternative institutions have developed since the early 1960's, particularly since 1970.

They comprise provincial hospitals, homelands hospitals and licensed institutions.

Provincial Hospital Services

Dr Moll was the first specialist psychiatrist to practise in South Africa. He practised as a psychiatrist in Johannesburg from 1914. Dr A. Cox was the first psychiatrist to be appointed to a provincial post. In 1929 she was appointed honorary consultant psychiatrist to the Johannesburg General Hospital. There were neither psychiatric beds nor an outpatient department. To get round this limitation, she resigned her post, and joined the Department of Medicine as an assistant in neurology and psychiatry. From this position she could run an outpatient department for neurology and psychiatric patients. By 1932 the neuropsychiatry subdepartment had 9 casualty beds. In 1946 the Johannesburg General Hospital opened a specialist neuropsychiatry branch at Tara Sanatorium which has been used previously as a plastic surgery hospital during the war. The facilities provided by the General Hospital and Tara expanded. By the 1950's the outpatient departments were dealing with more than 10 000 cases annually.

In the Cape, the Somerset Hospital provided a neuropsychiatric service since 1923. When Groote Schuur opened in 1938, 16 beds for neuropsychiatric patients were made available. An outpatients clinic was also run. The bulk of the cases utilising these services were neurology cases. In 1963 the departments of neurology and psychiatry were constituted as independent departments. It was at that time that the first Community Psychiatric Service from provincial hospitals began.

The services provided by the provincial hospitals and state mental hospitals were always independent of each other. During the investigatory stage of the Commission of Inquiry into the Mental Disorders Act and the reorganisation of Mental Health Services.

IV. SURVEY OF FACILITIES 1916-1976.

In 1923, 7 626 persons (i.e. I in I 000) were known to be mentally disordered. (5) By 1976, there were more than 38 000 of such people, i.e. I per 670 population.

(Graph I:

At the turn of the century, eight mental hospitals wei operation. More than 20 state hospitals, and more th other institutions were housing patients in 1976. Th of accommodation facilities in state hospitals is ref in the graph below. Also reflected is the expansion resident inpatient population of state hospitals.

(Graph 2: See pg.6a)

The resident inpatient population at state hospitals grew at a steady rate until 1970. The bed capacity expanded at a staggered rate, determined by a less regular development of new hospitals and extensions to those already in existence.

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4. x Incomplete - figures unavailable. xx Incomplete - figures from Poleko Sanatorium and Thaba-moopo Hospital unavailable. xxx No figures available - these institutions are unlikely to employ any full-time psychiatrists or medical officers.

5. The category of "KNOWN MENTALLY DISORDERED" is taken from the successive annual reports of respective commissioners for mental hygiene. This category was dropped after 1970. The figure for 1976 corresponds to the number of patients who were known to be receiving treatment at category I institutions. It does not take into account the number of mentally disordered persons not requiring hospital admission or special care, and is therefore a gross under-estimation.

GRAPH 1
NUMBER OF KNOWN MENTALLY DISORDERED PERSONS IN SOUTH AFRICA (x 10³) 1923 - 1976

LIFE ASSURANCE FM 6/3/81

Measuring efficiency

Last week the *FM* discussed various yardsticks that may be used to measure the efficiency of life assurance companies.

This week detailed figures from leading assurers are presented in a table inadvertently omitted when the earlier article appeared.

The most simple efficiency ratio (first column) is the percentage of commission and management expenses to premium income. But most assurers argue this ratio is vague as it does not show how expense ratios vary between different classes of business.

The second column, therefore, sets out the proportion to total income of premium income derived by each assurer on pension business. It tends to support the argument, with exceptions, that there are lower expense ratios on pension business. But it is not an altogether accurate guide to an assurer's cost efficiency.

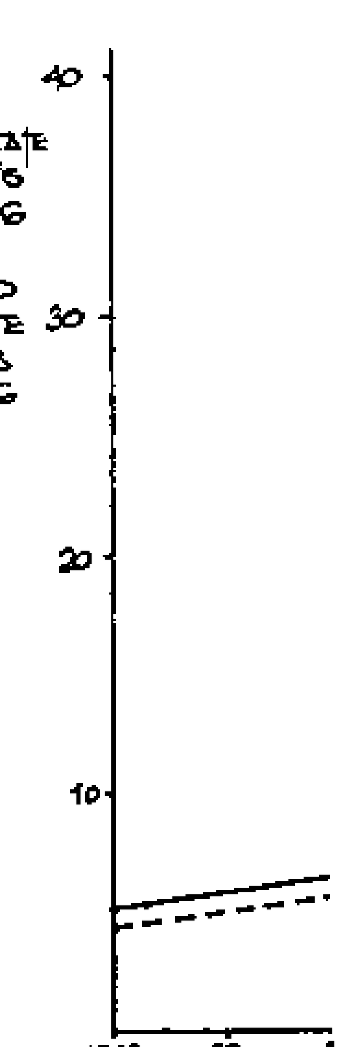
Two other suggested methods are lapse ratios, (a) the proportion of premium income due but not paid in relation to total premium receivable and (b) life fund growth. This latter measurement, formulated for the *FM* by Legal & General Volkskas' chief actuary Henry Worthington, aims to measure each assurer's life fund growth, exclusive of investment income gains, after the assurer's allocation of premium to the fund for investment. It has to be considered in line with funds the assurer makes available for guarantees with more sophisticated policies, such as inflation-linked endowment, having a higher expense ratio.

Assurers with the highest percentages have the largest growth rates and are the most "efficient" at investing premium income to generate growth. But the life fund growth figures are distorted in that some assurers show assets at market values and others at book value.

The "investment return on assets" column, prepared for the *FM* by Federated's Arnold Basserabie, is calculated on a standard actuarial formula which involves using investment income and total assets at the beginning and end of 1978. Companies with the highest percentages are thus the best at maximising their yields.

With differing efficiency measurements, none of which is regarded as properly accurate, it is in the life industry's interest to agree on a standardised basis for comparison as efficiency comparisons must inevitably be made.

GRAPH 2
— NUMBER OF INPATIENTS AT STATE MENTAL HOSPITALS (x10³) 1916 - 1976
--- RATED BED CAPACITY AT STATE MENTAL HOSPITALS (x10³) 1916 - 1976



BANK RATE (58)

Painful rub-off

FM 6/3/81

Clearly, the recent Bank rate hike and Pretoria's determination to reduce the money supply are going to have painful effects on the property market.

But how painful and how soon? An exercise by the *Property Economist* suggests that it will take months — and more than a year in many areas — before the bite sinks deepest.

Economist Neville Berkowitz has used 15 prime indicators to establish a pattern. The study reflects the effects of the previous brace of Bank rate increases on January 14 and June 1 1974.

Economic conditions, he admits, are not quite the same. But there's no apparent reason why market reaction should be any different. Berkowitz has found a surprising correlation in the indicators.

The low point in nine of the 15 indicators was thus reached 13 to 15 months after the last 1% rise in the Bank rate. Building society advances and net liquidity hit the bottom 10 to 12 months later.

Only two indicators — institutional property investment and total building society funds — never looked back.

Building societies, of course, were able to live off fat and redemptions; institutional performance was coloured largely by the dismally low base of R81m in 1974. The previous year's figure was R155m

It's as well, perhaps, that the indicators are not all that relevant to portfolio performance

But here's how the various indicators performed after the last set of Bank rate increases. There should be a lesson in them for 1981.

THE EFFECT AND TIMING OF 1% INCREASES IN THE BANK RATE DURING 1974 ON KEY PROPERTY INDICATORS

Months	1974 Jan-Mar 1-3 %	1974 Apr-June 4-6 %	1974 July-Sept 7-9 %	1974 Oct-Dec 10-12 %	1975 Jan-Mar 13-15 %	1975 Apr-June 16-18 %	1975 July-Sept 19-21 %	1975 Oct-Dec 22-24 %
1. Bank Rate	6,5	7,5	8	—	—	—	—	—
2. Value of property transactions	100	97	100	90	*83	94	100	105
3. Net liquidity of building societies	100	82	65	*43	61	72	112	102
4. Total funds received by building societies	100	104	106	109	112	116	121	126
5. Total value of new advances by building societies	100	96	86	*73	96	112	149	143
6. Number of mortgages registered	100	89	87	75	*73	92	88	96
7. Participation bonds — total new loans granted	100	81	61	58	*33	35	49	95
8. Total value of plans passed	100	99	105	86	*71	90	104	91
9. Total new institutional investments in fixed property	100	109	174	213	174	200	165	200
10. Residential — dwelling houses — value of plans passed	100	101	96	64	*61	91	108	100
11. Residential — dwelling houses — total number constructed	100	111	119	111	*83	98	92	99
12. Commercial — value of plans passed	100	82	146	115	103	*69	95	57
13. Commercial — new loans granted by participation bond schemes	100	95	75	90	*50	50	60	120
14. Industrial — value of plans passed	100	93	102	146	*94	116	165	106
15. Industrial — utilisation of production capacity	100	99,7	99,2	98,9	*97	97	97,7	98,3

* Refers to low point.

Mining-allied manufacturers expanding

The mining boom continues despite the weak gold price and at least two companies are expanding their mining-equipment facilities

Reed Mining Tools South Africa has approved a substantial expansion of manufacturing facilities at its Benrose plant. It has been operating locally for six years and now produces rotary drilling equipment, for box-hole drilling, blast-hole drilling and raise-bore applications.

Reed SA expects a substantial growth in demand by the local and export market.

Coalequip is to expand its manufacturing and warehouse facilities at a cost of R2.3-million. Work is well in hand on a R700 000 extension to the company's Spartan factory which will be completed next month.

WAREHOUSE

The biggest extensions this year will be undertaken at its Torque Tension manufacturing plant at Heidelberg where the company's roof supports are made. The first two phases of expansion will cost R1-million and are due for completion at the end of September.

The third major investment will take place at Bethal where 3.5 hectares have been bought for a warehouse and office complex. This is a multiphase project which will culminate in the establishment of a full-blown service centre.

WORKSHOPS

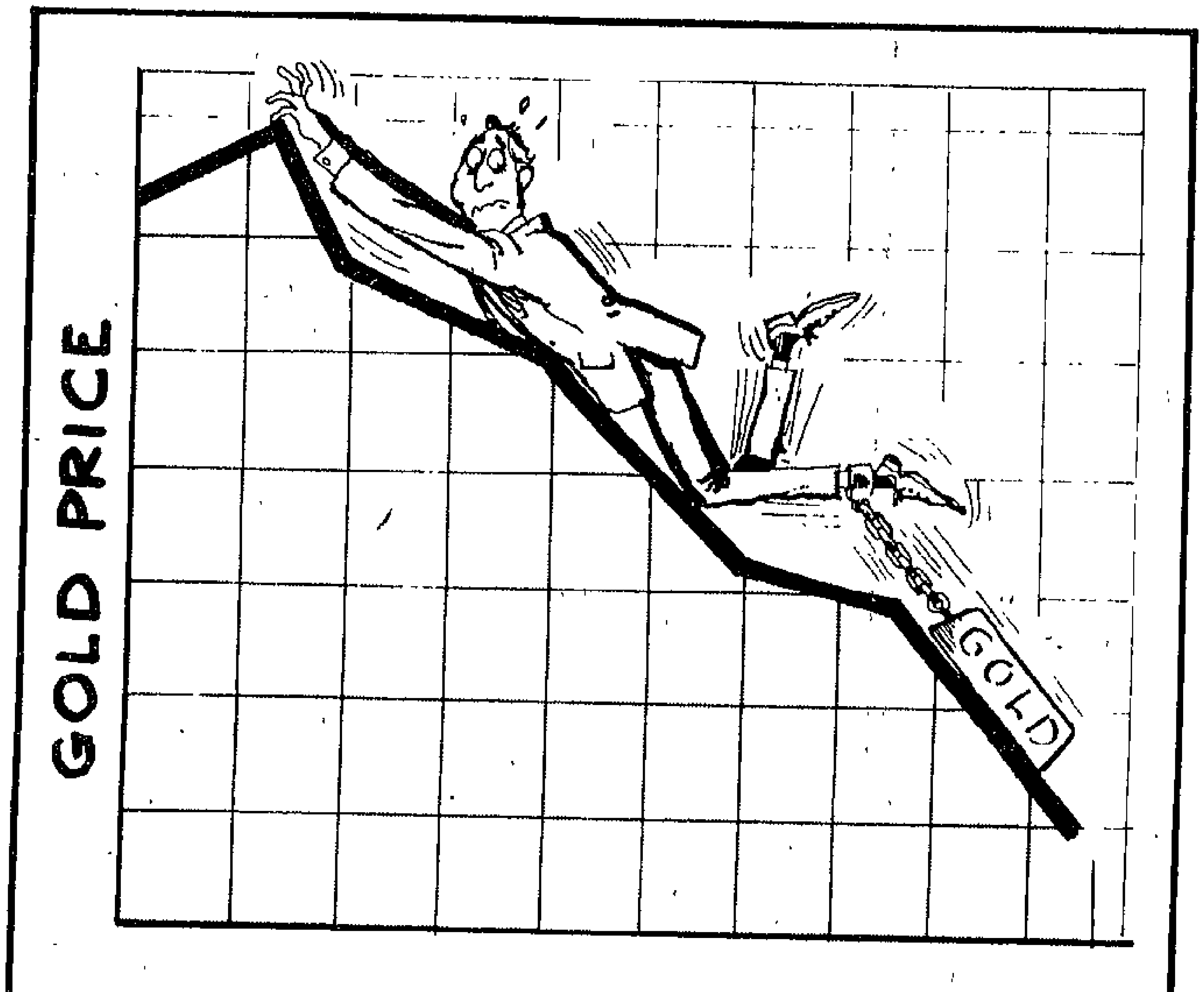
This centre will also have re-conditioning shops and workshops to service the Eastern Transvaal coalfields currently served by Coalequip warehouses based at a number of other towns in the area.

It was recently proposed Boart acquire a half stake in Gardner Denver from Cooper Industries of Houston. Boart said that the deal is off because of changes made in the Cooper Industries group structure which would have excluded some product lines from the original agreement.

Groggy gold heralds economic slowdown

58

8/3/81



JOHN CITIZEN COULD SUFFER NOW BUT BENEFIT LATER

By John Spira

GOLD'S further sharp fall to a fourteenth-month low this week could hold painful ramifications for the South African economy and for the standard of living of the man in the street.

Unfortunately, the slide in the gold price has coincided with the first signs of a slowdown in the South African business cycle (see back page).

Every day that bullion dips to lower levels brings the pending economic slowdown closer. What this will mean for his pocket has yet to dawn on John Citizen, who has been lulled into the false belief that the country's economic honeymoon will continue unabated.

Gold peaked at $850 in January last year, which means that the price has fallen by nearly $400 in the space of 13 months.

This year alone it has fallen by $150

The average price for 1980 was $614 against today's $460.

The unequivocal message contained in the sagging gold price is that South Africans must realise that they may have to brace themselves for a possible slide in economic activity extending through to next year

A new honeymoon will no doubt follow the looming austerity phase But, in the interim, belts will have to be tightened as the ripple impact of lower earnings from the country's major export commodity makes itself increasingly felt in all aspects of business.

Robin Plumbridge, chairman of Gold Fields of SA, comments that the decline in investment demand consequent upon the widespread belief that the US anti-inflationary package will succeed has been a major factor behind gold's price decline.

He adds "The slide in investment demand and the sharp drop in industrial demand are the fundamental factors making for a softer gold market. Demand from both these sources will revive, although it could be six months yet before such a revival is felt "

He believes that continuing short-term weakness in gold will have beneficial longer-term consequences for the South African economy, which was overheated for much of last year

"A period of economic consolidation, with money supply contracting, is a positive factor for our economy at the present juncture."

Areas in which the adverse

● To Page 3

Uncertainty hurts plans for expansion

S. Times 8/3/81

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EFFECT OF FISCAL POLICY, GOLD PRICE, ELECTION

By Stephen Orpen

A HIGHLY significant result of uncertainty about future fiscal policy and the sudden drop in the gold price has been the scrapping or shelving of companies' expansion plans worth hundreds of millions of rands.

Explains Jon Cole, a divisional director of the country's largest management consulting group, P-E Consulting: "Many large manufacturing companies are so pessimistic about national growth projections for 1981 and 1982 that they have cancelled plans to embark on large-scale expansion and development projects."

He adds that many companies are also being influenced by next month's general election.

They are unwilling to move before the election results are known and have been thoroughly analysed.

Mr Cole says negative statements concerning the extent of the economic upswing are also playing their part in inhibiting growth plans.

He adds: "The labour market has, in the past, proved a very accurate indicator of changing economic cycles.

"There are very definite signs which point to a slowing down in the demand for many categories of workers.

"Whereas during 1980 national average salaries and wages rose by about 20% we believe they will rise by only around 15% in 1981."

He says the lower level of pay rises is also attributable to the massive increase in spending on training of personnel at all levels.

"Gloomy predictions about the public and private sectors' ability to train sufficient workers to break the skills bottleneck are being proved wrong," he claims.

"South Africa is engaged in the most concerted mass training effort the country has experienced, and rapid strides are being made in the battle to meet the short to medium term challenge."

He points out that skilled training officers are now more sought after than engineers.

Despite contradictory statements, international recruitment drives by most of the larger manufacturing companies are plugging many of the holes caused by the local shortgage of professional engineers and artisans.

He adds, however, that "even more important is the clear swing towards the training of unskilled and semi-skilled black workers".

"Millions of rands are being pumped into programmes which have the advantage of training large numbers of workers quickly and efficiently."

He says the switch in emphasis to black training represents a major advance for South Africa.

In the past many companies have tended to concentrate on the training and development of white management staff.

P-E's Human Resource Development programme for black advancement, career pathing and modular skills training has grown fourfold in the past year.

Mr Cole says the main reason is that the modular skills programme allows employees to train workers in-house without major disruptions to the production process.

"Also, the programme's use of sound principles of job evaluation and career pathing is becoming increasingly important to the employer when he selects a training programme for his black employees."

MARCH 8, 1981

Individual customers will pay 20c a cheque and the...

Big boys don't want new bank charge deal

S. Tribune 8/3/81

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By JACK BRICKHILL Finance Editor

PRESSURE is building up on the banks to withdraw their new system of cheque and cash deposit charges scheduled for May 18.

Large insurance and retailing groups are doing their sums and are now up in arms over the issue which they say will double banking costs in some cases. The net result will be another hammer blow to inflation.

The Registrar of Financial Institutions, Wynand Louw, says the new system, which drops ledger fees, country cheque commissions and other charges and introduces charges on cheques issued and cash deposited, is a fait accompli and will be introduced as planned.

However individual banks have been left to negotiate their own rates with customers and big business is going all out to exploit this weakness in the bank cartel.

In their present mood these customers, turning over thousands of millions of rands, are going to get tough with the banks which could get hurt in the resulting intense competition as against another.

"In my opinion the system in its present form will never see the light of day," says an executive of a large insurance group. A major complaint is that customers were not consulted on the new charges which are regarded as punitive.

Wynand Louw says the charges proposed by the clearing bank a year ago and which were rejected by him, had been modified — especially on the charges for cheques issued.

The banks claim the new system will not increase the costs overall although some people will be better off than others. "I must accept this from the banks," says Louw.

However the retail sector, with its large cash turnovers, is not amused by the change general, be better off.

Rex Glanville, managing director of Checkers, says the new charges are "bloody unfortunate." His group's banking costs will rise from R685 000 to R1,2-million a year.

The banks have indicated they are prepared to be flexible but not flexible enough, he says. His group will try to absorb the higher costs through improved productivity.

OK Bazaars' general manager sales promotion, Allan Fabig, says banking costs will double. "We don't intend to go ahead with it," he says. OK is negotiating with its bankers at present.

Adrian Bellamy, chief executive of the clothing group Edgars, expects banking costs to rise between 50 and 75 per cent. He is considering also talking to its bankers. Bellamy expects lobbies at all levels to spring up against the new charges.

The charges will be felt at all levels. For those companies with no real muscle the crunch will come when the June bank statements are opened.

There is not much room either for smugness by individual bank customers.

A Clearing Bankers' Association source says on average the charge for issuing a cheque will be 20 cents. Despite the elimination of ledger fees and cheque book stationery charges, the customer will pay much the same, according to the source.

Indeed a close look indicates he could pay a little more. The individual at least has the option now of using the "free" cheques offered by the building societies and making out as few cheques as possible on the bank current account.

However it is reliably learned that the building societies are being forced to take a fresh look at their system and somebody, perhaps the bondholder, will have to pay for the increased costs of the [illegible]

Rising rates could cut inflation

S. Times 8/3/81

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SOME ECONOMISTS SEE BOON IN THE LONG TERM

By Tony Hudson

RAPIDLY rising interest rates (if they stay high, see story on Page 3) are going to make things far more costly for the public in the short term but could prove a boon longer-term.

Economists told Business Times this week that rapidly rising rates could well dampen the current inflation rate and help keep it down to acceptable levels.

The effect, they say, will not be immediate, but high rates could well have a beneficial effect within the next nine months.

While high rates are not the total answer to inflation, they have the effect of cutting back on the demand sector of inflation, and, says Volkskas chief economist At Engelbrecht, will help restore the balance between supply and demand, the imbalance of which has been a major factor in keeping inflation at record levels.

Also, he states it will encourage the public to save. "When interest rates are low and the inflation rate is high, there is no incentive to save and the consumer spends like mad. But when rates go up, he is more inclined to put his money in the savings bank."

Rising rates combined with tighter credit facilities will also help to put the brakes on demand.

Mr Engelbrecht feels that it is not only the responsibility of the authorities to put their monetary houses in order but also that of the consumer, who must develop his own financial discipline.

Part of the problem, he says, has been caused by financial recklessness on the part of the consumer.

He says that it is important to get priorities in the right perspective and look at spending programmes, as consumption expenditure accounted for 60% of total spending last year.

Mr Engelbrecht says the days of the "me" generation ("What is in it for me") must come to an end and a period of discipline instituted. "If there is discipline at home, this will be carried over into the office."

He says the initial effect of high rates will be adverse with the poor and pensioners really feeling the effect. However, if they continue to run at a high level the demand pull sector of inflation will begin to ease.

"And," says Mr Engelbrecht, "we must bring demand pull under control, otherwise the inflation rate will go through the ceiling."

Nedbank's Rudolf Gouws also sees higher interest rates as being partly anti-inflationary.

"It is part of the process that will contain inflation," he says, "but we cannot use it as the only prescription."

He sees a time lag before the effects of higher rates on inflation become apparent and does not see any real change before the second half of this year.

He is on the optimistic side on the inflation rate for the year, estimating the figure to wind up in the region of 14%.

Barclays' Dr Johan Cloete feels that the economy is caught between the devil and the deep blue sea.

He says that if rates are too high they will wreck any chance of reasonable economic growth, although inflation would be checked.

On the other hand, if they are kept at a moderate level the impact on inflation would possibly be minimal.

He says: "If rates continue to go up they will add to inflationary pressure in the short term but will help in the medium by discouraging total investment.

"They can be very effective in the fight against inflation, depending on how high they go. We must contain inflation by relying on monetary and fiscal policies, as is happening now, but if we allow them to rise too far, we could well flatten the economy.

"The current rates," he says," are probably too moderate for them to have the effect on inflation that we want them to have."

Dr Cloete has said that the best way out of the situation is to attempt a "trade off" between a growth rate of around 5% and an inflation rate in the region of 14% to 15%.

"This would mean that short-term interest rates would have to be pushed up substantially in the short run to prevent an acceleration in inflation.

"At the same time, rates should not be pushed to the extent that they would involve a reduction in the growth rate of more than 2% to 2,5%."

He says that any extreme measures aimed at either breaking inflation or pushing growth will almost certainly produce an inferior result in the short term.

Standard fears for SA growth

RDM 9/3/81

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Financial Reporter

A DEFICIT of R1 600-million to R1 800-million on the current account of the balance of payments is likely this year unless the gold price recovers significantly and soon, according to the Standard Bank Review.

It says: "If realised, such a deficit is bound to emerge as one of the most seriously restrictive factors for growth through its influence on domestic liquidity, interest rates and official policy."

The current account forecast — on the assumption that gold averages $500 or below this year — is broadly in line with that of Senbank which has forecast a deficit of R2 000-million if gold remains depressed.

Standard says: "Provisional foreign trade statistics for the past year as a whole show that South Africa's overall merchandise trade exports, including gold bullion as well as oil and arms, amounted to a record R5 532-million — 13% higher than the 1979 surplus of R4 907-million.

"While the overall result is certainly impressive, it is attributable largely to record gold earnings which for a time disguised a weakening fundamental position.

"The country's non-bullion trading position has in fact deteriorated significantly throughout the year — an early response to poor world conditions and the domestic boom.

"As a consequence, the 1980 non-bullion trade balance was in deficit by no less than R3 802-million — almost nine times larger than the small R439-million deficit recorded in 1979.

"The substantial widening of the non-bullion trade deficit last year is attributable to a merchandise import bill (including oil and arms) which increased by 45% for the year while merchandise export earnings rose by only 11%.

"Since no noticeable recovery in the economic growth performances of South Africa's major trading partners can be expected until late this year, there are strong indications that the country's non-bullion export performance will deteriorate in 1981.

"Although much slower domestic economic growth is on the cards now, pointing to a reduced growth rate in merchandise imports this year compared with 1980, a continued rising trend in fixed investment will continue to underpin imports, particularly of capital equipment."

Standard says: "In view of these developments South Africa's non-bullion trading position can be expected to deteriorate further and a non-bullion deficit of some R6 500-million must be reckoned with this year.

"Nevertheless, short of a drastic and sustained decline in the gold price from present levels, bullion earnings are likely to more than compensate for this large shortfall and the overall merchandise trade balance in 1981 is still likely to reflect a surplus, albeit a substantially smaller one than last year's.

"An average gold price of $500 an ounce in 1981 would not, however, be sufficient to ensure a favourable balance on the overall current account of the balance of payments even if, as anticipated, the rand depreciates further against the dollar.

"This is so because South Africa traditionally runs a large services deficit and this year the deficit is likely to be substantially above the estimated 1980 level of R3 200-million.

"Consequently, to avoid a current account deficit the average gold price for the year would have to be considerably in excess of $500."

NZISA sells out to AA Mutual

9/3/85 15/mm

58

It was announced today that the parent company of New Zealand Insurance South Africa has sold its 68 percent interest in the company to the AA Mutual Insurance Association, a wholly owned South African company.

Standard Bank which had a 30 percent stake in NZISA has also sold its interest to the AA Mutual.

The sale comes shortly after the merger between the New Zealand head office and South British Insurance in New Zealand.

There were reports that the merger would have presented a problem of ownership of the local branch.

At one stage it looked as though control would be sold to the Guardian National here as they have connections with South British in New Zealand.

However it appears that AA Mutual which had expressed interest in NZISA a long time ago along with many other companies presented NZI with the best bid.

An executive in AA Mutual said that the price which had been agreed upon could not be disclosed yet and that there were other important factors apart from price involved in the deal.

He also said that the decision to sell was influenced by the size of the company which was possibly too small to make inroads into short term insurance in South Africa.

Pressure from anti-apartheid groups in New Zealand was also mentioned as having had some influence on the parent company's decision to sell

(123) ~~(24)~~ ~~(125)~~ ~~(126)~~ SOWETAN 10/3/81

'It's a black takeover'

BLACK team leaders are being groomed by the Anglo American corporation for jobs from which they can be promoted to take over responsibilities from whites

This claim is made by the Mineworkers Union, which says the move is underway at the President Steyn Gold Mine and is being undertaken "in preparation for the recommendations of the sixth Wiehahn Commission report."

Anglo-American chairman, Mr H Oppenheimer, is on record as saying that no white jobs would be taken over by blacks on any of the corporation's mines but MWU General Secretary, Mr Arrie Paulus says selected black team leaders are to be placed in positions from which they are to help white miners increase production.

He says the union was alerted of the situation by members of the President Steyn Gold Mine who were invited to help select team leaders with a potential for mining operations.

The selections were made on the basis of questions and answers sessions in which the white miners quizzed blacks on what they would do in given circumstances or crises in actual mining operations.

The questions include theoretical problems on increasing production.

On investigation, the MWU claims it learnt that the black team leaders selected by white miners were to be placed with miners who had poor production records.

The mine manager pointed out that no one was better qualified than white miners to select promising black team leaders, Mr Paulus says.

Mr Paulus said yesterday he respected Mr Oppenheimer's right to his own point of view as stated, but he remained convinced that the management at the President Steyn Mine were preparing for black advancement.

Ackerman hits out at new bank charges

DD 10/3/81 58

JOHANNESBURG — The managing director of Pick 'n Pay, Mr Raymond Ackerman, yesterday attacked the Association of Clearing Banks' cartel as being contrary to free enterprise policies in South Africa.

Mr Ackerman was reacting to the new bank charges, which come into effect from May 18. The new structure is expected to increase some companies' bank charges by nearly 40 per cent.

At a recent press conference, Mr Ackerman said his company had an agreement with their bankers, Trust Bank, that their basic bank charges would not be affected by the cartel's agreed changes.

But yesterday, Trust Bank's general manager, corporate facilities, Mr Jack Theron, said Pick 'n Pay's charges had still to be discussed with the client in view of the new structure.

Although he would not be drawn, I gathered that Pick 'n Pay's charges would be adjusted upwards in line with those of other corporate clients.

"If this is the case," Mr Ackerman countered, "it will prove that the bank cartel, which we abhor, is working. Trust Bank will then renege on an agreement because the cartel is putting pressure on it.

"We feel very confident, however, that the bank will stand by us in the same way that we have stood by it."

"Why should individual banks be tied to a structure? Why can't they be allowed to compete on bank charges in the same way that they compete on other rates?

"We hate the idea of monopolies, and the banks have no right to negotiate between themselves on charges."

Mr Ackerman said the new charges would add to the inflationary spiral and cause increases in prices, which would have to be passed on to the consumer.

The general manager, banking, of Volkskas, Mr Philip Venter, said it was inconceivable that one bank had stepped out of line on the new charges.

"I don't see how Pick 'n Pay can be charged the same as before under these new tariffs. If this is correct, there will be no agreement," he said.

Other businessmen were insistent that the banks would battle for every extra cent.

Edgars' managing director, Mr Adrian Bellamy, said his group's bank charges bill would probably rise by nearly 40 per cent. He did not "look kindly" on the new charges.

He said Mr Ackerman's openness opened the door for other companies to do their own negotiations. Edgars executives would meet the group's bank today.

Mr Arnold Levy, financial director of the Metro Cash 'n Carry Group, said Metcash was fortunate in that the new central creditors system would help to offset any increase in bank charges. — DDC.

This tabl ... early half
of them cover ... ploy 6 men
or fewer.

No let-up expected on investment rules

58

NM Bus. 10/3/81

Financial Editor

The Government is not expected to relax the prescribed investment rules for insurance companies this year, Dr Zach de Beer, chairman of African Eagle Life Assurance, said in Durban yesterday.

He was commenting on the current investment climate.

Dr de Beer said that a year ago it was thought that these rules might be relaxed following the report of the De Kock Commission but this did not appear to be the case any longer.

He said that if the rules were abolished it would mean that investors would be able 'to call the shots and a more realistic market-related interest rate pattern' could emerge.

But insurance companies would continue to invest in gilts as they had to be cautious in their investment policies.

'At the moment we are not investing in equities, but this could change, depending on market circumstances,' Dr de Beer said.

He said that inflation was a real problem for the insurance industry and it was probable that the whole concept of insurance would have to change to cope with the erosion of purchasing power.

'We cannot sell a product which does not serve the interest of our clients and we have to help him overcome inflation,' Dr de Beer said.

He said that there was a need to reinforce pensions which, even in the best of pension funds, were struggling to keep pace with inflation. It was impossible to index-link pensions to the rate of inflation.

TABLE 35

Distribution of workers by Age (x) and cash wage (y)

WAGE (R) / AGE (YEARS)	0-2,50	2,51 - 5	5,01-7,50	7,51-10,00	10,01-12,50	12,51-15,00	>15	TOTAL NO. OF WORKERS
0 - 20		3	2	4	2			12
2,01 - 25		6	1	1	5			13
25, 1 - 30		2	9	3	[illegible]	[illegible]	[illegible]	21
30, 1 - 35		1	4	5	[illegible]	[illegible]	[illegible]	18
35, 1 - 40	1	1	4	3	[illegible]	[illegible]	[illegible]	9
40, 1 - 45		2	3	7	[illegible]	[illegible]	[illegible]	15
45, 1 - 50		1		1	[illegible]	[illegible]	[illegible]	3
50, 1 - 55	1	2	3	3	[illegible]	[illegible]	[illegible]	13
55, 1 - 60		2	3	4	[illegible]	[illegible]	[illegible]	10
60, 1 - 65	1	1	3	1	[illegible]	[illegible]	[illegible]	6
>65	1				[illegible]	[illegible]	[illegible]	4
TOTAL NO. OF WORKERS	4	22	32	32	[illegible]	[illegible]	[illegible]	124

$n = 124$

$\bar{x} = 38{,}54$ years

$\bar{y} = R8{,}60$

$r_{xy} = 0{,}06$

Donkeys:

100 workers had no donkeys, (76, 92%)

2 had one donkey each,

21 had two donkeys

3 had 3 donkeys and

4 had 4 donkeys.

Cattle:

One worker had one cow,

one had 2 and

one had 5 cows.

(127 workers had no cattle at all)

For the estimates of payment in kind, grazing has been valued at the rates then current on the Beaufort West City Council common ground. Farmers' estimates of the grazing value of their land varied enormously; to some extent this may reflect actual variations in quality but it again seemed safer to apply a uniform rate to all farms.

The cost of grazing a sheep or goat on the Beaufort West common ground was 30c a month, and a donkey, horse or cow R1,80 a month. Translated into weekly value terms,

~~Table 13 becomes~~

Reserve Bank's assets rise

RDM Business 10/3/81 (38)

PRETORIA—The South African Reserve Bank's gold and foreign assets rose by R142 623 038 from the end of January to stand at R5 033 792 720 on February 28, according to the bank's monthly statement issued here yesterday.

The gold holding rose by R1 084 121 to stand at R4 308 962 025.

The gold reserves as shown in the monthly statement for February 28 have been valued at R351,01 per fine ounce compared with the valuation of R352,55 per fine ounce at January 31.

Foreign bills fell from R63 810 567 at the end of December to R38 951 718, while foreign investments rose from R36 311 273 to R36 398 959. The foreign assets rose from R483 138 937 to R649 480 017.

Notes in circulation increased from R1 989 829 789 to R2 027 367 234. The ratio of gold reserves to liabilities to the public less foreign assets stood at 67,4 percent on February 28, compared with 71,8 percent on January 31.—(Sapa)

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

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Vol. [illegible] KAAPSTAD [illegible] CAPE TOWN [illegible]

for full text see Glg.

KANTOOR VAN DIE EERSTE MINISTER — OFFICE OF THE PRIME MINISTER

No. 503 [illegible] Maart 198[illegible]

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:

No. 36 van 1984: Wysigingswet op Finansiële Instellings, 1984.

No. 503 [illegible] March 1984

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:

No. 36 of 1984: Financial Institutions Amendment Act, 1984.

58

An odd retirement gift – a new school

SOWETAN 11/3/81

A JOHANNESBURG company has donated a school to mark the retirement of its group managing director.

When a chief executive retires it is customary for his company to give him an expensive if sometimes impractical going-away present. This was not the case at Mr Sutherland's retirement presentation.

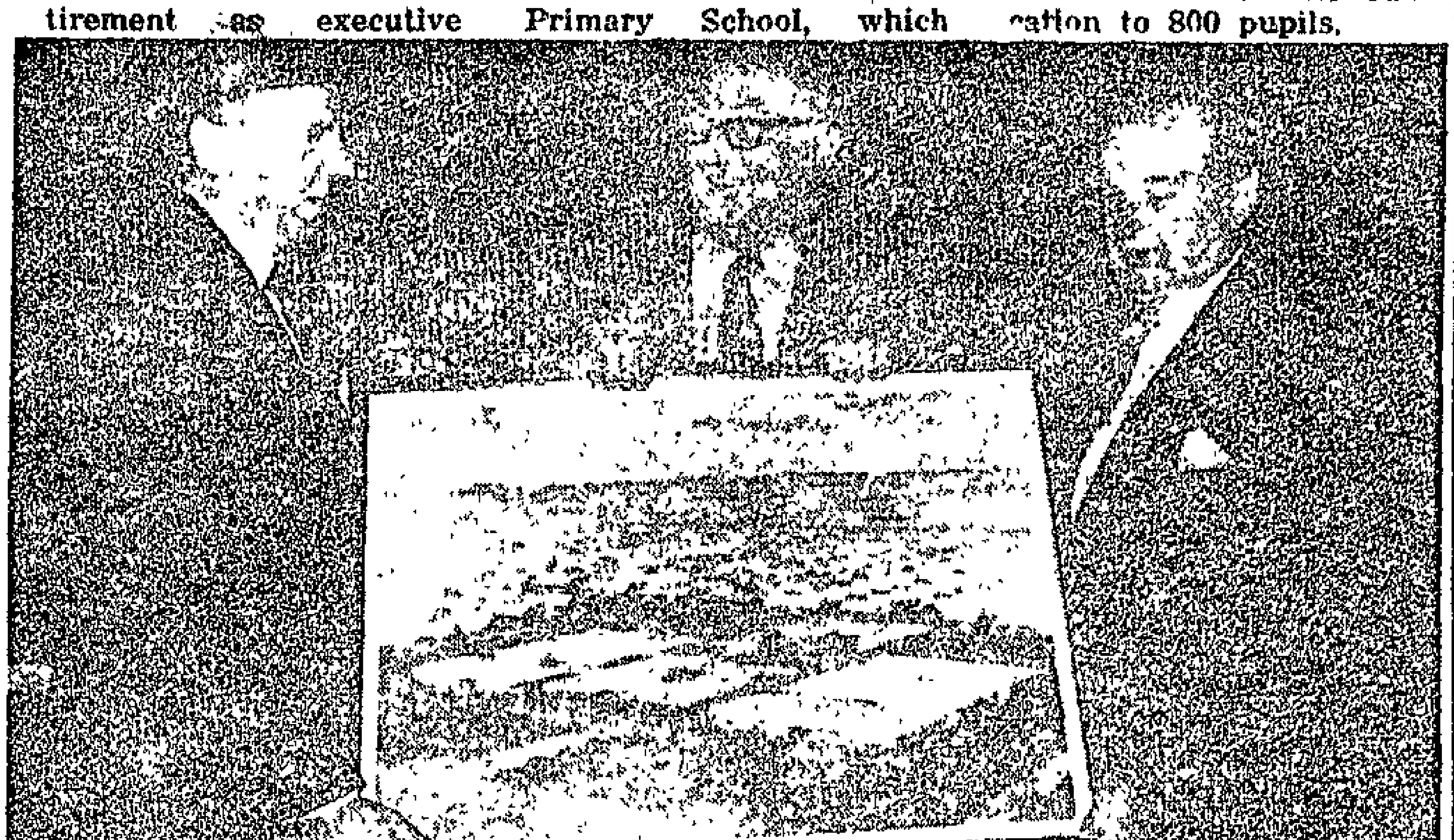
But he did receive the news that to mark his retirement as executive managing director a primary school will be built in Soweto and named the JB Sutherland Primary School.

This was announced by Sir Leslie Smith, chairman of the parent company, BOC International.

As a tribute to Mr Sutherland's profound interest in promoting education at all levels in South Africa, the company will pay the cost of the Mapetla Primary School, which would be in operation by the end of this year.

It was felt that a gesture of this nature would gratify Mr Sutherland far more than a costly personal gift. While he was group managing director, his company donated millions of rands to education at his instigation.

The school to be constructed to mark his retirement will include 18 classrooms and offer education to 800 pupils.



Mr Beau Sutherland (right), with other executives at Afrox hold an artists' impression of the new school

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I spoke to the school principal about the study and she

collected locally to cons... ... ... -

The clinic has a treatment room, a small labour room, with two beds and accommodation for one nurse. It 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.

./...

The clinic is situated at a location with about 400 residents and also serves the population on surround-
arms. Home visiting in the location is done weekly
ook for infectious diseases, follow-up, health education

Transport to the clinic from farms is the responsi-
y of the patient or employer, but a taxi can be called
Grahamstown at the expense of the magistrate to take
gency cases to the hospital there or in Port Elizabeth.
taxi will also take indigent patients referred by the
ic to hospital. Only in extreme cases will it be
ed.

ere is no doctor in this small town.
tients visiting the clinic are seldom more than 10 a
and about 5 mothers visit the child welfare clinic.
e is no service when the nurse is away, but she often
s at night. Deliveries may take place in the labour
or she may be called to home deliveries - though many
l occur without trained supervision. The nurse also
nds sick patients at home (e.g. to give daily injec-
s).
rmers are encouraged to fetch the nurse for routine
ts to the houses of labourers but co-operation is
ted in this respect.

e running cost of the clinic is approximately R4 000
annum of which over R2 200 is for the nurse's salary,
this is refunded seven-eighths by the D.C. All the
r costs - the major one being medicines - are raised
he committee by charging for medicines at cost, by
l fundraising and donations from Rhodes University
Fund. The initial building cost was kept low at R1 000
ause farmers themselves laid the foundations.

The difference between this and the D.C. clinics is felt in the occasional absence of the nurse (though this is perhaps necessitated by the small scale of operation). More important is the cost of medicine. R1 or R2 are

./...

For 1974-75 the average cost per worker per month for 19 study groups in various parts of the northern, north-western, 'mixed' and southern Karoo is R51,91, or R11,98 a week. The range is R28,37 to R66,40 a month, or R6,55 to R15,32 a week.(9)

It seems that if the items included in this survey but excluded from the Grootfontein figures are valued, estimates of total payment should at least equal, and might exceed, the estimate of R14,79 a week made in this study. The figures quoted in the Theron Commission Report, also, are closer to those found in this survey than to Census figures. If the differences in dates are temporarily ignored, it seems that either farmers' census returns do not accurately reflect payments in kind, or the Unisa survey, the Grootfontein study groups and this survey include a high proportion of farms which are atypical of the areas studied.

d) Current debt.

The avail ... facilities on the farm can be
seen as an in ... of farm workers. On the
other hand, i ... workers who run up debts to
the farmer ti ... e farm, since the farmer might
be expected t ... worker stays at least until he
has worked of ... of the farmers interviewed
admitted to k ... the farm in this way - some
said ruefully ... impossible and many said they
preferred not ... above a R10 to R20 limit,
simply becaus ... o leave when their debts looked

Opportunities for black business 58

11/3/81

DURBAN — If black businessmen are to succeed, their business will have to be run according to modern business management techniques, said Mr Llewellyn Mehlomakulu, business development manager, international division of Barclays National Bank, when he addressed the Inyanda Chamber of Commerce branch officials' conference in Pinetown.

Mr Mehlomakulu said current developments were bringing in their wake unprecedented challenges and opportunities for black businessmen, such as the efforts presently being made to eliminate restrictions and the establishment of the Small Business Development Corporation, which would guarantee loans by banks to small businessmen. — DDC.

children the ...

... between who is the mother figure and the occurence of malnutrition.

Marital status of the mother (TABLE TWO).

Response	Percentage of total	Percentage of malnutrition	Percentage of malnutrition
Married	58%	44%	56%
Unmarried	42%	62%	38%

Is lobola paid? (Table Three)

Response	Percentage of total	Percentage of malnutrition	Percentage of non malnutrition
Yes - in full	40%	35%	65%
Yes - in part	26%	61%	39%
No	12%	100%	
Not applicable	22%	45%	55%

Who supports the illigitimate child? (Table Four)

Response	Percentage of total	Percentage of malnutrition	Percentage of non malnutrition
Not applicable	22%	44%	56%
Father supports	10%	40%	60%
Mother supports	2%	100%	
Neither support	70%	[illegible]	[illegible]

FM 13/3/81

UNION & LONDON

58

Growth prospects

Activities *Investment trust, 60% controlled by Sage Holdings. Other interests include investment banking and entrepreneurial finance.*

Chairman: *H L Shill*

Capital structure: *1,2m ordinaries of R1. Market capitalisation R13,0m.*

Financial. *Year to December 31 1980. Borrowings: nil. Net cash: R3,4 5m. Current ratio 3,5*

Share market: *Price 1 063c (1980-81 high, 1 110c; low, 610c; trading volume last quarter, 6 541 shares). Yields: 7,2% on earnings, 5,5% on dividend. Cover: 1,3. PE ratio 14,0*

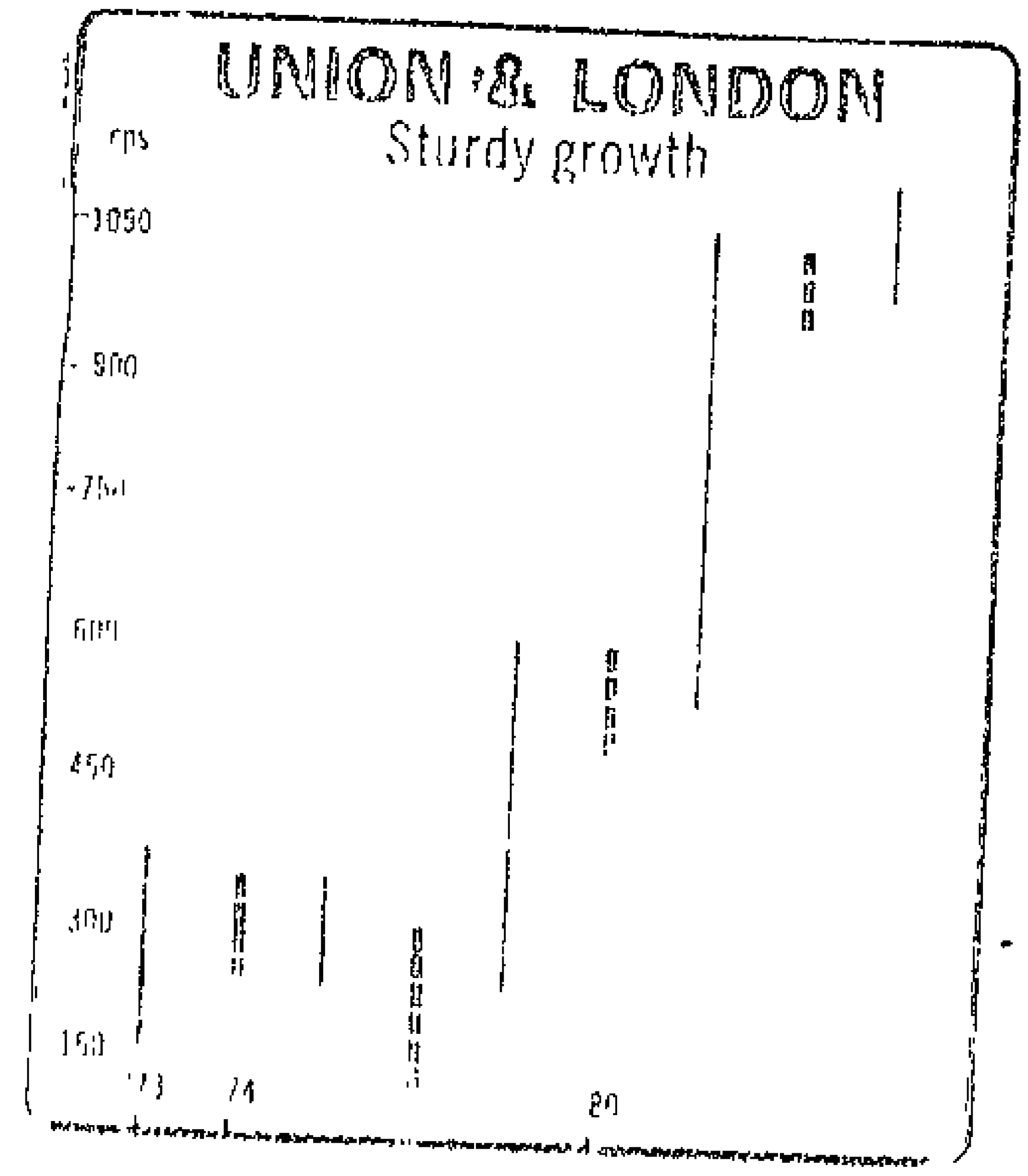
	'77	'78	'79	'80
Investments — Book (Rm)	2,7	3,2	3,2	3,4
Investments — Market (Rm)	3,2	4,7	10,4	14,8
Div income (R000)	340	393	671	828
Earnings (c)	27,3	33,1	50,9	76,2
Dividends (c)	21	25	40	58
Net asset value (c)	325	424	900	1 315

There is no disputing the rapid development of this investment trust since Sage Holdings acquired control in November 1975. But it is a pity that the directors had to exaggerate, if only slightly, this progress in the latest annual report.

They state, correctly, that the compound growth rate in earnings over the last five years has been 30%. But they then add that this has been matched by similar growth rates in dividends and net asset value (NAV). Yes, but distribution policy has become a little more conservative under Sage management, with dividend cover now 1,3 times compared with 1,1 in 1975.

Still, shareholders have little cause to complain about the 30% compound growth in dividends actually achieved over the period, especially as there are good prospects for a continuation of this pattern.

With dividends only brought to account if the last day to register falls within Union & London's year, this means that the trust's 1980 income was based on dividends declared out of profits earned not later than the third quarter. And as



present company results show, the profit boom has since been well maintained.

So even if conditions do start falling off in the second half of the current year, the company should be well placed to add 20c to last year's 58c dividend total, putting the share on a prospective yield of 7,3%.

Union & London's success since 1975 owes quite a lot to the major investment it made in Southern Sun shortly after Sage took control. Even after the sale of 40% of this holding in 1979, the remaining 1,8m Sunhotel shares represented 53% of total investments at December 31 market prices and income from this source was roughly half of total dividends received.

The Sunhotel holding remained unchanged last year, but elsewhere in the portfolio there were some quite substantial movements. The exposure to mining, particularly golds and diamonds, was significantly reduced, and by the year end almost 81% of investments (including Sunhotel) were in non-mining issues, up from 7?% in 1979. And this still excludes the pilot investment of some R200 000 in unlisted Karena Holdings, which operates the Hertz car rental franchise in SA.

The 1 063c market price represents a 19% discount to December 31 net worth. With the continued fall in prices since then, however, the difference by now must be considerably smaller.

No help for 600 000 no-hopers

Argus 14/3/81

MA2

58

THE more than 600 000 whites, coloured and Asians virtually excluded from home ownership by high property and building prices and the high cost of housing loans, can expect little help from building societies, the president of the Association of Building Societies, Mr A F V Viljoen, said this week.

'We would love to help these people,' Mr Viljoen added, 'but we can do so only within the financial formula available to building societies as free enterprise, competitive businesses. When economic circumstances place people beyond the reach of this formula, they must look to the Government for assistance.'

Mr G Bowker, assistant general manager of the Allied Building Society, said, however, that the time could come when the public and private sectors would be forced to co-operate to relieve the serious housing shortage.

Mr Viljoen and Mr Bowker were commenting on reports that 10 percent of South Africa's white, coloured and Asian population, totalling 600 000 people, had virtually no hope of building or owning their own homes. These people fall into the 'critical earnings category,' with incomes between R650 and R900 a month.

People earning below R650 may apply to the National Housing Fund for low-interest loans, but those with incomes between R650 and R900 can expect no official or unofficial help — except perhaps from their employers — and yet cannot afford housing at current market prices.

'How can these people afford to buy a home today?' one building society official asked this week. 'The cheapest house a young couple can buy in the Cape today is in the R26 000 to R28 000 bracket, while flats are difficult to rent.

'Acting on the recommendations of the Fouche Commission, societies stipulate that mortgage repayments be not more than 25 percent of one's income. A man earning, say, R700 a month, would therefore have only R175 available for his housing each month, and this would entail a house costing about R17 000.

'Where in the Cape could he find a property at that price — least of all a property the building societies would look at for bond purposes?' he asked.

Mr Viljoen said assisted housing was traditionally the province of the central authority, not of free enterprise.

'If circumstances change to the extent that people can no longer afford housing 'at a traditional level,' buyers may have to reconcile themselves to cheaper houses, smaller land plots, or Government assistance,' he said.

Mr Bowker, reluctant to comment 'for fear of jeopardising delicate negotiations which could take place in the near future,' said, however, that building societies were very concerned about the housing shortage which, he added, could get a lot worse before it improves.

Mr Viljoen said that a serious problem being experienced by building societies was a shortage of funds, a reduced inflow of money, and interest rates not competitive enough to attract investors.

Mr Selwyn Myers, general manager of Garden Cities, who has long campaigned for Government assistance for 'the unhousables,' has pointed out that building costs are rising at the rate of 2,5 percent a month, and the cost of a modest three-bedroomed house was climbing by about 24 percent a year — but salaries were not increasing at even half that amount.

SUNDAY TIMES, Business Times, March 15, 1981

SA industrial shares still top of league

RDM 15/3/81 (58)

SOUTH African industrial shares are still in the top most profitable international equity investment league, and some UK investment experts are tipping investments in UK-controlled companies in South Africa.

South African industrials have stayed in fifth place as the most rewarding investments so far this year.

They rank just below Australian shares, a shade more below Hong Kong, which is fast losing its attraction, and well below Singapore, now drawing fluid international funds from Hong Kong, and, in first place, Italy, which resembles a casino.

By Elizabeth Rouse

Sterling's weakness against other major world currencies is good news for UK companies doing a lot of business overseas, reasons the Investors Chronicle. By the same reasoning this spells good news for the shares of UK-controlled South African companies.

At the top of the list of the UK's overseas earners are tobacco group Rothmans and office equipment maker Gestetner, both of which make nearly 90% of their sales outside the UK.

Rothmans is, of course, the Rembrandt Group in South Africa which reaps the benefits of prospering worldwide operations. In the past two years Rothmans' profits have been badly hit by exchange-rate movements, which knocked £20-million off profits, which fell to £80,5-million in the year to March 1980.

But the latest interim profits were marginally up on the 1979 half-year and the group would be dramatically helped by a net fall in sterling in 1981-1982.

Cable maker BICC, which owns 58% of Scottish Cables in South Africa, is also tipped as a prospective good performer. BICC's interest in Scottish Cables should certainly pay off well this year.

Scottish Cables' prospects remain excellent for 1981 after its 56% taxed profit rise to R4,488-million in 1980, and chances of an improvement on last year's total dividend of 23c (18c in 1979) are good.

Metal Closures, over 76% UK-owned, pushed its taxed profit up by 64% to almost R3-million in the past year and the dividend was raised to 38c from 24c.

Metal Box, 57,8% held by Metal Box Overseas (UK), more than doubled its taxed profit to R8,118-million in the half-year to September from R3,551-million in the 1979 half-year, and lifted the interim dividend by 5c to 15c. Total distribution could be a minimum of 36c (30c).

The 62% UK-held NEI Africa (the merged Ical-Clarke Chapman groups) scored with a record 1980 year-end profit of almost R6-million (R3,883-million in 1979) and the dividend total was increased to 44c from 32c. This engineering group should have lots of spark left this year.

Automotive component maker Associated Engineering (66% British-owned) has full order books for some time and should better its past year's performance. Taxed profit at the September year-end was up over 53% to R4,6-million and the dividend total was 12c higher at 42c.

Chubb, 73% British-controlled, also warrants some attention. Its half-year taxed profits were up 32% to R702 000 at the end of September. The interim dividend was lifted by only 1c to 5c, but the company could possibly pay a total to 23c (18c last year).

Guide to new credit Acts

TO SAY the legislation which has completely unsettled the South African credit industry — the new Credit Agreements Act and the amended Limitations and Disclosure of Finance Charges Act — is complex is an understatement.

Anyone not in the credit industry could easily be forgiven if he echoed the words of a judge (on another matter) — that it is all "much too technical" — and retire to the sidelines in ignorance.

In fact, the new legislation — which became effective this month — introduces important changes directed at controlling credit creation and protecting and bettering the position of consumers, professional people and small businessmen. But in some instances the small man may pay for his increased protection with higher interest rates.

The Credit Agreements Act (CAA) includes all credit agreements of both a lease and sale type (the old hire purchase is now an "instalment sale"), where there is a set amount to be paid as the price, or for the lease, in the future.

S. Times 15/3/81 (58)

Excluded

CAA covers vehicles and most consumer goods, to a high limit of R100 000 per transaction. The old limit was R4 000.

It excludes any credit provided by the State, transactions involving goods bought or hired for the sole purpose of selling or leasing them, but, most important, any goods used in connection with (not necessarily solely for) mining, engineering, construction, roadbuilding or a manufacturing process.

As a Government lawyer explains: "We didn't want to touch commerce." In fact, many transactions by commercial enterprises — especially in the professions, the service and banking sectors — will be subject to the Act.

They will not have to comply with the minimum deposit and maximum repayment period provisions, but they will have the benefit of the revolutionary new cooling-off period allowed on certain transactions.

Banks and finance houses complain justifiably that this means the consumer-oriented protection will now be available to sophisticated organisations which never needed it.

The amended Limitation and Disclosure of Finance Charges Act (Ladofca), in some contrast to the CAA, sets out to provide protection for all — both the small man and the big corporation.

Ladofca, like CAA, applies only up to R100 000. However, unlike CAA, this R100 000 is not on one transaction, but on any number of transactions between the same two parties up to the limit. This little failure to communicate between the two Government departments which drafted the Acts is going to cause problems, say credit managers.

Both Acts expand on the old Hire Purchase Act and the old Ladofca. Credit cards are brought under the Acts for the first time, as are goods bought on account at department stores, for instance. Thus the old situation where goods could be bought on credit with a credit card with no deposit because the cards were not regulated under the HP Act will be no more.

The most salient provisions of Ladofca — limitation on annual finance charges — are not new, but the rates and amounts on which they are charged are adjusted. The absolute maxiumum that may be charged is 24%, and 21% on amounts over R5 000. On moneylending transactions the maximum rates are 24% for up to R500, 21% for R500 to R1 000 and 18% above R1 000.

The most salient provisions of CAA are also not new: for vehicles and many household goods acquired through a credit agreement a minimum deposit must be paid and instalment payments will be limited to a maximum period.

Under regulations to the Act, these provisions do not apply to credit agreements for vehicles which result in the credit receiver being able to make deductions from taxable income, so people like self-employed businessmen and professionals may still buy their vehicles without deposit, and the instalments or lease payments can be spread over any period of time.

The most revolutionary change in the new legislation is the "cooling-off period" directed at credit transactions concluded with travelling salesmen.

If a small man is sold or leased goods on credit at the initiative of the credit grantor, and away from the credit grantor's business premises, the credit receiver can, within five days of signing the agreement, withdraw from the agreement in writing, tendering back the goods. Furthermore, the credit agreement must set out the credit receiver's right in this regard in writing.

This cooling-off period is unique in South African law. The provision is aimed at high-pressure, door-to-door-type selling, but the provision includes all credit grantors — so banks and finance houses, and not only retail sales organisations, are subject to it.

One manager said the banks and finance houses felt peeved that they had been included in the same category as doorstep salesmen, but their representations to the Government for exemption had been unsuccessful.

In fact, financing insitutions will avoid this provision by not signing agreements away from their premises, and, if they do, by not delivering the goods until the five-day period is up.

CAA prohibits a number of provisions in agreements, inter alia:

- The credit receiver may not be made to nullify his rights to the cooling-off period through the insertion of a clause warranting that the agreement was signed at the credit grantor's premises. Nor may the credit receiver acknowledge that he has inspected the goods, or that the credit grantor did not represent or warrant anything in connection with the agreement, or before it as signed.
- The credit grantor cannot by a term of the agreement evade responsibility for misrepresentation by any person acting for him.
- Most important and most troublesome for banks and finance houses, no implied warranties may be excluded.

'Cooling-off' period unique in SA law

This means especially that selling or leasing may not be voetstoots.

This was a provision of the old HP law, but a practice of separating agreements developed. Financial institutions would enter separate financing agreements with the customer stipulating that the supplier would be liable for defective goods.

CAA stops this practice by forbidding any extra agreement which negatives rights provided by the Act. The change will mean that financing institutions will have to have mechanics and technicians examine vehicles and equipment to ascertain any defects before the deal is concluded. If there are defects, every one will have to be listed in the agreement.

Aggrieved

"We are not mechanics. The sale or lease agreement between the supplier and the buyer is something apart from us," said one aggrieved pinstriped credit manager.

"This will also mean that the financing institutions' mechanics and technicians will have to inspect equipment when the credit receiver complains — and the first reason any credit receiver normally gives for not paying his instalments is that the equipment is defective."

In effect, the legislature has realistically decided that the small man is more likely to succeed if he can claim against the financing institution and the supplier than if he can only claim against the supplier, which was the result of past practice.

However, if the financing institution remedies the buyer's complaint, it must still claim from the supplier. This, with the cost of mechanics and technicians, may again result in higher finance charges.

- Naturally there may be no repossession of goods without agreement by the credit receiver or order of court. But, unlike under the old HP law, the credit grantor may not make the credit receiver immediately sign an agreement that the goods can be repossessed on his default.

This agreement may only be signed when the main agreement is 30 days old. Then again, under Ladofca, the credit grantor cannot recover any costs incurred in repossession before legal action is instituted. This, say the finance gnomes, may result in court actions being instituted earlier.

By Teigue Payne

Under Ladofca, if during the agreement the credit receiver finds he cannot pay, he can approach the credit grantor for indulgence.

Under the old law, it was not necessary for a new agreement to be concluded in these circumstances, but now it is. If the credit grantor agrees to a new agreement, the old agreement must be "settled" on the basis that the credit receiver is not liable for any future finance charges. This was also not required under the old law. The credit grantor may also not charge for concluding a new agreement.

Credit managers say the additional costs involved here will mean that credit grantors will either not so readily enter new agreements as in the past, or that interest rates will be pushed up. So the non-defaulter will pay for the defaulter.

Options

In fact, Ladofca's early settlement provisions are by far the financing institutions' biggest bugbear in the new legislation.

If a credit receiver defaults and no new agreement is reached, the credit grantor has the option to either:

- Accelerate — recover everything owed to the grantor in money (but not future finance charges) through having his assets attached and sold, but not repossess the goods sold or leased.
- Terminate and repossess, without the right to further attach the debtor's other assets or have him pay by a garnishee order if the sale of the goods does not settle the outstanding debt — unless the goods have disappeared or have been destroyed.

If the agreement is so terminated, interest charges must then be recalculated, with no future charges being levied. Said a credit manager: "This may encourage the defaulter to default because he feels he has better rights in default than if he adheres to the agreement."

On the other hand, if a credit receiver decides he has enough money to pay off the balance of his debt in one lump sum before it is due, on most credit transactions he will have the right to do so and avoid all future finance charges — provided the agreement is 90 days old.

He must give 90 days' notice in writing to the credit grantor of his intention to pay in this way — if he does not, his payment is regarded as notice, so technically he is liable to pay an extra 90 days' interest.

This provision, at least, was a much-needed reform of HP law. Credit managers admit that credit receivers will be able to save a great deal here.

On the negative side, Ladofca's early-settlement provisions will radically affect the practice of discounting, and may eventually contribute to higher interest rates.

Loses expectation

This is because a dealer may write a credit agreement at an effective rate of, say, 18%. The dealer then discounts the agreement with a finance house, which pays the dealer in cash, and takes, say, 16%, giving the dealer 2%.

If the credit receiver soon after settles the agreement early, the financing institution loses its future expectation of 15%, while the dealer has long had 2% in his pocket. The finance house then has to recoup part of the 2% from the dealer, and the extra costs here could contribute to higher interest rates, say credit managers.

This may in turn result in consumers increasingly going direct to finance houses before clinching deals with suppliers, rather than arranging finance through suppliers.

If the credit receiver gives notice that he is going to pay the balance outstanding as a lump sum, but in fact does not do so, the credit grantor can regard the agreement as breached and ended, and proceed accordingly.

If the credit receiver pays one or more instalments earlier than he is obliged to, but not the full balance outstanding, this action will not benefit him unless he later terminates the agreement early by paying the balance outstanding in a lump sum.

Penalties for contravening the CAA Act are a fine of R5 000 or imprisonment for up to two years, or both. The Acts will be policed by two armies of inspectors from two Government departments. Hopefully the two forces will not clash silently by night, like the KGB and Smersh.

Donkeys:

100 workers had no donkeys, (76, 92%)
2 had one donkey each,
21 had two donkeys
3 had 3 donkeys and
4 had 4 donkeys.

Cattle:

One worker had one cow,
one had 2 and
one had 5 cows.
(127 workers had no cattle at all)

For the estimates of payment in kind, grazing has been valued at the rates then current on the Beaufort West City Council common ground. Farmers' estimates of the grazing value of their land varied enormously; to some extent this may reflect actual variations in quality but it again seemed safer to apply a uniform rate to all farms.

The cost of grazing a sheep or goat on the Beaufort West
...orse or cow
terms,

STAR 16/3/81

(58)

Many credit card users will pay more interest

Many credit card users will have to fork out several more rands a month because of an increase in interest rates on credit card purchases.

Standard Bank raised its rate from 14 percent to 18 percent from the beginning of this month

Mr D Matfield, general manager of the bank's card division, said the effect on a monthly basis would be reduced as repayments were spread over 24 months.

"A person who keeps his debit balance at R1 000 pays interest of R280 over two years at an interest rate of 14 percent.

"At the new rate of 18 percent he will pay interest of R360 over two years."

This means that the rate will rise from R11,67 to R15 on a monthly basis

Mr Matfield said this was in line with the higher rates prevailing on the market.

Nedbank said it would keep its rate at 14 percent.

Mr Colin Gregor, of Barclaycard which also administers Trust and Santam cards, said the rates would go up in the next few weeks from 14 percent to 15 percent for budget accounts and home improvement loans.

Budget accounts are loans repayable for periods between six months and two years. Home improvement loans are repayable from one year to four years.

Barclayflight cards for air transportation and ground arrangements will rise from 13 percent to an effective rate of 15 percent repayable over six months to two years.

Slow growth not inflation answer —Sanlam chief

By Mervyn Harris

Inflation remained unacceptably high, but South Africa could not afford slow growth in an attempt at counter-action, Dr A D Wassenaar, chairman of Sanlam, said in Johannesburg.

He told the company's annual meeting that inflation basically stemmed from the community wanting to draw more from the economy than it was prepared to put into it.

Success in curbing inflation had been achieved only by countries that were prepared for sacrifice, hard work and effective utilisation of their means of production.

"High inflation contributes towards the ruination of savings. The aged, pensioners and people living off the interest on their investments, who are least able to protect themselves against inflation, are hardest hit.

"If the public does not save voluntarily and private fixed investment is discouraged because of uncertainty as to the probable return on capital, we run the risk that our existing capitalistic society will ultimately have to make way for socialism."

INHERENT

Dr Wassenaar said several factors inherent in the economy gave rise to inflationary pressures. One of the most important was the structural shortage of skilled labour and experienced management.

This gave rise to sharp increases in labour remuneration with attendant inflationary effects.

"In addition, there are the inflationary implications arising from the policy, for social and political reasons, of gradually narrowing the gap between black and white wages without increasing productivity.

"A further factor wich fans national inflation is that there are several markets for goods and services in which there is insufficient competition and where prices are not determined by market forces.

"Inflationary pressures are also created by the relatively high level of Government spending on defence and the development of our economic and social infrastructure.

DEFENCE SPENDING

"Defence expenditure, in particular, is inflationary by definition because it produces no negotiable products or services.

"Curbing inflation is thus a complex problem since our conditions differ materially from those in other industrial countries," said Dr Wassenaar.

"South Africa has to contend with a fast growing black population for whom employment opportunities must be created and whose claims to a higher standard of living will have to be met at a rapid rate.

"We cannot, therefore, afford slow growth in an attempt to counteract inflation.

Dr Andreas Wassenaar

"Viewed over the longer term, I believe improvement of our productivity performance is one of the best ways to check inflation.

"The key to increased productivity is improved education and training. All workers must be given the opportunity to realise their maximum potential as our future is closely bound up with the productive utilisation of our manpower."

Rent control remains a curb—Wassenaar

The possible continuation of rent control was one of the main reasons why Sanlam had not contributed its share in providing for the housing scarcity, the chairman, Dr A D Wassenaar, told the company's annual meeting.

"Sanlam did not take part in the sale of flats on a sectional-title basis. But we appeal to the Government not to consider the continuation of rent control as a solution of the problem," he said.

Reviewing the 1980 financial year, Dr Wassenaar said premium income amounted to R533-million.

For the second consecutive year the increase (R146-million) was the largest any national life office had been able to achieve.

These results could largely be attributed to the increasing use which pension funds were making of Sanlam's services.

Income from investments increased by 33 percent to R207-million and had almost doubled over the past three years.

HIGHLIGHTS

Other highlights were:

- Sanlam's assets stood at R2 450-million at the end of the 1980 financial year.
- Policyholders and their dependants received a total of R167-million, double the amount of five years ago.
- The annual-bonus rate was again increased and a policy now more than doubled in 16 years.
- Administration costs stood at 5,8 percent of premiums against 9,9 percent five years ago.

The most important feature of Sanlam's investment policy was to confine investments in prescribed assets and other interest investments to short terms in view of rising interest rates.

Reinvestment of these funds at higher rates would have a favourable effect on the company's investment income in years to come.

Share investments at book value amounted to R458-million and investments in securities and loans to Government and other public bodies reached R773-million.

Investments in properties increased to R438-million and income from this source was expected to increase substantially as rentals rose. — **Mervyn Harris.**

8a

Conflict arose over the issue of control over psychiatric services. The commission was to recommend that psychiatric services become the responsibility of the central Department of Health, thereby overriding that commission before it had published its report. A compromise

-9-

Licensed Institutions

The most significant development in licensed institutions was the emergence of the private company-run institutions. They entered the arena during the critical phase of the over- ... By 1976 over 12 000

community services. They provided a means whereby patients could be managed without hospitalisation.

9/...

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Bank cartel faces collapse

RDM 20/3/81 (58)

By ALEC HOGG

THE new bank charges, which will increase some companies' fees by up to 40%, could wreck the clearing banks' cartel

Sources say it is a matter of time before one of the clearing banks modifies the charge structure to suit one of its favoured clients

A case in point is the Pick 'n Pay-Trust Bank relationship

Pick 'n Pay's managing director, Mr Raymond Ackerman, told me his company had an agreement with Trust Bank whereby bank charges were negotiated on a system entirely different to the one laid down by the cartel

He does not believe the new charges system will be applied to his company, and an informed source within Trust Bank says the bank will stick to the contract it made with Pick 'n Pay seven years ago

Pick 'n Pay will thus not be obliged to pay the higher charges which the cartel is determined to enforce

This apparently leads the way for other companies to negotiate charges with their banks

Until now companies trying to negotiate charges with their bankers have met with no success The Trust Bank decision could, however change this

There is another reason which suggests that the cartel will come under heavy pressure over the new charges

Because of the lack of success, sources say the aggrieved companies have made representations to organised commerce on the bank charges structure

These bodies, including Assocom and the Afrikaanse Handelsinstituut, are to discuss the companies' case with banks next week

A spokesman for Assocom confirmed that representations had been made, and that it was "closely monitoring" the situation, but he would not comment as to what action would be taken

The acceptance of the charges by Pretoria — last year the Registrar for Financial Institutions vetoed the proposed changes as being too inflexible - puts the authorities' policies in question.

The Governor of the Reserve Bank, Dr Gerhard de Kock, has received widespread praise for his free-market policies, but it is difficult to reconcile this thinking with the decision to allow the cartel to implement uniform charges

Corporate bodies are in the unfortunate situation whereby they cannot "shop around" for the best rates on bank charges as there is no free market in this area

Disbanding of the cartel would mean a free market in baking

Uniwine bears severely bruised

By Geoff Shortlworth

Stockbrokers [illegible] who sold shares in Union Wine [illegible] on the Stock Exchange on Monday and [illegible] not only [illegible] huge financial losses but those who did not disclose [illegible] bear sales [illegible] face disciplinary action and possible prosecution.

The total [illegible] of disclosed bear sales in Union Wine shares was [illegible] 82 shares. At the suspension price this represents a nominal total of [illegible] million. Brokers say that it is possible that as [illegible] shares again were undisclosed bear sales.

The share price of Union Wine soared to a high point yesterday morning of 1 900c a share from 112c 11 days ago, but the JSE suspended the share after 20 minutes at a price of 1 47[illegible].

The rise in the share price was prompted first by the aggressive buying of Cape Wine Distillers to try to block the entrance of Mr Natie Kirsh into the liquor industry. In turn, counter buying by the Kirsh group boosted the price.

What really sent the price "through the roof" was that brokers who had expected the share price to decline — so that they could buy them back and make a profit on the [illegible] — suddenly found the shares almost impossible to buy for delivery next Tuesday.

AUCTION

An auction has to be held to enable the bears to buy shares, but if none are made available or the price is considered excessive then a make-up price is settled. Most brokers believe that make-up price will be around the 1 4[illegible] suspension price.

Mr Kirsh said yesterday he wanted to alleviate the pressure on bears and did not request the suspension. One way of doing this is for him to sell some of his shares since, he says, he now has over [illegible] percent of the share capital in Union Wine — enough to thwart the Cape Wine Distillers blocking action.

Wilf Isaacs sees more growth in all property

RDM 20/3/81 (58)

By SUE DALLAS

THE momentum of the property market will be tempered by high building costs and rising interest rates this year say property brokerage company, Wilf Isaacs, in its latest quarterly Real Estate Review.

WI predicts that these factors, together with substantial institutional involvement, will act as a brake on overdevelopment but that there will be "inevitable" continued growth in all categories of property.

Most office development around Johannesburg, it says, are in the suburbs and 60% is taking place in Sandton.

WI expects demand for suburban space to continue strongly to the end of 1982, when there will be a slight oversupply of space.

Of the total area of 162 110m² known office development work as at January 31 1981, about 62 000m² (38,25%) will be available during 1981, it says.

The remaining 100 110m² will be completed in 1982.

Of the 62 000m² due for completion in 1981, about 39 500m² (63,7%) is pre-let and of the 100 100m² due for completion in 1982 about 66 700m² (66,63%) is pre-let.

Indications are that at least another 60 000m² of suburban space will be commissioned during this year, says WI, and most of this should be completed by the end of 1982.

It concludes that the "remaining unlet estimate of 116 000m² will be slightly in excess of the estimated suburban demand of 96 000m² to the end of 1982".

Prime suburban rentals for big parcels of space look set to reach R10/m² during 1981, while 1982 projects "must yield from between R11/m² to R12/m² to be viable on current escalated costs.

"Smaller tenants must be prepared to pay at least R12,50/m² to R13/m² in 1982."

Braamfontein will provide an extra 48 900m² to Johannesburg's office volume (19,56% of total new work of office space of about 250 000m²) during 1982.

WI expects that most of this space will probably be pre-let by the end of 1981. As it is, says WI, about 57% of the 48 900m² is pre-let.

Rentals for new projects in Braamfontein in 1982 are likely to reach an average of R12/m² for "substantial" lettings with smaller tenants paying R13/m² to R14/m² for prime new space.

Johannesburg's Central Business District is the least active sector of new office development.

The bulk of its new 43 000m² — all of which will be ready in late 1982 or early 1983 — expansion is planned for owner-occupation.

A case could be made for new CBD development, says WI, but observes that "substantial voids will be created when major companies move out to the suburbs during 1981 and 1982".

Strongest demand in the CBD is felt to be in the financial and mining areas, and announcements of new development projects in these areas is "not unlikely" in 1981.

"Because of longer construction periods and more expensive construction any new major CBD office building coming on stream in 1983 cannot be feasible at anything less than R15/m².

"Rising interest rates and a slackening economy by 1983 will make an investment decision of this type extremely difficult."

No decline in property prices is expected as a result of escalating interest rates according to the report.

Comparing current trends with previous hikes in interest rates, the report observes that "this time there has not been an oversupply of new unlet accommodation," and focuses on high demand keeping property prices high.

On industrial space, WI says demand continues unabated. "Availability is still limited and there does not seem to be too much in the pipeline.

Rapid growth in the manufacturing sector is reported to have produced a "rampant" demand for industrial and commercial premises, increasing by some 100 000m² a month.

Supply is described as "critical" with vacant space in the Johannesburg/Sandton area estimated at some 25 000m² (about 2,5% of demand).

Big schemes under way and on the drawing board, WI says, can satisfy only 10,5% of current demand.

The shortage is cited as "a classic example of demand-push inflation" pushing up rentals and it is expected to continue — exacerbated by shortages of finance resulting from higher rates of return in other fields of investment.

In the Northern and Eastern industrial suburbs rentals of between R3,20/m² and R3,60/m² for new buildings are being accepted by tenants, says WI, and R3/m² to R3,30/m² for existing stock.

Escalating land and building costs will push rentals on new developments between 20% and 25% higher over the next six to 12 months, and rentals on existing space being drawn up in line with this.

The value of vacant land in established industrial areas close to the city could rise as much as 30%-40%, says WI. Some of the rise will rub off on outlying industrial townships along the Reef and areas like Wadeville and Alrode.

The company sees the development of factories and warehouses as a "safe avenue for investment in the foreseeable future" — because growth here is based "soundly on national growth and not subject to the whims and vagaries of the residential market."

In 1970, according to the census, there were 335 unemployed Coloured men and 79 unemployed Coloured women in the whole of economic region 11 (comprising the magisterial districts of Beaufort West, Calvinia, Carnarvon, Fraserburg, Laingsburg, Prince Albert, Sutherland, Victoria West and Williston); 525 unemployed Coloured men and 144 women in economic region 13 (the magisterial districts of Colesburg, Cradock, Graaff-Reinet, Hanover, Maraisburg, Middelburg, Murraysburg, Noupoort, Pearston, Richmond, Somerset East, Steynsburg and Venterstad). For Africans, the census shows 130 unemployed men and 67 women in region 11 and 220 men and 76 women in region 13.

These figures are low relative to total population in each area.

However, it is possible that the high estimates of 'not economically active' persons conceal some unemployment. Apart from listing workers by occupation and by industry, the census uses these classifications :
'Not classifiable activities' include persons who are economically active but who do not supply adequate information for the classification of their economic activities. The 'unemployed' category, includes 'unemployed persons seeking work and who therefore cannot be classified by kind of economic activity, even though they are qualified for a particular occupation, or were previously employed in a particular occupation'.

'Other persons not economically active' is defined as 'a residual classification for persons who are not in the labour field, such as housewives, pre-school children, scholars, students, pensioners and other retired per-

New bank charges pose problem

NM 21/3/81 (58)

Mercury Correspondent

JOHANNESBURG—The new bank charges, which will increase some companies' bank charge fees by up to 40 percent, could prove to be the downfall of the clearing banks' cartel.

Sources say it is a matter of time before one of the clearing banks modifies the charge structure to suit one of its favoured clients.

A case in point is the Pick 'n Pay/Trust Bank relationship.

Pick 'n Pay's managing director, Mr Raymond Ackerman, said his company had an agreement with Trust Bank whereby bank charges are negotiated on a system which is entirely different to the one laid down by the cartel.

He does not believe the new bank charges system will be applied to his company, and an informed source within Trust Bank says the bank will stick to the contract which it made with Pick 'n Pay seven years ago.

Pick 'n Pay will thus not be obliged to pay the same, more expensive, charges which the cartel is determined to enforce.

This apparently leads the way for other companies to negotiate their bank charges with their individual banks.

Until now companies trying to negotiate their new bank charges with their bankers have met with no success. The Trust Bank decision could, however, change this.

There is another reason which suggests that the cartel will come under heavy pressure over the new bank charges.

Because of the lack of success, sources say the aggrieved companies have made representations to organised commerce bodies on the new bank charge structure.

These bodies, including Assocomm and the Afrikaanse Handels Instituut, are to discuss the companies' case with banks next week.

A spokesman for Assocom confirmed that representations had been made, and that the body is 'closely monitoring' the situation, but he would not comment as to what action would be taken.

The acceptance of the new charges by Pretoria — last year the Registrar for Financial Institutions vetoed the proposed changes as being 'too inflexible' — puts the authorities' policies under some question.

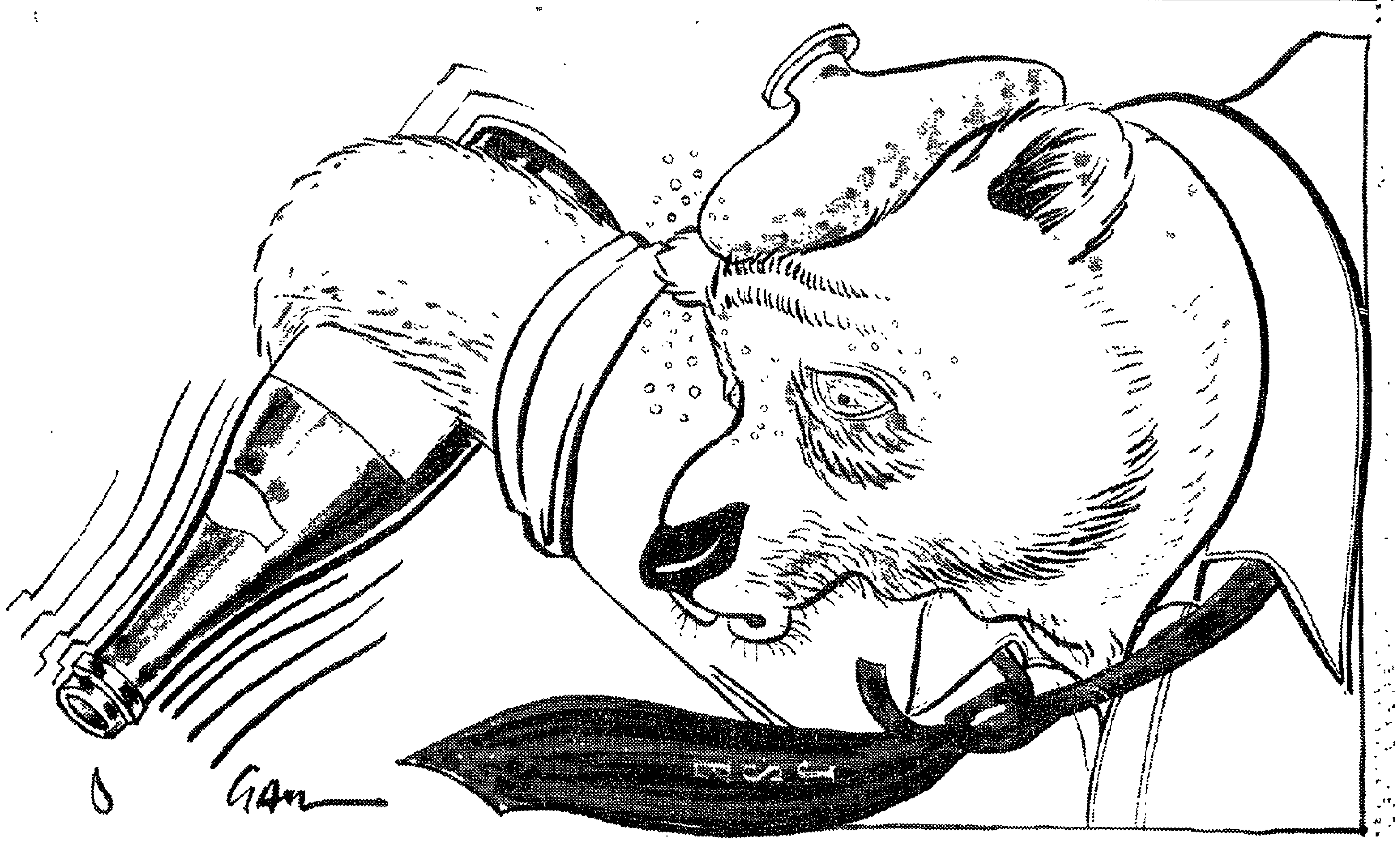
The governor of the Reserve Bank Dr Gerhard de Kock has received widespread praise for his free market policies, but it is difficult to reconcile this thinking with the decision to allow the bank cartel to implement uniform bank charges.

Corporate bodies are in the unfortunate situation whereby they cannot 'shop around' for the best rates on bank charges, as there is no free market in this area.

The only way that a truly free market in the competitive banking area could come about, is by a disbanding of the cartel.

THE WEEK OF THE GREAT JSE BEAR HANGOVER

RDM 21/3/81 58



The stock exchange bears pounced on Union Wine shares this week, but their blitz backfired — they hoped to make a killing in the fight between Natie Kirsh and Jan Pickard in the one camp, and Cape Wine in the other — and were trapped in the honeypot.

By DAVID CARTE
Deputy Financial Editor

ALL over Johannesburg, but mainly in the vicinity of Diagonal Street, there are bears nursing sore heads with all the hair singed off their paws.

They are the victims of a haphazardly-occurring epidemic that hits this money-crazed town from time to time and leaves an appalling hangover.

This week's epidemic, based on Union Wine, will leave a worse hangover than usual, and for some poor bears, it might just be fatal.

The bears in question are not koalas, polars or grizzlies, though most may be feeling that way. They are the kind that inhabit the stock exchange — the guys who try to make money in a falling share.

It can be done The principle works like this

If you have reason to believe a share will be a good deal cheaper in a week or two, you can sell shares you do not have today to A for, say, 1 000c. When the price comes off to 500c, you buy the shares from B for 500c and deliver to A for 1 000c, making a 500c profit in the process.

It's when the price goes the wrong way, surging, say, to 1 500c, that one falls into the bear trap that causes the malady first described In this situation the poor bear must buy shares at 1 500c, taking a 500c loss and go off licking his scalded paws.

This week's epidemic began when a mystery buyer started buying Union Wine shares at apparently any price. The share price more than doubled from 230c to 470c on Tuesday alone

The bears spotted an opportunity and pounced

Fresh in their memories was a brilliant bearing opportunity missed a month previously

When Natie Kirsh bid for control of Russells in the stock market, the share price took off — temporarily. When Mr Kirsh had the 50% he needed for control, he stopped buying and the share came back to previous levels.

Many bears kicked themselves for not having sold shares at the higher price and bought at the lower one, and made up their minds not to miss the boat again.

So, when a buyer came into the market prepared to pay, it seemed any price, for Union Wine, bears sold shares they did not have — wholesale.

As hard as the bears sold, bidding for Union Wine continued voraciously Soon it became apparent that there were two parties bidding for the shares and that they would take every available share.

Since Mr Jan Pickard already had 60% of Union Wine and there were only 4 182 000 shares in issue, the number of shares available was limited On Tuesday, nearly one-million shares, or 61% of those theoretically available, traded

When another 475 000 traded on Wednesday, it became apparent there would be no shares available for the bears.

So they rushed to cover their positions and cut their losses. Soon they were outbidding Cape Wine, which was bidding on the one side, and Mr Pickard and Mr Kirsh, on the other, and the hysteria became self-feeding

At the close on Wednesday, the share price was 1 360c — six times its level on Tuesday morning. The share traded for only 22 minutes on Thursday. In that time it surged to a high of 1 900c — eight times its starting level — before coming back to 1 475c.

At 9.52am, the president of the JSE, Mr Richard Lurie, decided the orgy had gone too far and suspended the share.

Now the binge is over, those bears who were able to get scrip know what they have lost. But there are still many who have sold shares and do not have them. They cannot get them while the share is suspended.

At present, because certain "sales" cannot be delivered, the number of shares ostensibly held is greater than the number of Union Wine shares in issue.

It is therefore possible that the Kirsh-Pickard camp thinks it has 80% of Union Wine, while Cape Wine, on the other hand, thinks it has 30%. The percentage holdings at the end of the day will depend on who finally gets his scrip.

The extent of the bear overhang and some idea of losses will not become known until, at the earliest, Monday or Tuesday, but there is no questioning there are many sore heads and paws all over town.

A merchant bank close to one of the principal bidders is said to be exposed in a bear position, but this has not been confirmed.

Several brokers stand to lose thousands and, if market conjecture is anywhere near the mark, some losses could run into six figures.

Anyone wanting to make a bear sale on the Johannesburg Stock Exchange is required in terms of the rules to disclose this. But many bears probably did not register. Brokers certainly did not always know if clients had shares when they gave instructions to sell.

What worries the broking community is that they are liable if clients cannot meet their commitments

There is a story that one broker has been caught in a large undisclosed bear position. If so, he faces not only heavy financial loss, but severe disciplinary action as well.

It would probably not surprise the market if a small firm actually goes to the wall over the Union Wine bender.

There is no shortage of recrimination and counter-recrimination.

One broker alleges that others in the know took a register of Union Wine shareholders and phoned holders, offering them 240c a share before the market opened on Tuesday, knowing full well that conditions in the market would become hysterical and the price would go to unprecedented levels.

Some say the share price should have been suspended on the first day, when it more than doubled, but the JSE, which has a special "Undue Fluctuations Committee", says it was a "free dealing" market. Only when a share is "cornered" does the committee suspend a share.

To have suspended the share, the JSE argues would have been interference and would have cost sellers the opportunity of getting attractive prices, and bears the opportunity of covering themselves. The JSE says the share was suspended by prerogative of the president, Mr Richard Lurie, when he adjudged the situation out of control.

So much for the sore bears. What of the principals? Who won?

In the only statement it has made so far, Cape Wine says it was merely "protecting a pre-emptive right" to Mr Pickard's Union Wine shares in buying shares in the market on Tuesday "at an average price of about 400c a share".

But if its pre-emptive rights were being trampled on by the proposed liquor retailing partnership between Mr Kirsh and Mr Pickard, why did it not get an interdict from the Supreme Court to stop it?

Why spend millions in the stock market?

Mr Pickard and Mr Mervyn King, chairman of Coki, do not accept CWD's reason.

They say CWD has a pre-emptive right to Picardi Finance, not to Union Wine shares. And anyway, Mr Pickard has not sold any Union Wine shares. His stake in Union Wine will be diminished from 60% to 50.1% but it will be a reduced holding in a larger group.

The Kirsh-Pickard camp says CWD opposed their partnership because its major holders, Rembrandt and SA Breweries, do not relish a threat to their oligopoly in liquor production, wholesaling and retailing.

While the smoke has not cleared yet, it certainly looks as if Mr Kirsh and Mr Pickard have carried the day.

They say they have 75% of Union Wine and 90% of Picotel and no-one can block them now.

But what is ironical is that it seems CWD could not have blocked their partnership even if it *had* obtained the 25% of Union Wine needed to throw out the present proposal.

As Mr King says, there are at least 10 ways of going ahead with the partnership without reference to a 25% minority and "the CWD boys have wasted a helluva lot of money".

STAR 2/3/85

Migrant labour criticised

Own Correspondent

CAPE TOWN — The migrant labour system was one of the most undesirable elements of the South African industrial scene, the chairman of the giant Premier Group of companies, Mr Tony Bloom, said in Guguletu at the weekend.

He was speaking at the official opening of a hostel to house 300 of the group's contract workers from the Ciskei and Transkei.

Mr Bloom said it was a matter of sadness to him that many of the people present were not able to have their families with them.

He told the workers: "We appreciate your sacrifices and are aware of the difficulties and hardships imposed on you.

NM 24/3/81

58

S A has trade balance of R414,5m

PRETORIA—With imports rising and exports falling, South Africa's favourable trade balance in the first two months of 1981 was R414,5m — R1 200m less than during the same period in 1980 — according to preliminary figures from the Commissioner for Customs and Excise yesterday.

Imports for January and February were valued at R2 521,1m compared with R1 939,8m last year. Exports were R2 935,6m for January and February 1981 and R3 554,3m last year.

Trade with **Europe** totalled R1 012,8m in imports and R828,5m in exports during the two months this year, in comparison with R783,4m and R829,7m respectively last year.

In the case of **America**, the two-month import figure this year was R400,8m (R303,8m last year) while the export figures were R269,9m (R304,8m).

Trade with **Asia** ran to R388,8m in imports and R264,4m in exports in the first two months this year. Last year's comparable figures were R217,4m in imports and R306,5m in exports.

In the case of **Africa**, imports were down from R42,8m in the first two months of last year to R40,6m this year and exports from R171,6m to R155,6m.

Trade with **Oceania** showed an import jump from R12,4m in the two months last year to R23,5m this year, with exports declining from R19,2m to R17,2m.

Other unclassified goods and balance of payments adjustments in the first two months of this year totalled R654,6m in terms of imports and R1 393,5m in exports.

The corresponding figures last year were R580m in imports and R1 914,8m in exports.-(Sapa)

24/3/87 — (58)

Bank lending rates increased

S7/B/R

Geoff Shuttleworth

Bank lending rates have moved up half a percent with immediate effect, while Standard Bank has increased deposit rates.

Barclays Bank announced shortly after midday that it has increased its prime lending rate to 11,5 percent from 11 percent because of the increased cost of raising funds through deposits.

Standard Bank immediately followed suit.

The prime lending rate is that levied on best clients, usually corporate clients, and have a direct bearing on interest rates paid by other borrowers.

The banks have an agreement with the South African Reserve Bank to pitch their prime rate within 2,5 and 5 percent of the Reserve Bank rate.

The Reserve Bank rate is 8 percent so that the new 11,5 percent rate represents the highest rate banks may charge without the Reserve Bank changing its rate.

At the same time Standard Bank announced that it is to raise the interest rate paid on deposits. A spokesman for the bank said that increases in some classes of deposits would be as high as 1,5 percent. The new rates come into effect on April 1.

Standard Bank chairman Dr Conrad Strauss said these adjustments have been made to close the gap that has developed between retail deposit rates and rates currently being paid in the market for large deposits.

The interest payable on call money has increased by half a percent to 4,5 percent. In respect of Flexiplan the rate is to be increased by half a percent to 9 percent.

Fixed deposit rates for the period 48 months to 60 months has been increased by one and a half percent to 11,5 percent.

Money still too cheap

RDM 24/3/81

(133) (55)

By ALEC HOGG

INTEREST rates are still too low and rising rates must be seen as a result of sound policy to restrict the banking sector's ability to credit extention, says Volkskas in its March Economic Spotlight.

In spite of the sharp rise in interest rates over the past four months, the return offered is still well below the inflation rate. This means investors are still receiving a negative return on investments.

"Negative real interest rates are not conducive to financial discipline in the economy. They discourage saving and give rise to a spirit of financial recklessness amongst the general public."

Interest rates which are outpaced by inflation harm the pensioner who has to live on a fixed income as well as "those with a responsible sense of thrift".

Volkskas says the potential inflationary danger of excessive liquidity in the system cannot be underestimated. It praises the authorities' decision to undertake open market operations to tighten the domestic money system.

But it believes more should be done, and advocates even stricter monetary measures and a shift in emphasis in the broad economic policy package "to attain greater equilibrium between the domestic demand and supply".

"It is not impossible that interest rates will rise higher and even very much higher than their present levels in the time that lies ahead. In these conditions money will have to be borrowed with greater circumspection."

People with heavy burdens of debt will find it difficult to meet their financial obligations.

The banks says one must sympathise with homeowners, particularly those who bought last year when house prices rocketed to unprecedented levels.

Although the Minister of Finance is looking at the possibility of allowing tax concessions on the interest paid on housing bonds, the bank has little hope that this will come about.

South African housing is luxurious by international standards, it says.

It's give and take from the banks

25/3/81

58

Mercury Correspondent

JOHANNESBURG—South African banks have good news and bad for their clients this morning. While you get more for your savings, you must pay more for your overdrafts — and, in the long run, the same probably will apply to building societies.

Barclays Bank, Nedbank, Trust Bank and Standard Bank yesterday announced a 0,5 percent increase to 11,5 percent in the prime overdraft rate, effective immediately.

The increase in that rate means all other overdrafts will be automatically adjusted in line.

The country's other large commercial bank, Volkskas, has not yet decided to follow the lead of the four, but is expected to announce a similar increase today.

The rise brings the prime overdraft rate to its upward limit of 3,5 percent more than Pretoria's bank rate, which was increased by 1 percent to 9 percent on February 2 this year.

According to an agreement concluded between the Reserve Bank and South Africa's clearing banks on July 12, 1975, the prime overdraft rate must be kept between 2,5 percent and 3 percent higher than the bank rate.

Increase

An amendment to the Usury Act was announced in February which adjusted the maximum rate which the banks could charge on an overdraft of more than R1 000 from 14 percent to 18 percent. Most individuals with overdrafts fall into this category.

Good news for the man-in-the-street, however, is that the interest payable on money deposited with Standard Bank will be sharply increased.

Barclays has increased its rates to the same levels and other banks are likely to follow suit.

Standard Bank announced that from April 1 the rate paid for call money (withdrawable on demand) will rise from 3,5 percent to 4,5 percent; 31-day notice from 4,5 percent to 6 percent; 88-day notice from 7 percent to 7,5 percent; six-month fixed deposits from 7,5 percent to 8 percent; 12-month from 8,5 percent to 9 percent; 18-month from 8,5 percent to 9,5 percent; 24-month from 9,5 percent to 10; 36-month from 10 percent to 11 percent.

Our finance reporter writes that building societies would meet this week to review their deposit rates.

A building society spokesman said yesterday that societies would have to remain competitive with the banks which can only mean that building society deposit rates would be raised in line with those of the banks.

At the same time, the spokesman confirmed that societies would be taking a close look at the mortgage bond rate which has also been affected by recent changes in the interest rate pattern.

SOURCE: Report of the Comm
affecting the Colo

BAAB officials in Middelburg and Graaff-Reinet said that Africans in the Karoo Board area had been registered without qualification when the Board took over administration in September 1973. However, if they left their employers, their cases were re-examined and the normal qualifications for permanent residence in a 'White area - 10 years with a single employer or 15 years in the area, in the case of men - were applied. 'Application' of these requirements did not mean that large numbers of Africans were sent out of the area, the officials stressed - 'only' about 40 to 50 families a year had been 'repatriated' to the homelands since 1973, many of them voluntarily.

They said workers were able to move freely throughout the Board area - in the sense that if they qualified to live in the area at all they could live in any part of it - but they could not go to live anywhere unless they had a job. In other words, if an African worker entitled to live in the Karoo BAAB area left his employer in Middelburg and wanted to go to work in, say, George, he would first have to register with the Labour Bureau, who would then check to see if there were employers from George listed as needing African workers and as being able to provide housing for them. Only if he could be 'fitted' to an employer, and to a house, could the worker move.

It may seem, therefore, that Africans legally entitled to live in the Karoo BAAB area are relatively fortunate in that they can sell their labour on a geographically enormous market, but in reality their movements from one part of it to another are strictly controlled.

2. <u>Alternatives open to farmers</u> :

The ease or difficulty with which a farmer can replace one or more of his workers clearly depends to a large extent on his requirements and on general shortages or surpluses of labour in his district. It has been noted above, more than once, that the labour force on Karoo farms surveyed is mostly made up of workers without schooling, agricultural training, or any other than experience. Most farmers would also admit that

Banks raise overdraft rates

DD 25/3/81

JOHANNESBURG — Barclays Bank, Nedbank, Trust Bank and Standard Bank yesterday announced a 0.5 per cent increase to 11,5 per cent in the prime overdraft rate, effective immediately.

The increase in the prime overdraft rate means all other overdrafts will automatically be adjusted in line.

The country's other large commercial bank, Volkskas, has not yet decided to follow the lead of the four, but is expected to announce a similar increase today.

The rise brings the prime overdraft rate to its upward limit of 3,5 (percent) above Pretoria's bank rate, which was increased by 1 (per cent) to 9 (per cent) on February 2 this year.

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An amendment to the Usury Act was announced in mid-February which adjusted the maximum rate which the banks may charge on an overdraft of over R1 000 from 14 per cent to 18 per cent. Most individuals with overdrafts fall into this category.

Good news for the man-in-the-street, however, is that the interest payable on money deposited with Standard Bank will be sharply increased. Barclays has increased its rates to the same levels and other banks are likely to follow suit. DDC

Before you can say 'debit' . . .

RDM 25/3/81

58

South African banks are making increasing use of computers to speed up their services and cut costs. ALEC HOGG recently visited the Automated Clearing Bureau in Johannesburg — one of the most advanced of its kind in the world — to find out about how the banks sort cheques.

SOUTH African banks have spent more than R20-million to provide what they believe is the world's most advanced system for the clearing of cheques

Called the Automated Clearing Bureau, the highly computerised Johannesburg branch handled 140-million cheques last year, and expects to pass the 150-million mark in 1981

The Cape Town branch handled 47-million cheques in 1981, and the Durban ACB handled 38-million

Thanks to advanced technology, the days of bank clerks laboriously checking and sorting each cheque deposited with their bank are soon drawing to an end

In banking, as in any business time is money, and the three branches of the ACB are "saving the banks hundreds of thousands of rand a year", according to the ACB's general manager Mr Eben Venter

The ACB is run by a small, well qualified staff, with most of the work being done by computers

The amounts of the cheques are coded by banks and sent to the ACBs in containers, which carry a maximum of 2 000 cheques each

The containers begin arriving in bulk at the ACB at about 4pm, and the bureau works "until everything is finished", usually after midnight

The cheques are sorted into bank branch and account numbers by a computer which handles 1 000 cheques a minute. The details of each cheque processed are transferred onto magnetic tape.

The Johannesburg ACB handles cheques from branches as far afield as Pretoria North, Sasolburg, Nigel and Western Areas

Details of the transactions are transferred by computer onto individual account ledgers before the banks open the next morning

This means that if you write out a cheque in Pretoria, and have your banking account in Sasolburg, the amount of the cheque will have been debited to your account by the time the bank opens the next day.

In the past, it could take as long as a week for a similar debit to be passed

The old system allowed 'kite flying" to take place - which was particularly evident during the 1968/69 stock market boom on the Johannesburg Stock Exchange

"Kite flying" was a system whereby someone would operate two banking accounts, one, for example, in Pretoria and the other in Johannesburg.

The person would deposit one of his Pretoria cheques, for say R10 000, in his Johannesburg account, and then draw cash from the Johannesburg account on the strength of this deposit

As the cheque took about a week before it was debited to his Pretoria account (ie when it was received by the bank there), he could utilise the cash drawn in Johannesburg in that time

Just before he knew the cheque would reach Pretoria, he would drive through and deposit a cheque drawn on his Johannesburg account for R10 000 which would put that account back into balance.

Theoretically, the account holder did not have R10 000, but by "kite flying" he could finance deals in stocks and shares.

With the ACB network, this practice has been eliminated and cheques from Durban and Cape Town are also cleared the same day.

Cheques drawn on banks in the so-called country areas, however, still take a few days to clear, but Mr Venter says in time the whole country could be tied up in an ACB network.

The ACB's existence was born out of an idea in 1969 when the South African Bankers' Automation Standards Committee (Sabascom) was established to find ways for banks to cut handling costs.

After examining banking systems all over the world, Sabascom decided in 1971 that automatic clearing bureaus were the best way of cutting costs, and the first ACB, in Johannesburg, became operative in 1973.

The Johannesburg ACB handled 80-million cheques in its first full year (1974) and since then the figure has grown by about 7% a year.

The Johannesburg bureau proved so successful that an ACB was opened in Cape Town in June 1977, and one in Durban in November 1978.

To finance the ACBs, the country's clearing banks (those which operate cheque accounts — including the Reserve Bank) provided initial capital in proportion to their size.

The bureaus are operated on a non-profit basis, and banks pay a monthly fee calculated on the number of their cheques cleared by the bureau.

Because of the advancing technology, the ACBs' machines have been upgraded twice (in 1975 and 1978), and Mr Venter says the present machines will be replaced in 1982.

An example of the manpower saved by the ACBs is the size of their staff.

In Johannesburg, for example, 180 people are employed. Most of them work directly with cheques rejected by the computer — [illegible] with cheques rejected by the computer — usually because they are folded or have staples in them

The rejected cheques constitute only 1,5% of the total number handled, and more than 100 people process them manually — in more time than it takes the computer to do the remaining 98,5%

The ACB costs R7-million a year to run, a huge saving on the manual process.

The computers are leased, which also holds tax advantages for banks, so the effective saving is even greater.

Although ACBs were originally established to cut the costs of handling cheques, Mr Venter says there are many possibilities wherby the ACBs can help cut down on other routine bank administrative work

One project has already been worked out with Roodepoort Municipality whereby all the city's ratepayers will have their monthly water and electricity charges automatically debited to their accounts by the ACB.

Social Welfare and Pensions is already on an electronic funds transfer system through the ACB's magnetic tape service, and 200 private companies are also making use of it

As there are always some queries, ratepayers will be sent a statement from the municipality up to three weeks before their banking account is debited, so complaints can be handled.

Mr Venter says this service can be passed on to Government departments like the Railways, the Post Office and even large private companies, whereby salaries are automatically put on magnetic tape at the ACB and credited directly to the individual's account.

This will cut out expensive paper work which currently has to be done at the person's place of employment and at his bank, and also the human errors which can often be embarrassing for all involved.

South Africa's ACBs are probably the most advanced in the world. The only possible challenge comes, surprisingly, from Hawaii, where banks have got together and decided to implement a similar system in the near future

Bank cartel under pressure

CT 25/3/81

JOHANNESBURG. — The new bank charges, which will increase some companies' bank charge fees by up to 40%, could prove to be the downfall of the clearing banks' cartel.

Sources say it is a matter of time before one of the clearing banks modifies the charge structure to suit one of its favoured clients.

A case in point is the Pick 'n Pay-Trust Bank relationship.

Pick 'n Pay's managing director, Mr Raymond Ackerman, told me his company had an agreement with Trust Bank whereby bank charges are negotiated on a system which is entirely different from the one laid down by the cartel.

He does not believe the new bank charges system will be applied to his company, and an informed source within Trust Bank says the bank will stick to the contract which it made with Pick 'n Pay seven years ago.

Pick 'n Pay will thus not be obliged to pay the same, more expensive, charges which the cartel is determined to enforce.

This apparently leads the way for other companies to negotiate their bank charges with their individual banks.

Until now companies trying to negotiate their new bank charges with their bankers have met with no success. The Trust Bank decision could, however, change this.

There is another reason which suggests that the cartel will come under heavy pressure over the new bank charges.

Because of the lack of success, sources say the aggrieved companies have made representations to organized commerce bodies on the new bank charges structure.

These bodies, including Assocomm and the Afrikaanse Handelsinstituut, are to discuss the companies' case with banks next week.

A spokesman for Assocomm confirmed that representations had been made, and that the body is "closely monitoring" the situation, but he would not comment as to what action would be taken.

The acceptance of the new charges by Pretoria — last year the Registrar for Financial Institutions vetoed the proposed changes as being "too inflexible" — puts the authorities' policies under some question.

The governor of the Reserve Bank, Dr Gerhard de Kock, has received widespread praise for his free market policies, but it is difficult to reconcile this thinking with the decision to allow the bank cartel to implement uniform bank charges.

Corporate bodies are in the unfortunate situation whereby they cannot "shop around" for the best rates on bank charges, as there is no free market in this area.

Disbanding of the cartel would mean a free market in banking.

Mean: R19,70 a week.

Range: R 6,41 to R34,40.

TABLE 22 (a)

Distribution of workers according to family income per head

(R per week)

Family income per head	Number of workers	Cumulative %
0 – 1,00	0	3,85
1,01 – 2,00	5	16,15
2,01 – 3,00	16	34,62
3,01 – 4,00		53,85
4,01 – 5,0		66,15
5,01 – 6,0		74,62
6,01 – 7,0		77,69
7,01 – 8,0		81,54
8,01 – 9,0		85,38
9,01 – 10,0		100,00
> 10,00		
TOTAL		

Mean: R6,18 a we

Range: R1,80 to R

Note: 1) th ... ory are
si

2) th ... d, often in
the ... , to which
no

It is remarkable tha ... ne payments
in kind, 70 families ... r week, and
111 families (85 per

Of prime importance was their conviction that the cause of silicosis was dust in microscopic particles (the exact size of which had not yet been investigated) inhaled continuously. This point was emphasised again and again by all the doctors who gave evidence. They were convinced of the gravity of the disease, and the toll it took of young men's lives. Impressively they were also able to convince the commissioners that, although rock-drillers were the most severely affected, other mining occupations, such as blasting, tramming and lashing -

Banks urged to take orders for Kruger rands

NM 31/3/83 Mercury Correspondent (58)

COMMERCIAL banks currently purchasing Kruger rands directly from the Chamber of Mines have been requested to accept orders for the coins from the public from April 13.

The new system announced by Finance Minister Mr Owen Horwood on Tuesday night, effectively means the waiting lists held by banks will fall away from April 10, after which customers on these lists will have to re-apply for coins.

In terms of the new scheme full payment for coins must be made by the public to the banks at the time the order is placed and delivery in respect of these orders during any week will be made to the Johannesburg office of the banks concerned during the course of the following week.

The Johannesburg branches will then arrange for delivery to various branches.

A spokesman for Intergold said the new system was designed to match supply and demand as far as possible within the allotted amount of 300 000 ounces of gold available for distribution in the form of gold coin in South Africa.

The premiums will be adjusted to a level which it is hoped will leave demand around 300 000 oz.

Initially, orders placed on any day will be priced on the basis of the average of the previous day's two price fixings on the London gold market, plus fixed premiums of 20 percent, 23 percent, 26 percent and 36 percent for the 1oz, 1/2oz, 1/4oz and 1/10oz Kruger rands respectively.

The US dollar price will be converted into rands at the rate of exchange ruling on the day the coins are priced.

The Intergold spokesman said an important aspect of the new distribution system was that it would, to a large degree, eliminate abuses at the banks' branch level, as the coins would not be allocated in terms of branches, but rather to the maximum of 300 000 oz a year overall.

were advocated - but in general terms - for the improvement of mining conditions, especially with regard to the allaying of dust. Probably in response to the commissioners' report, new mining regulations were issued in 1904 and 1905, requiring the use of water sprays or jets in conjunction with drills and the blasting regulation taken over from the South African Republic's law of 1898 (already mentioned), the damping of broken ground and the wearing of respirators.(82) On the whole these regulations remained a dead letter. They were ignored by miners and mine management alike, and concerned people considered them 'perfunctory'.(83) The reports of experiments and surveys in connection with ventilation, undertaken under the auspices

of the Transvaal Chamber of Mines, indicated that ventilation was poor. This consideration was held by the Transvaal Miners' Association (T M A) which went to great lengths to present a petition to the Colonial Secretary himself.(85) But the recommendation that mechanical aids should be introduced were not adopted by the mining industry. In fact, by 1916 only half the mines had introduced mechanical ventilation.(87) 'Speeding up' remained the rule of the miners and precautions were rarely observed, a response which can be partly attributed ... attempts by mineowners to reduce working costs by cutting ...es.(88)

...eowners privately admitted that they did not want the legal ...roduction of mechanical aids 'purely' on the ground of ...onomics' preferring instead to improve ventilation by ...ural means because it was cheaper.(89) The statement of ...uel Evans, Chairman of Crown Mines, that the mines should worked for 'blood' was probably indicative of the thinking the mineowners at the time.(90) It was to take a miners' ...ike in 1907 and the subsequent appointment of the Mining ...ulations Commission of 1907, which inter alia investigated ...icosis, and made its final report in 1910, before the ...ernment and management alike were to consider the question dust prevention seriously again.(91) In fact, the Mining ...ulations Commission considered the prevalence and mortality ...ures from silicosis to be so serious that an interim report, ...cluded in the final report) containing recommendations for immediate drafting of new and improved mining regulations, presented in 1908.

The role of the mineowners in controlling silicosis, although costs and efficiency were always uppermost in their considerations, was not entirely negative. In 1902 the Chamber of Mines organised a competition for the best designed light rock-drill fitted with a water device for allaying dust. T.J. Britten, the manager of the Wolhuter Goldmining Company, who claimed that he had been one of those aware of the silicosis hazard before 1899, won the first prize of £500 for his atomiser.(92) Ironically, the atomiser was later to be replaced by a more effective water-fed drill, the design for which had been awarded second prize in the same competition. In judging the winning design the judges had not been swayed by the maintenance costs of the as certain writers have suggested.(93) Rather, conceded

No further rise in bank rate expected in April

58 27/3/81

Mercury Correspondent

JOHANNESBURG—This week's 0,5 percent increase to 11,5 percent in the prime overdraft rate is likely to be the last for some weeks.

The increase has put the prime overdraft rate at its maximum level of 3,5 percent above the bank rate (currently 8 percent), and an increase in the bank rate before mid-May is unlikely.

This means banks will have to continue paying negative returns on money raised in the wholesale deposit market, where the going one year rate is currently 13,5 percent.

Reserve Bank Deputy Governor, Dr Chris Stals, said he did not envisage a further increase in the bank rate in April.

This was, he said, because of the seasonal easing in the money market in April as Government spending traditionally picks up in the month, rather than because of the effect an increase could have on the general election.

The inflow of money to the system is likely to cause a temporary softening in money market rates next month, and Dr Stals said it would not be prudent to increase the bank rate to a level where it was out of line with the general level of rates in the economy.

Margins

Although banks will therefore be working on negative margins on each wholesale deposit taken in until late May, they are still in a better position than the building societies.

Banks have enjoyed a 2 percent increase in the overdraft rate this year, but building societies have only been allowed to increase their mortgage rates by 0,75 percent.

In addition, president of the Association of Building Societies, Mr Boet Viljoen, said that the societies are likely to increase their retail deposit rates in line with those announced by the Standard Bank.

This makes it logical that an increase in the mortgage rate is not only necessary, but also long overdue.

Unfortunately for the societies, the mortgage rate even more politically sensitive than the overdraft rate, and in all probability, an increase is likely to have to wait until after the April 29 election.

When it comes however, the increase will have to be a lot greater than the 0,75 percent rise allowed by the Registrar late last year, and could be as much as 1,5 percent.

The societies receive an average of only 11 percent on their mortgage loans at present, but to keep institutional deposits to service these loans they have to offer at least 13,5 percent for one year money.

Parodoxically, a lot of the deposits which the societies are getting in come from corporate bodies which use the money drawn on bank overdrafts.

Market rates

Corporate bodies can thus lend money at 11,5 percent and immediately re-deposit these funds on the money market at 13,5 percent and better.

There is obviously a desperate need for the differential between overdraft/mortgage rates and the prevailing money market rates to be closed.

This will entail sharp rises in both the overdraft and mortgage rates in the not too distant future.

According to the agreement between the commercial banks and the Reserve Bank, the overdraft rate must run in a channel of between 2,5 and 3,5 percent above the bank rate.

This means for any further increases in the overdraft rate to occur, a similar adjustment will have to be made to the bank rate.

Fortunately, the new Reserve Bank Governor, Dr Gerhard de Kock, has said he intends making the bank rate a far more flexible tool and will keep it market related.

But, the market believes the bank rate is already far below its true level and a further 1 to 2 percent rise should already have been announced.

The authorities intend keeping the money supply growth to 15 percent this year, which with the current inflation rate of 16 percent means an actual contraction in available funds.

The only practical way of keeping money supply down is by making money more expensive through higher interest rates.

And the longer it takes for money to become more expensive, the harder the eventual crunch will be.

SALDRU

OVERDRAFT RATES

More to come

FM 27/3/81

Tuesday's announcement of a 0,5% increase in the prime overdraft rate to 11,5% arises from the banks' need to restore profit margins and lessen differentials between sharply rising wholesale borrowing and lending costs.

With the current wholesale rate at 13,5% and reports that some banks are paying up to 14,75% for 12-month large wholesale deposits, a higher lending charge was needed to recover some of this cost. Says Standard credit GM Arthur Daymond, "It was almost inevitable that the prime rate had to go up." But as the banks are still paying negative returns (ie below the inflation rate) on wholesale deposits another upward adjustment will be needed. This the banks cannot do at present as rates have reached their maximum permitted deviation from Bank rate.

Neither is Bank rate likely to be raised before May, as April is traditionally a month of high liquidity because of government spending while the authorities presumably do not want to incur the political odium of climbing borrowing rates in the run up to April's election. Arguably, Bank rate should already have been hoisted to reflect higher money market and overdraft rates. This would be in line with government's policy of using Bank rate as an instrument of rediscount policy.

Although the Reserve Bank's Senior Deputy Governor Chris Stals expects a seasonal easing in the money market in April, there are indications that liquidity may not be as great as expected. Stals himself has noted a current account deficit last month (the provisional trade figures from Customs and Excise show a minimal R414,5m trade surplus in January and February this year), gold is hovering around $500 and the banking system is temporarily strapped for cash.

Discount House chairman Colin Dunn projects an April shortage in the discount market of some R600m and in the banking system as a whole of R800m to R900m. The Reserve Bank, he says, wants the heavy assistance it gave the system to be repaid as soon as possible and repurchase agreements will not be extended. And government, worried by high inflation and excessive money supply growth, can be expected to pitch its May 15 stock issue at attractive terms in order to drain off further private sector liquidity.

Whatever April's liquidity outcome the banks expect a scarcity of funds later this year. Standard's decision to raise deposit rates 0,5% for most deposits ranging to 1,5% for 31-day notice reflects this. It also wants to attract more retail sector deposits which are cheaper than "wholesale" money and are less volatile. Says Standard GM Henry Liebenberg: "There are no immediate money market pressures but we are taking certain dispositions now to attract money in the next six to 12 months."

If the other banks find their retail deposits are affected, undoubtedly they will respond likewise, which suggests short-term interest rate rises have still a long way to go.

NOTES ON HEALTH AND ECONOMIC DEVELOPMENT

BY

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SALDRU/SAMST

H CARE IN SOUTHERN AFRICA

BARCLAYS (58) FM 27/3/81

Promising prospects

Activities: *SA's largest banking group. Main subsidiaries are Barclays Western Bank, Barclays National Merchant Bank and Barclays National Industrial Bank. Barclays (UK) owns 60% of the equity.*
Chairman: *J M Barry; managing director: A R M Aldworth.*
Capital structure: *53,2m ordinaries of R1. Market capitalisation: R559m.*
Financial: *Year to December 31 1980. Total assets: R8 695m (1979. R6 808m).*
Share market: *Price: 1 050c (1980-81: high, 1 070c; low, 325c, trading volume last quarter, 247 000 shares). Yields. 13,1% on earnings; 5.5% on dividend. Cover: 2,4. PE ratio: 7,7.*

	'77	'78	*'79	'80
Total deposits (Rm)	3 485	3 890	4 690	5 856
Total advances (Rm)	2 309	2 566	2 991	3 837
Operating profit (Rm)	50,2	59,8	96,4	114,5
Taxed return on equity (%)	15,7	15,7	† 14,9	18,4
Earnings (c)	62,6	74,8	116,7	137,0
Dividends (c)	23	30	50	58
Net asset value (c)	398	478	627	622

* 15 months
† Annualised

After a 53% earnings improvement in the year to end-December, Barclays should not have much difficulty in meeting its long-term growth target of inflation plus 10%.

Chairman Michael Barry comments in the annual report that with wages and salaries rising rapidly, the likelihood of any significant reduction in the inflation rate has diminished. This presumably means the group expects inflation to remain around 15% this year which, in terms of its profit target, would point to earnings of 180c (1980: 144c before *FM* adjustments).

But bearing in mind that growth during the second half of last year was still running at around 40%; that the group should benefit materially from the formation of its newest subsidiary, Barclays National Industrial Bank (which will specialise in medium- and long-term finance to corporate borrowers); and that consumer spending is so far holding up well, this figure could well prove conservative.

The extent to which the group benefited from the consumer boom is clearly reflected in last year's growth rates of the different divisions. Wesbank, specialising in new vehicle financing, was way ahead with an 87% net profit rise — 35 percentage points more than for Barclays itself.

And the contrast is even more marked if dividends from subsidiaries and an abnormally high R4,1m profit on disposal of

CONTRIBUTION MIX

	Net profit		Total assets	
	Rm			
	'79†	'80	'79	'80
Barclays	*34,6	51,8	5 972,2	7 649,5
Wesbank	9,4	17,6	690,7	1 089,9
Barname	5,1	4,3	189,3	186,9
Bibsal	1,0	2,0	1,8	2,4
Barnib	—	0,4	—	126,4

† Annualised
* Excludes dividends from subsidiaries

fixed assets are excluded from the Barclays figures. Its growth rate then drops from 52% to 43%, less than half the Wesbank figure.

To be fair, Wesbank's growth was probably enhanced by the acquisition of Concorde Bank, which is now trading as Barclays Western Credit, also in the consumer finance field. And the strains of financing this kind of growth is reflected in the fact that all profits are still being ploughed back into reserves. After six years as a subsidiary, Wesbank has yet to pay a dividend to its holding company.

The other major acquisition last year was Rondalia Bank which has changed its name to Barclays National Industrial Bank (Barnib). This company is in the process of taking over the existing assets, business and staff of the industrial finance division of Barclays itself. It can be expected to do well out of the present phase of the business cycle, which sees many companies embarking on major expansion schemes.

The only major disposal was Barclays Insurance Brokers which, with effect from January 1, merged with C T Bowring. Barclays now has a one-third interest in the enlarged entity, in equal partnership with Anglo American and Bowring (UK). The company doubled its profits to R2m in 1980 and paid Barclays R3m in dividends, thus repaying all but R20 000 of its share capital.

The annual report makes no mention of the new system of bank charges recently announced, or the possible effects on results. Barry does say, however, that general conditions in the banking industry are expected to become more competitive and that the group will have to continue its efforts to improve productivity and control costs if it is to meet its profit target.

But for all this I see no reason to change my view at the time of the prelim (*Fox*, February 13) that this year's earnings and dividend should be about 30% higher at 190c and 75c respectively. There should be no need to change dividend policy as the existing capital base is still R33,3m (1979: R53,2m) more than statutory requirements.

The share at 1 050c has recovered from 850c shortly before the prelim and is now just 20c below its 1980 high. Despite the general increase in market yields, it still represents fair value on a prospective 7,1% — adequate for a company of this calibre.

Brian Thompson

DATES TO REMEMBER

Last day to register for dividends:
Friday April 3: African Cables 8c; Amic 97,5c; Cape Wine 2,5c; Carlton Paper 15c; E L Bateman 13c; E P News 17,5c, Eriksen 15c; Kohler 43c; Mutual & Federal 19c; New Central Wits 15c; Prosure 8,5c; Shulton 18c; Tiger Oats 48c; Unidev 9c.
Meetings:
Monday March 30: Minorco (S) (Bermuda).
Tuesday March 31: Fintec.
Thursday April 2: Carlton Paper.
Friday April 3: BTR; Shulton (Edenvale).

All meetings are in Johannesburg unless otherwise stated
S — Special meetings

Bank did not satisfy Lebowa Govt

By Dirk Nel
Northern Transvaal Bureau

PIETERSBURG — The Lebowa Government is to close its account with Volkskas next week, because Volkskas could not provide the services required by the homeland Cabinet, and because Lebowa disapproves of so-called discrimination practised by the bank.

A financial adviser to the Lebowa Cabinet has confirmed this, and the Pietersburg branch of the Standard Bank of South Africa has confirmed an account will be opened with it on April 1

Almost R200-million is expected to be involved this year. Lebowa's budget last year was R160-million

Apparently Chief Minister Dr Cedric Phatudi and his colleagues have been dissatisfied for some time about the fact that Volkskas "does not have enough agency points in Lebowa." The bank was not prepared to increase its services.

The Lebowa Cabinet also objected to "separate facilities for blacks and whites" at all Volkskas branches, and refused to associate itself with this practice. It alleged that black employees were not promoted on merit

The bank's general manager, Mr J van Vuuren, said in a statement in Pretoria this week that the bank was not prepared to launch a major expansion of its services in Lebowa. He denied there was discrimination against blacks in its branch offices.

A spokesman for the Standard Bank in Pietersburg said the branch was "delighted" to have the Lebowa Government as one of its clients, as it had been trying for several years to get the account.

BUILDING SOCIETIES (58)

Two out of three

FM 26/3/81

The building societies applied for three amendments to the Building Societies Act during the last parliamentary session Two were passed and will shortly be written into the law. One was thrown out.

The one thrown out was described by Yeoville MP Harry Schwarz in the parliamentary debate as being in conflict with basic contractual rights The societies have on their books a small percentage of old mortgage bonds with entrenched clauses fixing the bond rate at its original negotiated level, or stipulating a maximum band (1% or 2%) beyond which it may not rise The societies argued that newer, higher-priced bonds were subsidising the older fixed ones They wanted the legislative right to be able to revoke entrenched clauses and raise all rates to the latest levels

No need intimated

The House obviously agreed with Schwarz and the clause was rejected If, as the Association of Building Societies chairman Boet Viljoen claims, the bonds in question represent about 2% of their total liabilities, the need intimated by the proposed amendment cannot be very great Unless, as has been suggested, the societies are now in a position where every cent they can lay their hands on has greater marginal value than ever before

Alongside the rejected clause was one aimed at cutting the burden of administration by proposing to inform bond holders of rates rises not by letter, but by public announcements, "one English, one Afrikaans," in the newspapers This was also thrown out.

Of the two amendments passed, one is also aimed at cutting administrative costs The old system of "revolving schemes on paid-up subscription shares meant that when an investor completed with regular instalments over three years a pay-up cycle on 36-month shares, the maturing shares had to be repaid monthly along with the appropriate dividends So whether or not the investor wished to reinvest the maturing share the society had to go through the legal motions of repayment, with all the paperwork implied And re-investment also meant fresh applications and transfers for the investor

As soon as the amendment passes into law, however, the investor will be able to roll-over his maturing shares and draw only his dividends The societies will not have to go through the motions of repayment and the investor through the motions of reinvestment, and a substantial amount of paperwork will be avoided

The other successful amendment will raise the maximum amount of an individual bond from R1m to a modest R5m As expressed by Deputy Finance Minister Dawie Steyn the societies' justification for this is "the substantial increases in the prices of fixed property and particularly of houses during the past two years "

Harry Schwarz countered with the belief that the societies enjoy legal and taxation protection because they are designed to provide housing for the "ordinary individual . . . the middle classes of SA, the people earning from R8 000 to R12 000 per annum."

However, the House appeared to believe that a R5m house was not beyond the

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implied by these hypothetical transactions. The table shows, for instance, that while the net cost of the cash sale is lowest, the net present value of that cost is highest.

Floods KO Plet's water supply

RDM 30/3/81

(56)

Own Correspondent

PORT ELIZABETH. — The floods have left Plettenberg Bay without a water supply.

The town's sole reservoir has run dry after a pump breakdown, and the population — boosted to 5 000 by Easter holidaymakers — only has water from tankers, for drinking and cooking only.

The pumping station along the Keurbooms River, which feeds the reservoir, was swamped when the river came down in flood, knocking out the pump motors.

The two electric motors are in Port Elizabeth for repairs and will be flown back by helicopter as soon as possible.

Until then, six water tankers on loan from neighbouring municipalities are stationed in the town to cater strictly for drinking, cooking and the flushing of toilets with buckets.

The manager of the Beacon Island Hotel, Mr Manfred Fichtl, said none of the 370 guests had booked out: "They're reacting to the crisis in a holiday spirit — they'd far rather drink champagne than water."

● See Page 2

Amic's profits up 51,3% to R151,5-million

30/3/81

By Mervyn Harris

Substantially higher profits from major operating subsidiaries helped Anglo American Industrial Corporation (Amic) increase earnings by 51,3 percent to R151,5-million in 1980 and the group is budgeting for increased earnings this year.

The chairman, Mr G W H Relly, says, however, that higher interest rates and efforts by the authorities to curb inflation will result in a less rapid profit growth this year.

An increased final dividend of 25c to 97,5c boosts the total payout for the year by 33 percent from 105c to 140c a share. Earnings a share rose from 371,1c to 561,6c.

Exports were affected by weak overseas markets and a strong rand but additional capacity was more than taken up by higher demand from local markets.

There was significant expansion for Amic internally through the acquisition of three interests at a cost of R87-million.

The group bought Scaw Metals for R53-million a 36,2 percent interest in wire and wire rope manufacturer Haggie for R27-million, and a 46,3 percent interest in Asea Electric.

The market value of the group's listed associated companies appreciated 111 percent to R229-million and unlisted investments and associated companies were valued at R89,5-million against their book value of R69-million.

WIDEST SENSE

Capital expenditure by operating subsidiaries totalled R161,4-million and so far they have budgeted for capital expenditure of R111,6-million this year.

Mr Relly says it is abundantly clear that growth rates more in keeping with the country's potential can no longer be sustained without greatly accelerating participation of all population groups in the economic process in the widest sense.

Increasing employment at the lowest level remains an important means of spreading the benefits of economic growth, but heightened awareness of manpower limitations and evolving labour dispensations have thrown, employer, worker and the country into a development phase which cannot be reversed.

Mr Relly says that it will take a number of years before blacks enter industry on any scale as skilled artisans, and many industries, including those in which Amic companies are active, have had to resort to overseas recruitment.

BLACK UNIONS

"If we are to meet skilled-labour requirements from the local market the present training efforts of companies will have to be vastly improved."

He says concern has been expressed at the delays involved in the registration process for new black trade unions, which inhibits involvement of these unions in the industrial council bargaining system.

This system has the important feature of allowing for collective bargaining at an industry level, even where a number of unions are active.

Another disturbing feature has been the tendency of black unions to gain recognition from particular companies and to engage in collective bargaining directly with these companies.

This trend is likely to continue unless black unions can gain relatively rapid access to industrial council-based collective bargaining and it is imperative that procedures should be streamlined to ease this process.

However, under difficult circumstances, radical and important developments have taken place in the industrial-relations field. Industry will experience problems in adjusting as will the trade unions. For the longer term a sound basis for development appears to have been laid, says Mr Relly.

The great battle for Unisec

RDM 30/3/81 (58) ABK

Bitter in-fighting between two of the country's major business houses comes to a head today when Sage's take-over offer to Unisec shareholders officially closes. Deputy Financial Editor DAVID CARTE reports.

THE Johannesburg Stock Exchange has seen some vicious takeover battles in its time but not many as tooth-and-nail as the current fight between Sage and Unisec.

Sage has bid up to R130-million for Unisec but the Unisec board has spurned the offer as totally inadequate, maintaining that the true worth of [illegible] more than [illegible] a share.

[illegible] Sage's offer [illegible] of 310c [illegible] [illegible] the [illegible] price was 215c [illegible] weakened from 250c some weeks earlier.

With Sage valued by the stock market at only R52-million the bid was seen by some as a proposal to a whale by a minnow. But Sage has argued this is not important. It has total assets of R107-million and manages assets of more than R400-million.

[illegible] in which the [illegible] pulled [illegible] between the two [illegible] [illegible] the Unisec board, which holds [illegible] of Unisec, rejected Sage's approach and Sage [illegible] to all Unisec shareholders.

In an unedifying squabble, fought largely through the Press, Sage has accused Unisec of:

- Contravening the Companies Act;
- Using shareholders' money to buy Unisec shares to entrench its own position.
- Rejecting Sage's offer at shareholders' expense purely to protect its management control.
- "Mysteriously" including the results of a subsidiary when it made profits — and excluding them when it made losses and, therefore, of effectively exaggerating profits.
- Paying a bonus dividend to persuade shareholders to reject its offer.
- Buying its own shares on privileged information, and
- Effectively of failing to tell shareholders of a potential tax liability of up to R17 600 000.

And Unisec, in turn, has accused Sage of:

- Offering "special terms" to Unisec directors, Mr M B Javett and Mr L I Jaffe, when all shareholders must, by law, be treated equally.
- Leaking the contents of a letter to Unisec to the Press before the letter got to Unisec — a suggestion that was laughed out of court by Sage.
- Bidding for Unisec purely in order to sell off its assets and make a R48 million profit at shareholders' expense, and
- Pulling the wool over shareholders' eyes with "innuendos, verbal fluff full of maws, mights and ifs".

Both companies have come close to accusing each other of insider trading and share price manipulation.

The combatants have also cast aspersions at each other's merchant banks. Unisec's merchant bank, Standard Merchant, agrees with Unisec's valuation of 400c, while Sage's merchant bank, UAL, says, based on available information, Sage's offer of between 295c and 310c is "attractive".

Sage says Standard Merchant Bank has changed the basis of its valuation. It says SMB valued a strategic minority holding in Unisec at 5% less than market value in January 1979, at a time when the market price was 45% less than net asset value.

Now SMB values Unisec at the directors claimed net asset value of 400c — 85% more than the market price before Sage's bid was announced.

Unisec says UAL is not disinterested, as, like Sage, it is part of the Nedbank Group, though Sage disputes this would affect UAL's judgment.

Sage says it wants Unisec in order to create a "powerful and successful investment and financial services group controlling assets of R700-million".

It already operates two property trusts, Fedfund and Pioneer, and would like to convert Unidev into one. Also, it feels its investment expertise could make Unisec's money work better for shareholders.

Unisec says it already is a powerful and successful financial services group and shareholders selling to Sage would not participate in the enlarged Sage group anyway, except by way of expensive options in the future.

Both companies have accused one another of poor performance, Sage publicly.

Here is a summary of some of the other arguments so far:

SAGE: They rejected our bid before we made it.

UNISEC: Sage's first letter, which can be seen in their offer document, *was* a bid of 290c.

SAGE: Billhawk and Newstock, two companies owning 2 860 000 Unisec shares or 6% of the equity, cannot vote against the bid, as they are undisclosed subsidiaries of Unisec — in contravention of the Companies Act and we'll prove it in court.

UNISEC: They are not subsidiaries but even if those shares can't vote, 47% of Unisec holders have indicated they will reject the offer. With that many rejections, there is no way Sage can get control. This means Sage's lower offer of 295c less 24.5c of final and bonus dividend becomes applicable.

SAGE: Price may be irrelevant to the Unisec directors, who wish to keep control.

UNISEC: If we felt the price were realistic we would urge shareholders to accept.

SAGE: Berg River Textiles was mysteriously deconsolidated for the five years it made losses and then reconsolidated when it returned to substantial profitability last year. And a R2 900 000 capital write-off arising from changed accounting should have come off income.

UNISEC: Previous management saw Unisec as an investment trust and did not wish to mix consolidated subsidiaries in the accounts with major investments. It therefore reduced holdings in these subsidiaries to 50% or less so as not to consolidate.

This did mean BRT's losses were not consolidated but profits of other 50%-held companies more than offsetting these were also excluded.

Present management differs and has either sold its 50% stakes, as with Grosvenor Investments, sold last year for R7 600 000, or increased holdings to more than 50%, as with BRT and Metboard.

If Unisec wanted to inflate earnings in its last results, as Sage implies, it could have kept BRT on the less conservative fifo method of stock valuation, at a "saving" of a couple of million rand. It could have dated the deal January 1, instead of August 1 and taken part of the proceeds of the sale of Grosvenor as a dividend.

Sage's point about R2 900 000 is nonsense. Sage sticks to its guns on this point.

SAGE: The bonus dividend is illogical a few weeks after Unisec raised R20-million through the issue of preference shares. It was an ill-conceived ploy to induce shareholders not to accept Sage's offer.

UNISEC: We planned the bonus dividend before Sage announced its bid and its just a pity we can't actually prove this.

We raised pref capital when it was cheap, not for immediate use but for use when interest rates rose, as they have. But we still felt our debt: equity ratio was too low. The bonus dividend reduced equity and brought this more into line.

SAGE: Sage's bid offers shareholders a capital profit of up to 44% on the pre-deal price of 215c, an earnings increase of 51% and an income increase of 32%.

UNISEC: Nonsense. Sage's highest offer — 310c — falls away because it cannot get control. And from the offer one must subtract the final and bonus dividends of 24.5c, so Sage's highest offer is actually 270.5c.

And we're puzzled about the pre-deal price of 215c anyway. Immediately before the deal there was a mysterious seller of Unisec shares who depressed the share price from its more normal level of 250c before our recently announced 66% earnings increase.

SAGE: As a major buyer of Unisec shares before the deal, we could only have supported the price.

SAGE: Unisec is not worth 400c, as it claims. Its earnings of 28.7c give an earnings yield of 7.2%, indicating that the price is too high.

UNISEC: If assets are worth only what they earn, a R20 note is worthless. It is nonsense to value our R43 500 000 cash holdings on an earnings basis, especially since interest rates were so low last year.

About 75% of our "earnings" come from dividends and interest. If we took into account earnings retained by listed investments, our earnings would be 30% higher than stated and the earnings yield 9.6% on our value of 400c — not all that different from Sage's earnings yield of 11.6%. Does this mean Sage's share price is too high?

SAGE: Unisec directors sit on the board of Hesperus, Unisec's 36% owner, so Hesperus must have known about the bonus dividend when it bought an additional 1 200 000 Unisec shares recently.

UNISEC: Hesperus was only protecting its position and because the market chronically undervalues Unisec, would always be interested in any large line of Unisec shares. Prior knowledge of the bonus dividend played no part in the deal. What's R120 000 of bonus dividend in a deal of R4million?

SAGE: The bonus dividend on Hesperus's total Unisec holding was worth R1 510 000 to Hesperus and would have gone a long way towards financing the extra shares.

SAGE: You may never know who controls Unisec.

UNISEC: The board controls Unisec. Hesperus with 15-million shares, is the biggest shareholder. The Sage control situation is no clearer.

SAGE: Rubbish. It is well known that a consortium of Nedbank, the Mines Pension Fund and Louis Shill control Sage.

SAGE: It is possible the Unisec share price will fall substantially if the bid fails.

UNISEC: We can't take a view on our own share price but the prospective dividend yield of about 10% should underpin it.

So much for the verbal flak.

Sage's offer closes today but unless Sage declares the offer unconditional, in terms of the Companies Act, shareholders have until June 9 to accept.

Sage will make up its mind on its next step "early in April". Even if it does declare its offer unconditional, shareholders will have another two weeks in which to decide.

Therefore, it seems clear, they should wait until the last possible moment before acting.

The blue acceptance form is irrevocable. So if gold goes to $1 000 and the market takes off again, carrying Unisec upwards with it, those who have accepted would miss out.

If the market and Unisec break the other way, Sage's offer becomes more attractive, though once the JSE Actuaries all-shares index — now on 694.7 — goes under 500 the offer falls away. But holders can act just before this happens.

The current share price of 237c is pretty close to Sage's lower bid.

This suggests a fairly delicately poised situation between acceptors and rejectors, for if the offer were laughably low, the share price would be much higher.

On the other hand, if it were madly attractive, the price would have moved up near to parity with the offer without the long delay that did occur.

It is clear that Unisec shares are worth more than 310c. Otherwise Sage would not be making the offer. But it is not clear that the market price will go as high as that.

Because it tends to value companies according to earnings and dividends and much of Unisec's income in the past five years has been in the form of tax-free capital profits not reflected in income, the market has long tended to undervalue Unisec.

But what is important to a minority shareholder is not whether the theoretical break-up value of Unisec is 400c or more.

What matters is whether the price can maintain the offer level if the bid fails and improve on it in the long term.

And only time will tell with certainty.

THE COMBATANTS

UNISEC is an investment holding company with four main operating subsidiaries, Unidev, L Suzman, Berg River Textiles and Metboard, R43 500 000 in cash and a share portfolio worth more than R60-million.

Unidev, in which it has a 52% stake, is a large listed property company with properties worth, in Unisec's view, R230-million.

L Suzman, wholly owned, is the country's biggest wholesale tobacconist with sales of R237-million a year, while Berg River Textiles, also wholly owned, is a major textile manufacturer with sales of R27 million a year.

Metboard is a trust and financial company administering funds of more than R200 million.

Unisec was born out of the Unit Securities Group and Slater Walker Securities in the late 60s, and ever since those high-flying days has kept a low, almost subterranean profile.

Mr Michael Javett and Mr Laurie Jaffe appear to be the power behind the group but seldom make a statement. Mr Eric Tenderini was for years the main man at Unisec but he resigned without explanation about two years ago.

The company is run on a day-to-day basis mainly by executive director, Mr Peter Thomas.

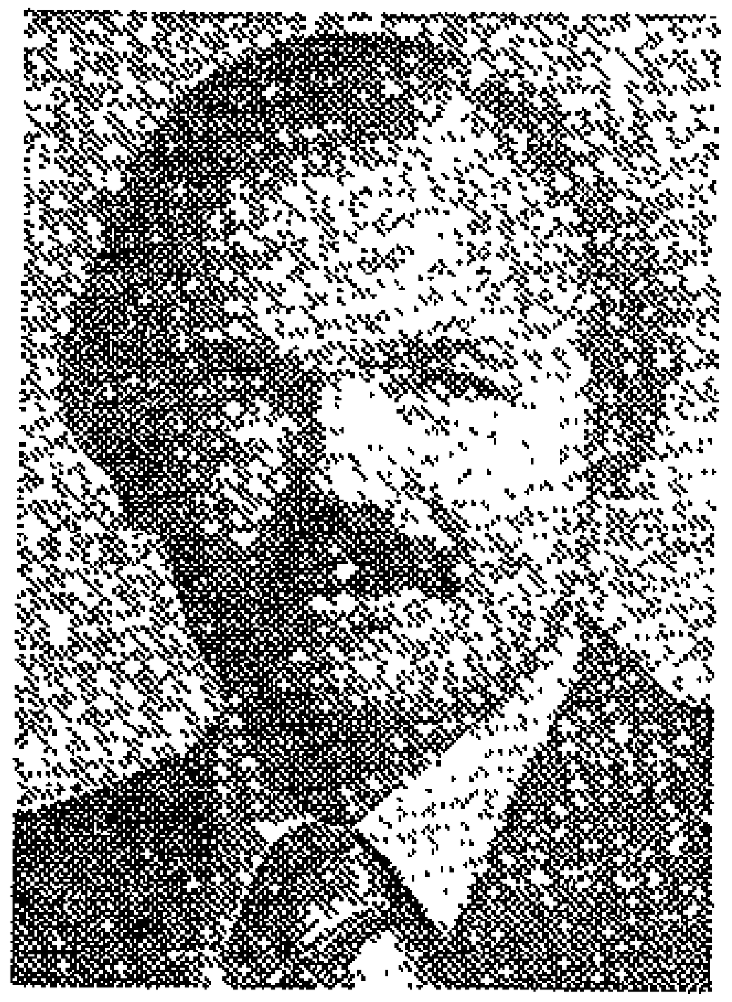
□ □ □

SAGE HOLDINGS is an investment and financial services group managing assets of R400-million. It was listed in May 1969 with its anchor in Sage Fund, the country's first mutual fund. From this it expanded into other areas.

Today its major interests are IMF, the Sage Fund management company, 75% of Union & London, 90% of Leo Computer, 40% of Ned-Equity Insurance, 82.5% of FPS, all of Schachat Holdings and 65% of the management company of Federated Property Trust and Pioneer Property Fund.

Chief executive is Mr Louis Shill (50), who founded not only Sage Fund but was also a co-founder of Liberty Life. Mr Shill is on the boards of many companies including Nedbank and Southern Sun.

Sage chairman, Mr A S Thomas, is the father of Mr Peter Thomas, an executive director of Unisec.



Chris Cunningham-Moorat, Legal and General Volkskas' general manager, operations proud of managed funds results.

A policy tailored to needs of the future

DO 31/3/81 (53)

The need for the businessman to have life cover to protect his family and his business is obvious. What is not so obvious is what form that life cover should take. It must be specifically tailored to his needs.

What should a businessman look for in life cover? Surely first and foremost protection that is protected against inflation.

Ideally, too, the benefit the family receives should be in the form of regular monthly payments so that they have the protection of a regular income.

Few dependants have the ability to invest effectively the large lump sums generated, in the event of a claim, by most life products.

These needs are common to most people, but the businessman has a further particular need. He has spent much of his lifetime building up his own business.

To have total peace of mind he needs to know that what he has built up will be protected for the benefit of his family, whatever happens.

This requires a continuing availability of substantial capital so that if the business grows too fast, runs into financial problems, expands or acquires another business, the necessary capital will always be there.

Can all this be combined in one product?

Legal and General Volkskas have an index-linked family income benefit where the level of protection — the income which the family would receive in the event of a claim — is protected against inflation with a corresponding automatic adjustment in premium.

The point is that the premium does not increase with age, but merely in line with ruling inflation. In the event of a claim, the income benefit grows by a guaranteed 10 per cent per annum compound.

Comparing this cash flow with the alternative of an immediate capital benefit, the effective return on the capital amounts to a guaranteed 10 per cent after tax! Do you fancy your family's chances of beating this?

The really key benefit from the businessman's view point is that at any time the remaining family income benefit can be exchanged for capital.

Not only does this ensure capital availability to protect a business or meet any other needs, but the amount of this capital alternative available actually increases sharply even as the income paid to the family is increasing by 10 per cent a year.

Let's look at an example:

A businessman aged 35 pays a premium of R100 a month for index-linked family income benefit cover. He selects a protection period of 25 years. The payment of any benefits and premiums terminate at the end of this period.

In the event of a claim at the start of the contract his family would have available:

A tax-free income payable monthly over the full 25 years, which would start at R17 168 pa and would grow to R169 099 for the final year (a guaranteed increase of 10 per cent pa); or

An immediate tax-free capital amount of R429 000; or

There is also a third alternative. The family could elect to have the growing income benefit and they would still have the right at any stage to convert what is left of their income benefit to a capital lump sum.

If his family had taken the income benefit for 15 years their income benefit would have grown from R17 168 pa to R71 714 and the amount of capital available to them from R429 200 to R717 140.

So for 15 years they can have a growing income and a growing capital alternative.

Of course, an immediate claim is unlikely. Both the premium and benefits are linked to the CPI. Let's assume that there is inflation of 12 per cent for 15 years.

By then the starting level of the family income benefit, being entirely adjusted in line with inflation, would be R107 373 pa and if a claim occurred, this income would grow over the remaining ten years of the benefit period to R279 500 — or the family could instead opt for over R1 million in immediate capital.

The businessman has enjoyed this growing protection for his family and his business without further evidence of health being required and without the cost of additional income benefit escalating, even though he is

FINANCE

MERGER GIVES BOARD ENTRY TO BANKING

Argus 1/4/81

58

THE Board of Executors is planning a leap into banking through a merger with Fidelity Bank and Trust Company of Port Elizabeth.

A deal financed by an exchange of shares is expected to be announced later this week and the combined group will operate in the country's four major centres in the name of The Board of Executors and Fidelity Bank.

A merger will boost the Board's assets to R30-million from R13,5-million. Total assets and clients' funds will jump to R300-million from R226-million at the end of December.

The Board's managing director, Mr T N Chapman, says in the annual report agreement has been reached on proposals which, if implemented, will result in the effective merger of the board and Fidelity Bank.

'This is a most exciting development in that it will complement and increase our range of services.'

COMPLEMENTED

Mr Chapman said today Fidelity Bank would benefit from representation and management offered by the board, while its general banking complemented the board's range of services exactly.

The board's report for 1980 shows taxed profit rose 18 percent to R1,1-million, topping the million mark for the first time.

A final dividend of R40 after a R13 interim boosts the year's total by almost 13 percent.

In his chairman's review, Mr W F de le Beck says 1980 saw a further broadening of the board's range of activities and the markets which it serves and it had become a financial services group built on the foundations of a trust company.

(ii) The size of the balanced budget multiplier plays an important role here. Say for instance that x = 100 (from graph on previous page) and that the balanced budget multiplier

...ultiplier ... the ... is 25 ... ed by ... and ... actually multiplier is 5) and to decrease r ... out of the 12 is saved). The net ... balanced budget multiplier is ... real life difficult to determine exactly

LABOUR UNREST FM 3/4/81

When is it political?

(58)

The SA Insurance Association is to reconsider at its next meeting on April 23 the question of excluding acts designed to bring about social or economic change from conventional fire or ordinary policies. Last year, it implemented an exclusion to remove Sasria-accepted risks from conventional insurance policies.

At present, however, there is uncertainty over the effect and meaning of the exclusion's wording. The association provided that exclusions from normal insurance cover would apply to "any act calculated to bring about loss or damage in order to further any political aim or to bring about *social or economic change*." The problem, however, is that Sasria-accepted risks are designed to cover direct political loss, not contingencies, while acts to provide social and economic change could fall outside this ambit, and thus be uninsured as matters now stand.

To clarify this situation, the Insurance Brokers Association has taken legal opinion on whether acts caused by a strike, for example, and which are insured as part of a conventional policy, could fall within the parameters of the Insurance Association's exclusion. Opinion was that the exclusion, as presently worded, allows acts not of a political nature, such as strikes, to be excluded.

The situation could, therefore, arise where consequential loss cover previously available on the market, eg, insurance against losses from strikes, may no longer be available as Sasria does not provide consequential loss. And, as there is the risk the conventional insurer may repudiate a claim whether or not it was caused by political motivation, the asset owner must protect himself by taking up Sasria cover. So he gets material loss cover only, but at a higher cost, as Sasria rates are relatively expensive.

Thus the Insurance Association is under pressure to define the exclusion's wording more precisely, as at present it appears wider than it should be. Part of the problem is that wording to exclude acts designed to achieve political ends was never part of a conventional insurance policy in the past. The issue has now arisen because Sasria may have accepted more broadly based liabilities than intended.

One approach is that exclusions should relate to purely political acts while strikes and lock-out damage would continue to be the province of the conventional insurer. This would involve some fine-combing to determine whether an act is political or not. But it seems unavoidable if clear parameters are to be established for determining who carries liability.

Meanwhile, according to Priceforbes Federale Volkskas' Don Gallimore, who heads the brokers' committee negotiating with the Sasria board, Sasria is sympathetic to the idea of providing consequential loss cover and a reformed rating basis to allow, among other things, for deductibles. Next week, the Sasria board meets again. As a high priority it should come to grips with the problem of full consequential loss.

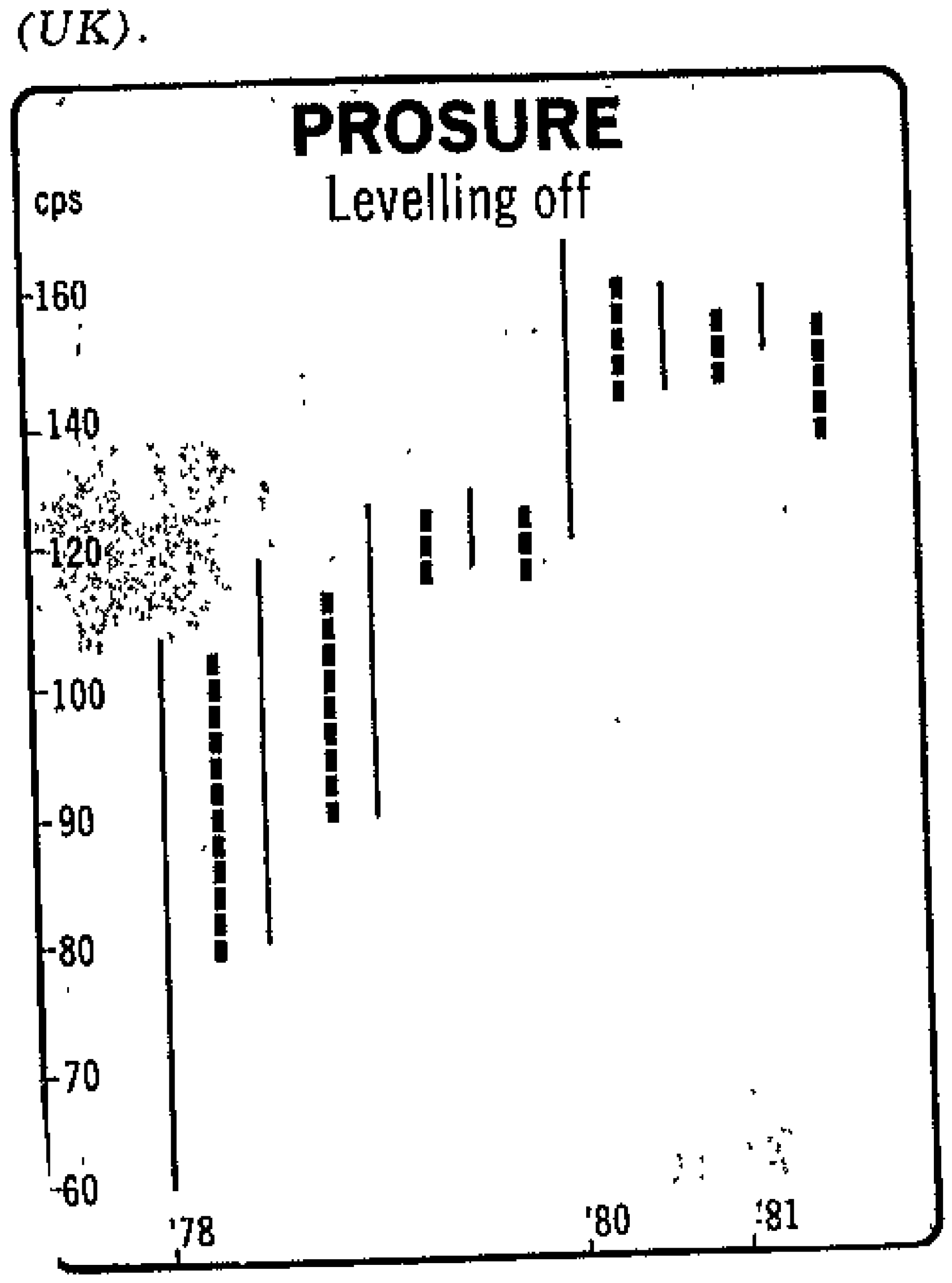
FM 3/4/81

PROTEA ASSURANCE

Static dividends

58

Activities: *Short- and long-term insurer. London Assurance holds 74% of the equity. Ultimate holding company is Sun Alliance and London Insurance (UK).*



Chairman: *C L Walton; managing director: H A W Anscomb.*
Capital structure: *6,1m ordinaries of 25c Market capitalisation· R8,9m*
Financial: *Year to December 31 1980. Insurance funds: R10,8m; Life fund: R34,8m.*
Share market: *Price. 145c (1980-81: high, 170c, low, 135c; trading volume last quarter, 77 000 shares) Yields: 19,8% on earnings; 8,3% on dividend. Cover. 2,4. PE ratio 5,1.*

	'77	'78	'79	'80
Net premium income (Rm)	18.9	18,2	21,1	22,9
Underwriting profit (loss) (R'000) ..	(129)	225	124	(685)
Investment income (Rm)	1,4	1,7	1,8	2,2
Pre-tax profit (Rm) .	1,5	2,3	2,4	1,9
Earnings (c)	18,5	26,8	30,0	28,7
Dividends (c)	10	11	12	12
Net asset value (c) .	134	142	156	179

Once again, excessive overcapacity in the local short-term insurance industry, as well as what Prosure MD Pat Anscomb calls "tied business," has hit results.

Despite increased rates on motor and burglary underwriting, a rapid escalation in the number and value of claims eroded the effects of these increases. Partially as a result, there was a net R685 000 loss on short-term underwriting in the year to end-December, compared with a R124 000 surplus the previous year.

Marine business, in which Prosure is the biggest local underwriter, turned in a R350 000 profit, however, against R300 000 the previous year. But the outlook for the current year may not be quite so good: marine business is brought into the accounts after three years and the 1979 marine year is being described world-wide as the worst ever encountered in peace time.

While Protea's own business is mainly in cargo cover, it will probably feel the pinch of tight hull insurance markets world-wide as insurers and reinsurers attempt to make good their hull business through picking up more cargo contracts.

However, neither the good marine performance, nor the small but strong life side, compensated for the losses on short-term operations and group pre-tax profits dropped from R2.4m to R1,9m. Taxed income was marginally down at R1,8m, and the dividend was maintained at 12c, covered 2,3 (2,5) times.

Anscomb says there are "glimmers" that the short-term market is beginning to harden, but clearly it will take some time before the situation is corrected. Chairman Cedric Walton, in fact, says that it would be "unrealistic" to anticipate any major upturn in profit from this sector in the foreseeable future

The group's financial position is strong, however. Its solvency margin is one of the highest in the industry, even though the insurance fund grew only marginally last year. Nevertheless, the group should easily be able to cope with the vagaries of this difficult business, especially if, as expected, investment income continues to grow strongly

Anscomb will not be drawn to comment on earnings or dividends prospects for the current year and certainly first-half profits in short-term insurance are rarely indicative of the results for the year as a whole

Dividends have been largely static, with a compound growth rate over the last 10 years of only 6,6% and given current difficulties, it seems unlikely that any improvement on last year's 12c total will be forthcoming So the prospective dividend yield at the current 145c share price would be 8,3%. This is fairly slim for a short-term buy, but at these prices insurance counters are beginning to look increasingly like good longer-term income stocks

Scott Hawker

SA EAGLE (58) FM 3/4/81

Higher rates ahead?

Activities: *SA's second largest short-term insurer in terms of premium income Eagle Star Insurance (UK) holds 57,5% of the equity.*
Chairman: *Sir Denis Mountain, managing director, F N Haslett.*
Capital structure: *11,9m ordinaries of 25c. Market capitalisation. R60,7m*
Financial: Year to December 31 1980. Insurance fund. R27,6m.
Share market: *Price: 510c (1980-81. high, 555c; low, 310c; trading volume last quarter, 224 000 shares) Yields: 10,6% on earnings, 7,8% on dividend. Cover: 1,3. PE ratio: 9,5.*

Though SA Eagle was not able to repeat its 1979 feat of increasing underwriting profits at a time when most other major insurers lost ground, it did at least manage to keep a surplus on underwriting and to raise attributable earnings in 1980.

The surplus, says MD Fred Haslett, was adversely affected by a particularly strong rise in the number and value of motor claims in the second half of the year. He points out that, though the number of claims in the first six months of the year rose only 9% compared with the previous year, the last six months saw the number of claims increase 33%. The average cost of claims rose 15% over the same time in 1979

	'77	'78	'79	'80
Net premium income (Rm)	52,1	60,4	61,0	68,1
Underwriting income (Rm)	3,1	3,6	3,8	2,1
Investment income (Rm)	3,7	4,5	5,3	6,7
Pre-tax profit (Rm)	6,0	7,4	8,9	8,5
Earnings (c)	31,6	39,2	48 0	53 9
Dividends (c)	22	25	30	40
Net asset value (c)	178	191	213	449

Steps were taken to correct the situation as soon as the deterioration was noticed, Haslett says, but these could not be implemented until the beginning of the current year. Haslett believes that there are already signs of a hardening in some rates — especially motor which was in particularly poor shape last year — and that the rates war which has been waged over the last couple of years will come to a natural end as underwriters return to economic rating to restore profits.

Certainly, this could well be the case, but neither does Haslett rule out further mergers and takeovers within the industry as another way of reducing the intense competition.

Financially, the group is strong, with a solvency margin of around 120% at the end of the year, though the insurance fund increased only moderately from R25,1m to R27,6m.

Legislation was recently passed which has effectively changed the basis on which the solvency margin is calculated to exclude premiums reinsured abroad. The initial aim of this was to force local underwriters to keep business within the country, but with the obvious strength of SA Eagle's solvency margin, this should not affect the group at all.

With some R27m still to come in from the sale of the non income producing 25% investment in African Eagle to Anglo American Insurance over the next 18 months, the group's investment income, which has acted as an admirable backstop to pressured underwriting surpluses, can be relied upon to increase strongly.

With this in mind, and with the possibility of some relief on the underwriting side, earnings could approach 70c this year. The group will in future pay two dividends, compared with an annual dividend up until now, but this should have no significant effect on investment income in the second half.

Dividend cover has historically been fairly slim and if this remains the case this year's payout should be at least 47c. There must be a good chance that this will prove conservative, so the 9,2% prospective yield could, in fact, easily be beaten. There can hardly be a better way into the insurance sector than this company just at a time when some revival seems imminent.

Scott Hacker

Eagle's Haslett . . . looking to economic rates

FM 3/4/81

STANBIC (58)

Margin pressures

Activities: *SA's second largest banking group. Main divisions are Standard Bank, Stannic (leasing and hire purchase) and Standard Merchant Bank. Standard Chartered Bank (UK) owns 58,1% of the equity.*
Chairman: *I Mackenzie; managing director, H P de Villiers*
Capital structure: *61,2m ordinaries of R1; and 8m 6,5% prefs of R1. Market capitalisation: R386m.*
Financial: *Year to December 31 1980 Total assets: R6 459m. Total shareholders' funds: R352m. Capital commitments: R60,3m.*
Share market: *Price: 630c (1980-81: high, 730c; low, 540c; trading volume last quarter, 403 000 shares). Yields 17,7% on earnings, 6,4% on dividend Cover: 2,8. PE ratio. 5,7.*

	'77	'78†	'79	'80
Deposits (Rm)	3 311	3 975	4 565	5 895
Advances (Rm)	2 265	2 709	3 110	4 292
Pre-tax profit (Rm)	54,5	46,1	75,2	103,3
Equity return (%)	15,9	16,4*	18,3	19,5
Earnings (c)	59	51	86	111
Dividends (c)	28	24	36	40
Net asset value (c)	371	416	470	570

† 9 months
* Annualised

On the face of it, chairman Ian Mackenzie's statement that Stanbic is aiming for a return on equity of at least 18,5% this year may appear ultra-conservative. After all, 1980 produced a return of over 19% and most analysts see the banking sector continuing to prosper, even if growth does slow down somewhat from the exceptional increases of the past year.

The forecast implicit in Mackenzie's statement is that attributable profits may not grow by much more than 10% this year, and if the company continues to increase dividend cover, as is its stated policy, there would not on this basis be much room for an improvement in the payout.

For instance, a 10% gain would lead to attributable profits of R73,4m (1980: R66,8m), or earnings of 120c (111c) per share. And on a three times cover, which is the group's objective, the dividend total would be unchanged at 40c. Return on equity, meanwhile, if retentions were the only source of increase in shareholders' funds, would be 18,3%.

The corresponding figures for a 15% growth would be share earnings of 126c, a 42c dividend and a 19% equity return.

As I said, these numbers look very conservative when viewed against general expectations for the banking sector. But the catch is that the market may well have been under-estimating the pressures on banking margins.

Stanbic is the only local banking group to publish doubtful debt provisions, and a very substantial reduction here played a significant part in the group's 37% pre-tax profit growth during 1980 — no doubt the same can be said for the other groups as well (see *Fox*).

Apart from an exceptional write-back of R5,3m following an assessment by the directors of total provisions, the normal annual provision was reduced from R41,5m to R24m. And if profits are adjusted accordingly, it becomes apparent that real growth was only about 9% last year compared with 25% in 1979, despite a rapid expansion of business.

If similar considerations do indeed apply to the other groups as well, the market may well be over-estimating prospects in this sector, as a slow-down in the economy could lead to a worsening of bad debt experience and a consequent increase in future provisions.

The balance sheet shows a 29% increase in deposits and a 38% jump in advances. The 1979 increases over the previous nine months were 15% in each case. Included in advances were, predictably, material increases in hire purchase and leasing accounts (from R777m to R1 260m) and in trade bills and acceptances (from R50m to R241m).

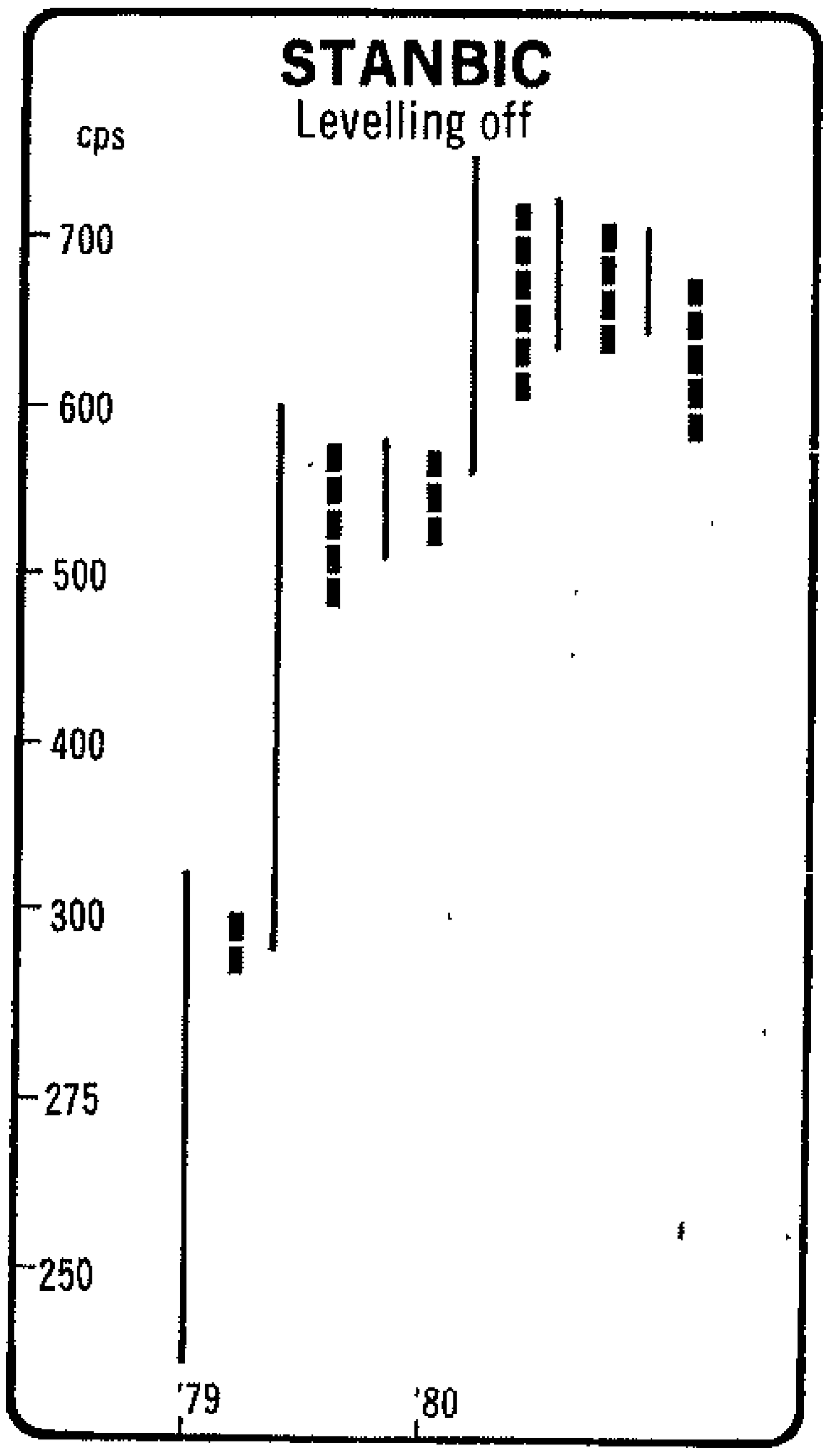
In contrast, loans and overdrafts rose only from R2 073m to R2 492m, although the report comments that margins were maintained at satisfactory levels, mainly because of a high level of interest-free balances.

In general terms, Mackenzie sees the Eighties as a period in which Stanbic will concentrate on refining its talents so as to provide an increasingly efficient service, whereas in the previous decade the emphasis was on acquisition and infrastructural development.

He notes that 1980 results were affected by installation costs of nearly 900 on-line computer terminals: this programme is being extended and by the end of this year the group expects to have 3 700 terminals in operation.

No doubt this and other developments will bear fruit in terms of profits in future years. But for 1981, with a further increase in dividend cover, it looks as if shareholders will have once more to content themselves with a payout growth somewhat less than the rate of inflation.

Brian Thompson



Stanbic's Mackenzie . . . conservative or realistic?

DIVISIONAL CONTRIBUTIONS

	Net profit		Total assets	
	Rm			
Standard Bank	26,3	32,8	3 428	4 135
Stannic	15,9	23,5	989	1 520
Standard Merchant Bank	4,3	7,6	395	370

WRAB asks court to decide on riot claims

S. Times 5/4/81

(38) 53

By NORMAN CHANDLER

WERE the 1976 Soweto riots politically inspired, or were they a disturbance?

That is the question which will be argued in the Rand Supreme Court later the month when one of the country's largest insurance companies is sued for not meeting a claim made against it.

The civil action has been brought by the West Rand Administration Board (WRAB) which administers Soweto against the Santam insurance company. The hearing starts on April 27.

Sued

The case is the second involving Santam. Two years ago the company — along with Rondalia, Shield and President insurance companies — were sued by the East Rand Administration Board for R3.1 million. The action has not yet been resolved.

A total of R11 million is understood to be involved in claims made on various insurance companies by the East Rand, West Rand, Highveld and Central Rand administration boards as a result of the riots.

Apart from the R3.1 million East Rand action it is not known what amounts are being claimed by WRAB and the other two administration boards.

Confirming WRAB's action Mr John Knoetze, the board's director, said rumours that an amount of R5 million was involved were not correct.

"All I will say is that there is an action pending in regard to our claims arising out of the 1976 riots. It is a delicate matter and therefore, as far as we are concerned, it is sub judice," he said.

Legal men associated with the case this week also declined to divulge the total amount claimed by WRAB.

The current action — and that of the East Rand board — is based on claims made on the interpretation of "riot cover".

Santam say this clause does not necessarily cover damage caused by riots which are politically motivated. Wrab argues that it does.

The insurance companies told the court when the East Rand case began that the unrest was not covered by their policies, and that the riots were not civil unrest, but a revolution or uprising (volksopstand of oproer) against the State.

They argued that they were not responsible for damage caused as a result of revolution as there were no clauses to that effect embodied in insurance policies.

Authorised

ERAB claimed on damage to buildings, houses, vehicles and the contents of buildings, and said the riots were not a revolution but a riot (normale oproer) and was covered by the policy.

- On April 1 1979 the Government authorised that political riot insurance cover should come into being. This is automatically added to home insurance policies. The risk is covered by the State through the South African Special Risks Association.

SA 'links with Reds' on TV

The Star Bureau

LONDON — What is said to be wide-ranging evidence of discreet contacts between South Africa and the Soviet Union over the marketing of gold, diamonds and platinum, is to be presented in a BBC television programme tonight.

The 50-minute programme reveals an elaborate network of contacts between the two sides, in which the Anglo American Corporation has a key role, says Mr Michael Cockerell, the BBC reporter, who compiled the programme.

A visit to Moscow last November by Mr Gordon Waddell, a member of Anglo American's operating committee and chairman of Johannesburg Consolidated Investments, is highlighted.

De Beers denies link with Russians

Own Correspondent

KIMBERLEY — A spokesman for De Beers, Mr George Louw, said last night he knew nothing about a visit by a Russian delegation to the company's headquarters in Kimberley, as claimed in the BBC television programme Panorama.

The television documentary screened last night said South Africa and Russia were secretly working together to control the world market in diamonds, platinum and gold.

The programme also claimed that undercover contracts had been going on for years between the Anglo American Corporation and Russian trade officials to gain maximum advantage from the sale of the three commodities.

Mr Louw said that he had never heard of any agreement between the company and the Russians, under which the South African company agreed to buy most of the Soviet production of rough diamonds, as claimed in the programme.

He also did not know of negotiations between De Beers and the Russians to draw up a new agreement.

NEWS LEAK

Panorama claimed that the chairman of De Beers and Anglo American, Mr Harry Oppenheimer, had made a last-minute cancellation of a trip to Moscow because of a fear that the news might leak. At the time, it was claimed, Mr Oppenheimer was at Orly Airport in Paris.

Mr Louw said he had never heard of the incident.

The programme also claimed that Mr Oppenheimer had had a number of secret meetings with top Soviet trade officials.

"In some cases we know exactly when and whom he met," the programme presenters said.

Mr Louw could not comment on these claims.

The Panorama team said Russia and South Africa had a joint agreement to withhold sales of platinum to keep the price of the metal high.

Most of the evidence presented by the documentary was circumstantial, backed up by the opinion of dealers in London that contact between the two producers was

Cokicor spells out impact of new acquisitions

58

7/4/81

By Mervyn Harris

Coki Corporation, the recently formed retail arm of Kirsh Industries, intends paying shareholders its entire dividend income less expenses, and expects to declare two dividends a year.

This is one of the points to emerge from a circular to shareholders and Coki's proposed transmuted listing statement.

Approval of shareholders will be sought at a meeting on April 27 for the acquisition of Coki's interest in Dion and Russels, to create additional Cokicor shares and to adopt new articles of association.

The meeting will also seek shareholder approval regarding two other companies in the Kirsh Industries group, Kimet and Metro Cash and Carry Holdings.

Metro plans to change its name to Metro Corporation and will continue to be listed under the stores sector of the stock exchange under the name of Metro and not Metcash from May 11.

The listing of Cokicor shares will be transferred from financial, cash assets to the industrial stores sector from May 4

The formal documentation shows that had Cokicor operated in its new form for a full year, it would have earned 33.7c a share for the year to March 1 1981

Cokicor's net asset value at that date would have risen from 132c to 160c a share.

Cokicor remains well geared after the R46,3-million it is paying for its interest in Dion and Russels. Its long term liabilities now stand at R28.7-million and there is a commitment to deferred taxation of R22.3 million.

Dion expects a turnover of R130-million for the year to June 30, 1981 and taxed profit of about R4,5-million.

Metro is entitled to require Dion to declare at least 40 percent of its taxed earnings by way of dividends.

As Metro holds 94,6 percent of Cokicor, its net asset value on a lifo basis rises from 465c to 917c a share.

Federated's plan at Vaal Triangle

24/9/81

57/m2

(58)

Federated Insurance is moving strongly into the big build-up of institutional property investment with a spread of deals stretching from the Cape to Johannesburg.

This industrial and commerical thrust by Federated is hoisting its property portfolio by R22,6-million to a total of R80-million.

Mr John Shed, the group's property manager, said: "Industrial property presents outstanding growth potential and is far less vulnerable than normal commercial cycles.

"A logjam has accumulated over the years and will require tremendous industrial property development to untangle. Future industrial growth has also to be taken into account, along with the extra boost the recent boom has brought to this market."

WISE MOVES

While Federated is active in the Johannesburg area, it is also concentrating on one of the country's industrial growth points — — the Vaal Triangle. With the Government committed to a grand plan to merge Vereeniging, Sasolburg, Vanderbijlpark and Meyerton into a new "supercity," the insurance group is making wise moves.

"This move to Vaal Triangle development is consistent with Federated's policy of investing where the action is," says Mr Shed.

A feature in the area is the group's R4,2-million shopping block which will further enhance Sasolburg's Central Business District.

Other big deals under the Federated banner include three projects with a total value of R5,6-million and involve Boumat subsidiaries, Brittan-Boustred and Kwikot.

Brittan - Boustred is building offices and warehouses at City West Township, and Kwikot is expanding at Boksburg and at Epping in the Cape.

Other million-rand deals in which Federated has invested are Federale Electronics projects in Johannesburg, Durban and Klerksdorp, and negotiations have been concluded with the NEI group for the establishment of the R4,3-million headquarters of subsidiary Cummins Diesel at Sandton.

5[?]

5[?]

Import-export business a main plank

Swiss partner in new Jo'burg bank

By Ann Crotty

An international bank owned equally by Bankorp and a Swiss bank is about to open in Johannesburg.

The International Bank of Johannesburg has an authorised capital of R4-million of which R1-million has already been paid up by each of the partners

The IBJ will be primarily involved in international banking, offering services in particular to companies, South African and foreign-owned, which have a lot of import and export business.

The bank will offer a full range of services to corporate customers.

Bankorp was not prepared to disclose the name of the Swiss partner for "political and social reasons."

GOOD RETURN

Bankorp deputy chairman Dr Fred du Plessis, chairman of the new bank, said that negotiations with the Swiss company started a year ago.

He said that there was a vacuum of joint ventures with international partners in South African banking and that, given

Another leap in home bond interest

CT 8/4/81 (58)

By GORDON KLING

SOUTH AFRICANS, hit by the most savage inflation in the Republic's post-war history, were yesterday given notice of another leap in mortgage bond payments on their homes.

Payments on existing bonds are to rise by 1,5 percent from June 1, according to an announcement by the Association of Building Societies in Johannesburg last night, and the rate on new bonds will go up immediately.

Savers at the societies, however, will benefit from improved interest on their money and the move is expected to improve the availability of bond finance.

The latest rate rise means the man-in-the-street will pay about 20 percent more for the bond on his home each month than was the case before March 1 when bond interest was upped by 0,75 percent.

In hard cash, it means that repayments over 25 years on a R10 000 bond, which went up by R5 last month, will rise by another R12 a month; a similar R20 000 bond, which went up by R12 in March, will rise another R22; a R30 000 bond, which previously rose R15, is up another R36; and a R40 000 bond is up an additional R48 after rising R24 in March.

No extension

Building societies yesterday said they would probably demand that clients pay the increases rather than extend the repayment period because the rise has been so great that the interest portion of bond repayments now exceeds monthly repayments in many cases, particularly since many societies did not request higher payments with the last rise.

In other words, a homeowner continuing to pay bond instalments at rates ruling before last month will find that far from paying anything off on his property, he will actually owe more on it at the end of the year than now.

"We would be very hesitant to let people get into this kind of situation," said one building society official yesterday. "But I'm dreading what it's going to do to those who are already in an arrears position because of inflation."

The Progressive Federal Party's spokesman on finance, Mr Harry Schwarz, last night blamed the government for the increases which he attributed to a failure to deal with inflation.

Although there had been indications that no announcement would be made on higher rates until after the election on April 29, the situation had become too serious to allow further delay.

Building societies had to compete with banks to attract funds and both had to offer rates which bore some semblance to inflation. "You can't run a 16 percent inflation rate and expect people to invest their money at much lower rates. I think this has been the major dilemma, the government's failure on inflation," said Mr Schwarz.

A Cape Town estate agent, Mr Geoffrey Seeff, last night described the hike as "drastic" and said it could cause the property market, particularly the upper end, to "come back" a bit.

On the other hand, the move recognized free market forces and would allow the building societies to attract more money which would increase the availability of bonds. He believed the societies should be "more nimble" in future and make numerous small adjustments rather than few relatively large ones.

- In a move to assist existing borrowers, the Association of Building Societies said it would consider either extending the term of repayment for bonds or accepting small adjustments in present monthly repayments based on the increase in the interest portion. Where the bonds had been reduced by "say R1 000", no additional monthly payment would be required.
- The Minister of Finance, Mr Owen Horwood, described the 1,5 percent increase as "excessive", SATV news reported last night. He was reported as saying he had recommended to the association that the increase be 1 percent.

'Drop in bank profits' warning

8/4/81

58

Mercury Correspondent

JOHANNESBURG—The bank cartel will come under a lot of pressure this year — pressure which could result in a drop in the banking sector's profits.

This warning was made by Standard Bank group's senior general manager.

The bank cartel recently imposed uniform bank charges, which means that individual customer cannot 'shop around' for the best rates. This in direct contravention with the free market the country is working towards.

Corporate bodies are thus forced to pay higher bank charges — which will increase by as much as 40 percent in some cases.

But, in the words of Edgar's managing director, Mr Adrian Bellamy: 'We are not going to take this lying down', and representations have been made to organised bodiers of commerce like Assocomm and the Afrikaanse Handelsinstituut.

Disapproval

Although there has yet been no official comment from the authorities, it seems logical that with the free market thinking which Dr De Kock has brought to the Reserve Bank, the authorities must sooner or later express their disapproval.

Thus, as Mr De Villiers says: 'I think we (the banks) are in for a hairy time this year.'

The call for a break in the bank cartel can be traced back at least five years to the first breakaway from the banks' formal agreement, the Register for Co-operation (Roco) by Trust Bank on the uniform banking hours agreement.

This section of Roco has long laid in waste and recently Volkskas followed Trust Bank in announcing that it would open its branches at 8,00 — half an hour earlier than other banks.

Second crack

The second crack in Roco came when individual banks started going their own way on raising or lowering their deposit or overdraft rates.

But there are still too many areas wherin the banks are linked through Roco, which has recently taken the more popular name of the bank cartel.

Commission on promis-

Swiss share in new SA bank

ROM 8/9/81

THE International Bank of Johannesburg has been formed with an initial authorised capital of R4-million, of which R2-million is paid up and which will be held equally by Bank Holding Corporation of South Africa and an undisclosed Swiss-based bank.

Bank Holding Corporation's deputy-chairman, Dr Fred du Plessis, says the bank will be involved primarily in international banking, offering its services in particular to those companies both South African and foreign, which have an important volume of import and export business.

He was unable to divulge the name of the overseas bank, but said "it is one of the biggest international banks".

He said the advantages to the bank holding group included the ability to participate in the network of a big international bank, channelling business through the new bank which might have been directed through several South African banks.

For the first time an international bank was willing to put in risk capital with a view to doing business.

Dr Du Plessis said the bank would offer a full range of banking services to its corporate customers, including cheque accounts.

The shareholders saw scope in South Africa for a bank specialising in international operations.

Dr Du Plessis will be chairman of the new bank and the managing director is Mr Gerard F O'Farrell, until recently chief executive of a bank in Saudi Arabia. — Reuter

Our Johannesburg correspondent writes that the association said in a statement yesterday that the increase, though delayed for as long as possible, had become necessary because prevailing investment rates were making it difficult for societies to maintain their position in the market and attract enough funds for home loans.

Apart from accepting adjustments in the monthly repayments of borrowers, the societies were prepared to assist homeowners by extending the period of repayment of the bond.

For example, the present monthly repayment on a R18 000 bond, at 10,25 percent before the rise, payable over 20 years is R176,50 of which R153,75 is interest.

Increase

From June 1 the rate will rise to 11,75 percent, and the interest portion will be upped by R22,50 to R176,25.

But, the association says, if the period over which the bond is paid off is extended, the monthly repayment would increase by only R4. Societies are permitted to extend the repayment period of bonds up to R25 000 to 30 years.

To balance the building societies' lending and investment rates, interest rates on a range of savings accounts and shares have also been increased

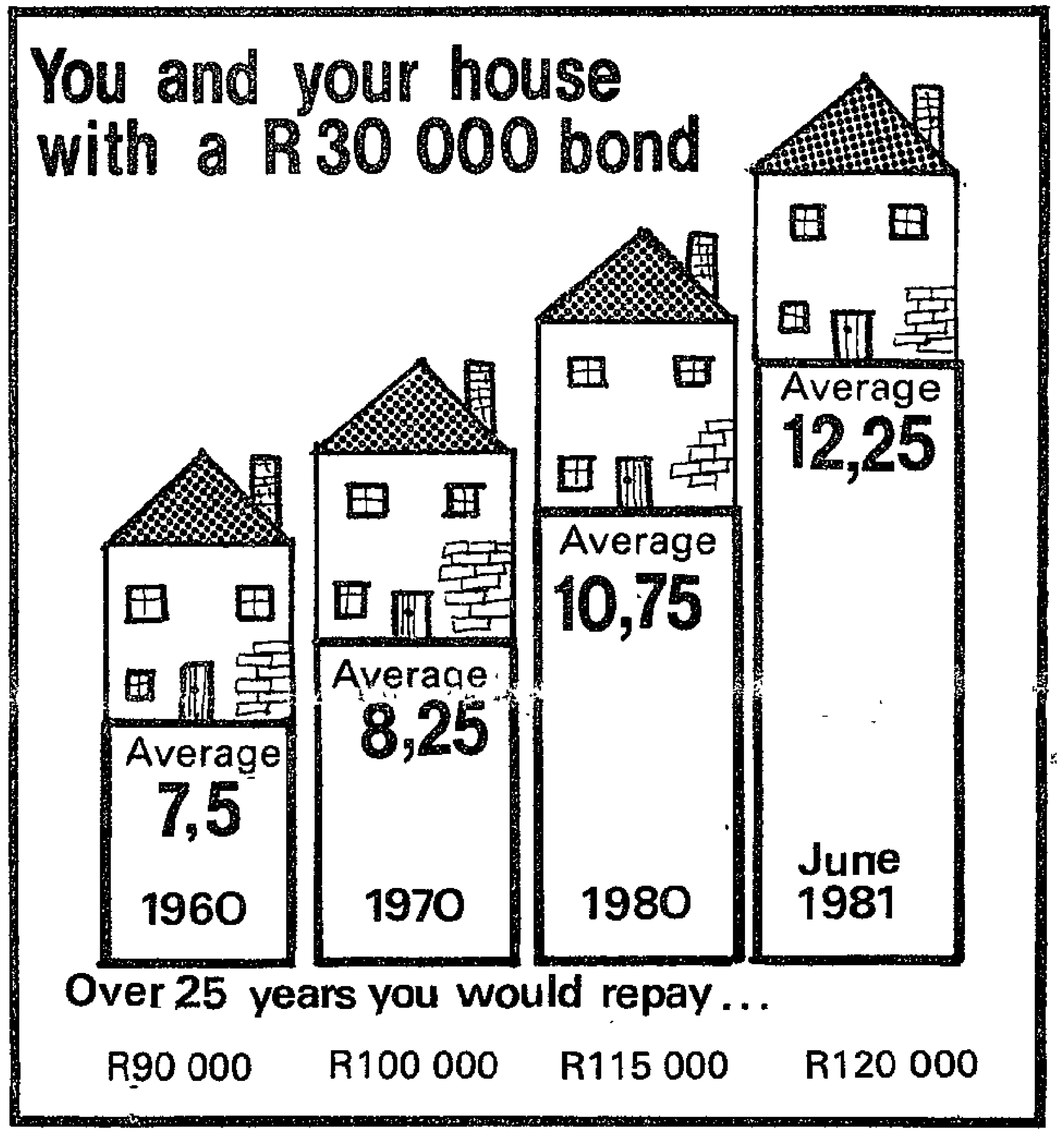
The new rates recommended by the association are:

Ordinary savings — 4 percent; Special savings up to R19 999 — 7 percent; R20 000 and over — 8,25 percent; Fixed period shares — 10,25 percent; Tax Free — 8,25 percent; Subscription shares — 8,25 percent; Partly tax free sub-shares — 10 percent; Public subscription shares — 10 percent.

Bond shocker

NM 8/4/81 (58)

Horwood slams 'excessive' 1,5pc increase



THESE figures are estimates supplied last night by building society officials.

Mercury Reporter

BUILDING society mortgage bond rates last night shot up 1,5 percent across the board — effective from June 1.

This shock announcement from the Association of Building Societies shoves the bond rate — at a peak of 13,25 percent — to its highest ever level.

The Minister of Finance, Mr Owen Horwood, has described the 1,5 percent increase in the mortgage bond rate as 'excessive', SABC television news reported last night.

Mr Horwood was reported as saying he had recommended to the Association of Building Societies that the increase be 1 percent, but that this advice had been ignored.

Coming so soon after the 0,75 percent hike in December, it will put a further squeeze on the already hard-pressed homeowner.

It will also have a dampening effect on the property market which is already suffering from a severe drop in the amount of building society money available for home loans.

The new interest rates on home loans will be:

Payments

Up to R10 000	— 11,25 percent	(9,75 percent)
R10 001 to R15 000	— 11,50 percent	(10,00 percent)
R15 001 to R20 000	— 11,75 percent	(10,25 percent)
R20 001 to R25 000	— 12,00 percent	(10,50 percent)
R25 001 to R30 000	— 12,25 percent	(10,75 percent)
R30 001 to R40 000	— 12,75 percent	(11,25 percent)
Over R40 000	— 13,25 percent	(11,75 percent)

What the additional monthly repayment will be for the homeowner:

On a R10 000 bond	— R12,50 a month
On a R15 000 bond	— R18,75 a month
On a R20 000 bond	— R25,00 a month
On a R30 000 bond	— R37,50 a month
On a R40 000 bond	— R50,00 a month
On a R50 000 bond	— R62,50 a month

9/4/81 Star 58

Riot insurance battle looms

Chief Court Reporter

[illegible] West Rand Administration Board officials and insurance men are gathering evidence to [illegible] a R7,5-million legal battle arising from damages caused during the Soweto [illegible] in 1976.

[illegible] years after the unrest Wrab is claiming the [illegible] from its insurer Santam, for damages caused to schools, beer halls, vehicles and liquor stocks.

Mr J Kriegler SC, with Mr P Henning and Mr P Strocher, instructed by Van Wyk DeVries, Malan and Steyn of Johannesburg will appear for Wrab.

Mr S A Cilliers SC, with Mr W Trengove instructed by Hofmeyr, Van der Merwe and Botha of Johannesburg and Jan S de Villiers of Cape Town will appear for Santam.

The action will start on April 27 at the Rand Supreme Court and is expected to last several weeks.

The whole case turns on the question of whether the June '76 disturbances were "a people's uprising," according to legal sources.

Santam insurance company won Wrab's insurance contract and those of other administration boards in April 1976, only weeks before the first student demonstrations sparked nation-wide rioting.

Within days of the rioting Santam cancelled the insurance contract at one month's notice and backdated to June 2[illegible] a revision to exclude its liability in cases of damage caused during riots, civil unrest, strikes, labour unrest or damage by people with criminal intentions.

Previously Santam had guaranteed riot cover but had refused to insure against damage caused during war, insurrection, rebellion, revolution or civil war.

The claim was filed by Wrab in 1977 but lawyers agreed to wait until the report of the Cillie Commission which investigated causes of the riots.

Since February last year Wrab officials have been drawing up evidence.

The total R7,5 million claim is composed of about 500 separate claims.

In Soweto 258 people died in the riots between June 16, 1976 and February 28, 1977.

The Cillie Commission found that Government apartheid policies and discrimination were largely the cause of the eruption.

The immediate cause was the [illegible] of Afrikaans instruction in black schools but other grievances to a greater or lesser degree contributed, the report found.

Property prices 'nosedive' is forecast

NM 9/4/81 (58)

Property Editor

PROPERTY prices in Durban could drop by as much as 20 percent before the end of the year and experts throughout the country yesterday predicted a dramatic nosedive as a result of this week's 1,5 percent rise in the bond rate.

Mr Dennis Cockhead, manager of the Trust Building Society, feels that the rising bond rate, coupled with the scarcity of loan finance, could send property prices plummeting.

'Houses in the middle price ranges could drop by as much as 20 percent by November and those in the upper brackets — R100 000 and above — could come off even worse,' he predicted yesterday.

He said property prices had become 'excessively inflated' because of the 'artificial' situation which had existed last year.

Building societies had been faced with a surplus of loan finance which helped encourage the property boom and consequent rise in prices.

Other sources also predicted that property prices would take a nosedive in view of the changed situation.

The market has already cooled off considerably since the boom days of 1980 and the psychological effect of having the bond rate standing at an all-time high of 13,25 percent...

rate has been talked about for such a long time that the actual effects of it have been somewhat discounted.'

In spite of the new high rates and the shortage of building society loan finance, he did not expect property prices to drop drastically because of the strong underlying demand for homes — particularly in the middle price ranges.

Pocket

Estate agents have long held the view that it is not so much the cost of building society loan finance, but its availability that de...

take a dramatic knock as a result of the bond interest leap.

He pointed out that, with the building societies' requirement that a bondholder cannot pay more that 25 percent of his monthly salary in montly repayments, a housebuyer would now have to earn R2 200 a month to qualify for a R40 000 bond.

The societies should have raised rates 'more gradually'.

He did not believe that the increase in the building society investment rates would relieve the so...

dampening effect.

Mr Peter Strachan, president of the Institute of Estate Agents, said. 'The rise in the bond rate must have an effect on the market — particularly at the top end.'

One positive aspect about the increase, he said, was that people had been expecting it and were already partly psychologically attuned to a big increase.

'The rise in the bond

'A buyer looks at his monthly instalment — not the interest rate. If it is within his pocket then he can afford to buy. In many instances buyers don't even know what the ruling building society mortgage rates are.'

Our Johannesburg correspondent reports that Mr 'Boet' van Straten, chairman of the Estate Agents Board, was convinced that the property market would

money market were still higher than the societies could offer.

Money available for lending to homeowners would still be in short supply, and they would now be faced with higher repayments as well.

The situation would continue 'for quite a while'.

Mr Liley Schachat, a director of Schachat Cullum, said yesterday his company welcomed the increase in mortgage bond rates, though it had been higher than expected.

'At least some money will flow into the building societies to keep the market going.'

The rise might have an effect on higher-priced houses, he said, but in the lower end of the market there would not be much effect.

Shortage

Mr Ian Fife, of Landmark Real Estate's residential division, said that in spite of the mortgage bond rate rise, bond money was still cheap.

He did not feel the rise would affect the housing market much, because it had already been hit by the shortage of bonds themselves.

He predicted a greater swing to 'creative financing' — like second bonds.

Mr AFV Viljoen, president of the Association of Building Societies said yesterday the increase in rates would be counter-inflationary.

Making money more expensive to borrow would make people use the money more selectively.

The societies are offering existing bondholders the option of either increasing their monthly repayments or extending the term of their bond, say from 20 to 25 years.

● See Editorial Opinion

Charles Valley: J. clinics G.P.'s

25	91	71
30		
23		
7		2
1		
12		3
2	9	4
		20
204	23	99

...ort are not included.

Insurance companies aiming at untapped black market

9/4/87 (58) STAR

As the earning power of blacks gathers momentum, and social conditions alter, a potentially vast market for black insurance is opening up.

Calculated to be in the region of R1 000-million in sums assured, the market is said to be hardly tapped.

The sale of insurance to blacks is widely regarded as offering rich pickings and some brokers and underwriters have been quick to introduce a variety of cover to the market.

However, as the realities of dealing with the new and difficult market begin to be realised there have been some withdrawals. This has given rise to the danger that the blacks themselves will become disillusioned by such "stop-start" developments.

Denis Gamsey, managing director of Africover, the black insurance arm of the R55-million a year Alexander Howden insurance company, says that some entrants to the market, notably among large broking houses, have withdrawn having come to the conclusion that black insurance is more trouble than it is worth.

"It was widely thought that the black sector would be easy to break into but the opposite is true. Because of the relatively unsophisticated nature of the black customer and the sheer scale of the market, it represents a big administrative problem. Without the tightest possible control it becomes unmanageable."

In Africover's experience, 99 percent of the people being dealt with have never had insurance cover.

There is thus a basic problem of explaining the workings of insurance. To alleviate the matter the company uses black salesmen.

Once the concept has been explained there is almost 100 percent sales rate, said Mr Gamsy.

He ascribes this to the changing needs of the urban black who can no longer rely on a large family to maintain him in sickness and old age.

Another insurance company breaking into the black sector is Permanent Life who say that the problem of lack of knowledge in insurance matters by blacks has been partly overcome by having simply designed policies. It is a long, slow process and Permanent Life plans a comprehensive education programme.—Ann Crotty pected this year, which could retard profit growth.

So while the group remains conservatively geared, with a debt:equity ratio of 52% (1979: 35%), the attractions of acquiring a cash-rich asset situation such as Unisec are obvious

Not that these considerations impact in any way on the fairness of Sage's offer. While its own net return of 12,7% on year-end equity funds might not be anything to write home about, it is still considerably better than Unisec which returned only 9,4%.

Thus, even if Unisec's earnings of 28,7c for 1980 are related to Sage's PE of 8,3, the resulting "value" of 240c for Unisec still falls well short of the 270,5c (ex-dividend) bid price, which in turn does not take into account the additional 15c which Sage was prepared to pay for control

The directors, meanwhile, are confident of further strong growth this year regardless of the outcome of the Unisec offer. Earnings, furthermore, should not be affected to the same extent by increased tax — the tax rate rose from 18% to 29% last year — so even if interest charges are higher, the group should be able to repeat last year's one-third dividend improvement.

On the basis of a 26,5c payment, the share at 255c — with last year's final of 14c — is on an effective prospective yield of 11%. The price has gained 13% since the prelim last month but still looks to be good value.

Brian Thompson

Ian Mail

SAGE (58) FM 10/4/81

Lower returns

Activities: *Finance and investment group with interests in life assurance, property, construction, unit trusts (both property and equity) and data processing*

Chairman: *A S Thomas, managing director: H J Shill*

Capital structure: *13,6m ordinaries of R1, and 4m 10,5% red prefs of R1 Market capitalisation R34,7m*

Financial. *Year to December 31 1980 Borrowings long and medium term, R6,5m, net short-term, R19,2m Debt equity ratio 51,9% Current ratio 1,3*

Share market: *Price 255c (1980-81 high, 300c, low, 225c, trading volume last quarter, 155 000 shares) Yields 12,1% on earnings, 7,8% on dividend Cover 1,6%. PE ratio 8,3*

	'77	'78	'79	'80
Return on cap %	14,3	13,7	13,1	12,9
Pre tax profit (Rm)	6,8	4,9	5,9	9,1
Earnings (c)	23,7	18,8	22,9	30,9
Dividends (c)	14	14	15	20
Net asset value (c)	187	184	181	244

Although earnings were significantly higher last year, Sage Holdings has yet to make any progress in restoring profitability: gross return on year-end capital employed declined for the fourth successive year, while the net return on equity funds — with investments at market value — was static

The accounts show that, as was the case in 1979, results were enhanced by lower interest payments — despite the fact the December 31 debt total was up more than 80%. So while pre-tax profits showed a 54% increase, the improvement in operating profits (before tax and interest) was a more modest, but still hefty 39%.

This did not quite match the increase in total capital employed, with the result that the gross return continued to decline At 12,9%, profitability is now less than three-quarters of what it was in 1976, when a return of 17,9% was achieved

In the same context, it is also worth noting that last year's operating profit of R10,3m was still slightly below the 1976 figure of R11 1m, but in the meantime capital employed has grown from R61,9m to R79,7m

Last year, total capital employed rose R22,5m, of which about R5m was accounted for by the increased market value of investments The balance largely represented increased activity in the property sector and the resulting substantial rise in Schachat's debtors Total borrowings consequently, rose R12m to R26,4m, of which 75% (1979: 44%) are short-term

However, it is apparent from interest payments that these additional borrowings were introduced late in the year Total interest payments declined from R1,6m to R1 2m, and the average interest rate on year-end debt thus declined from 11,1% to only 4,7%.

It follows that, if borrowings are maintained at the present level a substantial increase in interest payments can be ex-

LIBERTY GROUP 53 FM 1/4/81

Investment emphasis

Activities: *SA's largest listed life assurer. Liberty Holdings, itself held 51% by Lifelite Controlling Corp, holds 81% of the equity. Has a 19% stake in Sun Life (UK), 25% of Montreal Life (Canada), 74% of Fugit and 24% directly in Clydesdale*

Chairman and managing director: *D Gordon*

Capital structure: *10,9m ordinaries of R1; 5,2m 7% red cum prefs of R1; 164 007 7,5% conv red cum prefs; 6% 908 variable rate conv red cum prefs. Market capitalisation: R[illegible]62m*

Financial: *Year to December 31 1980. Borrowings: long- and medium-term, R57,7m. Net cash: R16m. Debt: equity ratio: 28,7%. Current ratio: 1,5.*

Share market: *Price: 2 400c (1980-81: high, 2 400c; low, 1 575c, trading volume last quarter, 46 000 shares). Yields: 6,9% on earnings, 5,0% on dividend. Cover, 1,4. PE ratio: 14,6.*

	'77	'78	'79	'80
Total assets (Rm)	622	737	1 003	1 387
Life fund (Rm)	452	561	769	1 076
Investment income (Rm)	39,8	48,0	61,4	87,4
Net premium income (Rm)	94,4	113,8	147,8	212,9
Attributable profit (Rm)	10,4	12,5	15,0	19,0
Earnings (c)	85	115	134	165
Dividends (c)	74	86	100	120
Net asset value (c)	651	581	653	1 144

Libhold

Capital structure: *44,6m ordinaries of 25c; 15m cum prefs of 10c. Market capitalisation: R178,4m.*

Financial: *Year to December 31 1980. Borrowings: long- and medium-term, R69,7m. Net cash: R22,1m. Debt: equity ratio: 32,8%. Current ratio. 1,4.*

Share market: *Price: 435c (1980-81: high, 445c; low, 320c; trading volume last quarter, 430 000 shares). Yields. 8,4% on earnings, 5,5% on dividend. Cover. 1,5. PE ratio. 11,9.*

	'77	'78	'79	'80
Attributable profits (Rm)	10,2	12,2	14,2	17,9
Earnings (c)	19,3	23,6	28,4	36,5
Dividends (c)	12,8	15,0*	19,5	24,0
Net asset value (c)	111	135	177	253

* Excludes special dividend of 10c

Last year was certainly an exciting, record-breaking time for SA's third largest life assurance company. All the major indicators comfortably exceeded historic compound growth rates, and the group passed some significant milestones in terms of net premium income (above R200m for the first time) and the life fund (above R1 billion).

Even more hectic was the quick-moving investment expansion programme, which saw total funds invested also climb well above the R1 billion mark, from R940m the year before. And the trends in new investment make particularly interesting reading.

Shares and mutual fund units constituted the largest single component of the R1,3 billion total sum invested, at R406m (R251m), but obviously this is distorted to some extent by the large rise in the value of equities on the JSE. In the first half of the past year, in particular, the group was fully invested in the market, and only towards the end of 1980 did it build up some liquidity to take advantage of firming interest rates.

The group also increased its total effective holding in Fugit from 68% to 74%, which should enhance equity earnings.

Second largest holding, and the most promising in the eyes of chairman and MD Donald Gordon, was the property portfolio, which increased in value from R228m to R360m over the year. The expansion programme here included the acquisition of outstanding shares in both the Sandton City project and Eastgate, as well as a number of new building projects such as the group's own new headquarters and a major government office building in Pretoria worth around R25m.

The accelerated shift into the building sector has clearly been based on Gordon's view that the property market as a whole is beginning to come back into its own. And this is only the start, he says, of a major reappraisal which should continue for some time as rentals are significantly readjusted.

Third largest segment of the total investment portfolio is government and municipal stocks, though this holding grew particularly slowly from R228m to R332m. Group policy over the last couple of years has been to reduce the average life of gilt- and semi-gilt holdings as a defence against inflation. The additional cash balances which have been generated by this, and the slower rate of growth in equity investment towards the end of the year, should allow considerable investment flexibility this year.

Liberty's Gordon . . . setting new records

1980 also saw hefty diversification overseas, with the group taking a 19% stake in Sun Life (UK), a 25% interest in Montreal Life, and also initiating moves to go for a London listing. Though foreign investments are not likely to benefit this year's earnings to any great extent, they can only enhance the longer-term view.

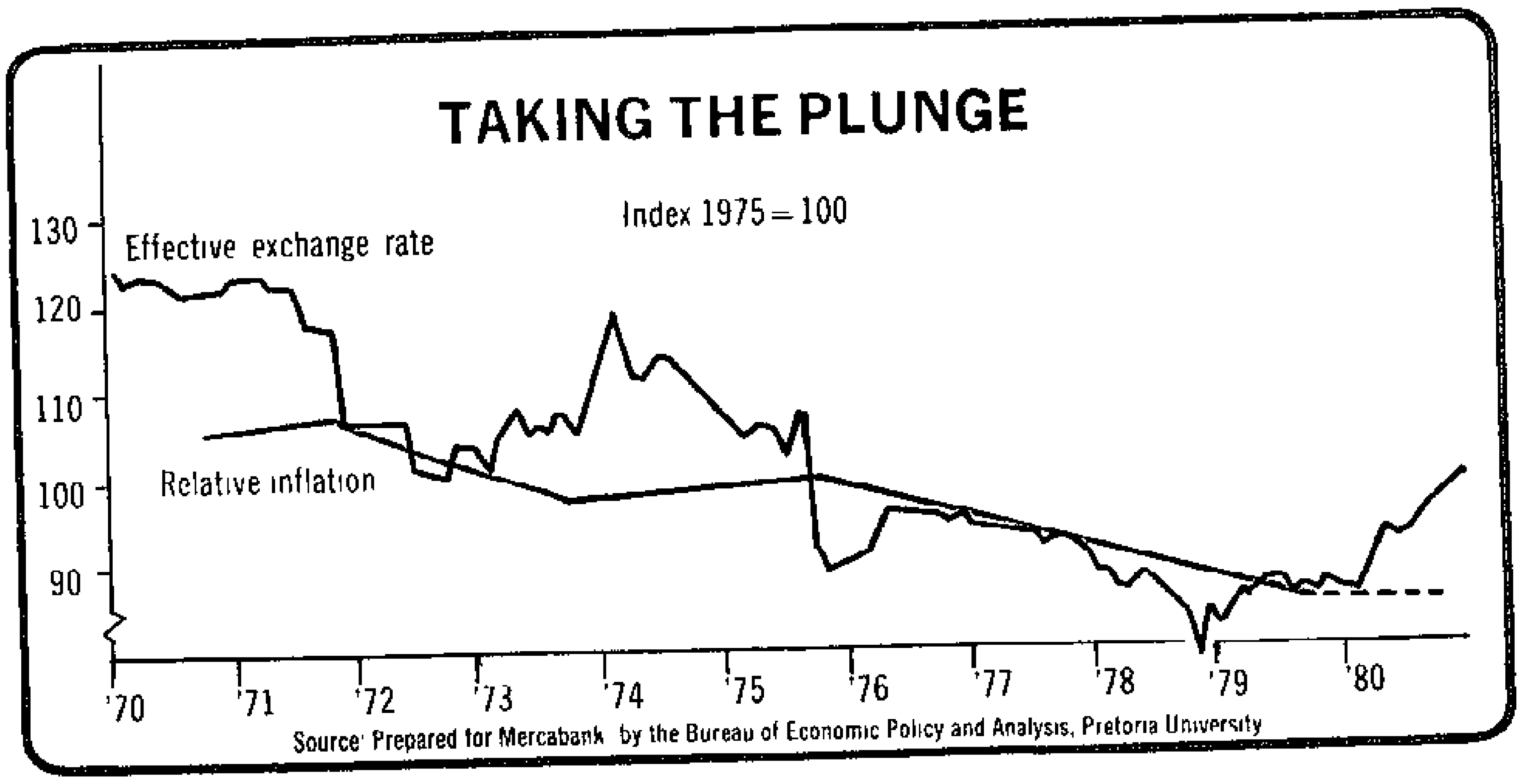
The level of the group's operating efficiency is high and the ratio of management expenses to net premium income continued to drop last year from 8,7% to 7,4%, after being more than 10% in 1979.

Financially, the group is powerfully placed for good and steady growth, but Gordon will not comment on an earnings or dividends forecast for the current year. Nor will he indicate the likely pattern or rate of growth in investment in 1981.

But it should not be hard, with the early effects of last year's rapid investment expansion starting to flow, for the group to again exceed its long-term compound growth rates. Both shares have already reacted to the profit announcements and their yields are consequently fairly slim. Liberty Life's, for instance, on a moderate dividend increase, is little more than a prospective 6%.

Nevertheless, the counter is a must for the institution, while Liberty Holdings, with its broader spread of equally attractive interests, offers a cheaper entry to the smaller investor.

Scott Hawker



INTEREST RATES 58

Seeds of inflation

FM 10/4/81

Excess monetary liquidity must be regarded as one of the most important reasons for continued inflation in SA. And both cause and effect, according to the latest Mercabank Focus, is the reluctance of the authorities to allow financial rates to react quickly and effectively to market conditions.

This basic irrationality in SA's relatively well-developed financial structure is to some extent revealed by the peculiarity of interest rate patterns. Short-term rates show a "natural" cyclic pattern over time, peaking at the beginning of a downswing and hitting the trough at the start of an expansion phase.

But this pattern is distorted by several factors, amongst which are the control over bank lending rates exerted by Bank rate, and the attempts by the authorities to control the TB rate. Another classic example of interest rate rigidity is to be found in Land Bank financing at 7%, a rate unchanged since 1975 and substantially lower than the current building society mortgage rate of 11,75%.

Changes in money-supply also exert a strong influence on short-term rates, which typically firm in the first quarter, when money supply increases are seasonally low, and ease during the second quarter. And changes in money supply are in turn caused by a variety of factors, among which are the direct effects of a high gold price on foreign exchange inflows.

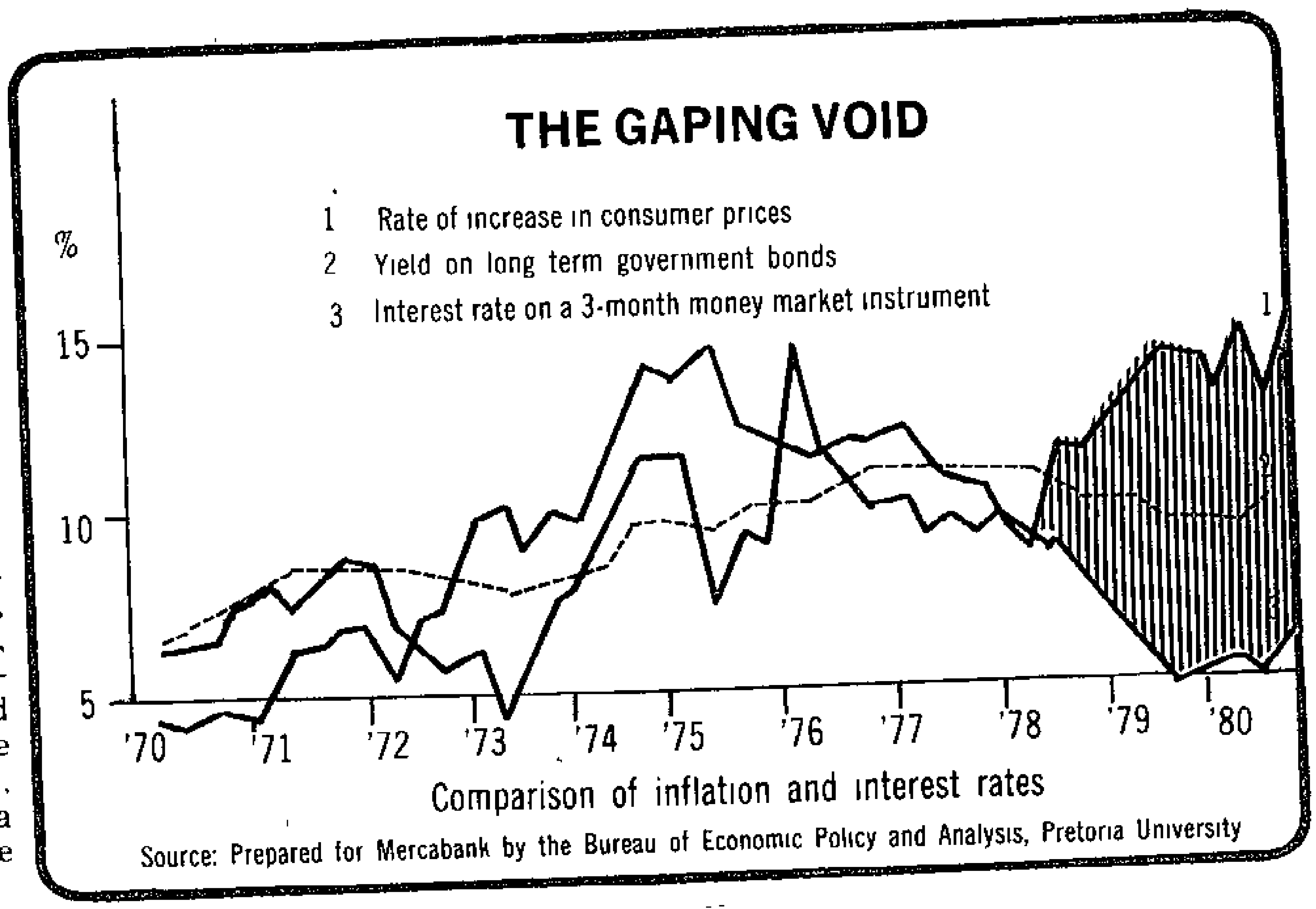
"The strengthening of the gold price since 1978 resulted in sharp increases in SA's money supply and domestic liquidity," says Focus, "which in turn forced down interest rates. However, due to exchange control, funds were prevented from earning higher interest rates overseas."

The combination of low rates and bottled-up liquidity, it continues, fuels inflation and speculative activity. And, it adds, the authorities lost a golden opportunity for relaxing exchange control in 1979, when both interest and inflation rates were relatively low.

Double-digit inflation rates in the Seventies have had a variety of effects. With the domestic inflation rate during the last decade on average more than 2% per annum higher than those of SA's major trading partners, the effective exchange rate of the rand has generally declined. Public deposits with banks have tended to shift away from demand deposits and towards interest-bearing near-money. And the asset structure of long-term insurance portfolios has changed noticeably in favour of equities and property, and against loans.

As the graph shows, interest rates in SA have failed to keep pace with inflation, unlike the pattern in other countries. This is almost certainly the result of the myriad distortions imposed on the market structure of the financial system, from tied overdraft rates to prescribed security holdings for insurers and pension funds.

According to Reserve Bank Deputy Governor Bramie van Staden, real long-term rates moved into a negative pattern after 1971. Yields in 1973 and in 1980 were a negative 5%, with a brief respite in 1977/78. He adds: "It is not often realised that to maintain monetary discipline and thus curb inflation in an overheated economic situation necessitates higher interest rates which will in the long run lead to lower inflation rates." Interest rates which for some or other reason are now exempt from market pressures, contain the seeds both of future inflation and their own inability to provide real returns.



FM 10/4/81 ..

NOT ANOTHER ONE

(53)

In a joint, split-capital venture with a large Swiss banking group, Bankorp has widened its banking stable with a new institution, the International Bank of Johannesburg.

The new bank will, as its name implies, operate primarily in international banking activities, like handling foreign trade finance and raising capital on foreign markets. Though the bank is based in Johannesburg, its association with its foreign partner is designed to give local clients access to an international banking network.

The bank takes over the licence of the Bank of Johannesburg, which ceased operating three years ago when it merged with Santambank. Its authorised capital is R4m, equal halves of which will be contributed by each partner. Its degree of specialisation, as well as the nature of its capital constitution, are unique in SA. But Bankorp's Swiss partner, described by Bankorp deputy chairman Fred du Plessis as "one of the largest banks outside the US", has modestly declined to claim public credit for its initiative. It prefers to remain unnamed in order to escape the public opprobrium attached to investment in this country while enjoying the fruits.

Du Plessis will chair the new institution. Its MD, an Irishman by the name of Gerard O Farrell, has been recruited from the Arab world.

It must sound awfully familiar to those who followed the fortunes of Santambank in the past. Remember the late Robert Smit (formerly of the Treasury) who presided over Santam International Ltd, jointly owned by Santam, Boland Bank and Dr Smit himself.

It appeared to be doing what the International Bank of Johannesburg will attempt to do. Later it was incorporated into Mercabank, which is benefiting mightily from the contacts Smit set up abroad.

The mystery is: why another arm of the same group to do a similar job? Hasn't Dr Fred enough to do yet?

MORTGAGE RATE (58) FM 10/4/81

A step the right way

The building societies' rather sharp 1,5% rise in home mortgage rates ahead of a general election is a welcome sign of a new attitude.

For the first time in many years they have shown a greater willingness to adjust to market forces than to bow to political pressures.

Further increases in this rate are inevitable and right — until the cost of home loans at least equals the rate of inflation. Only at that stage will savers — and to some extent taxpayers — cease to subsidise luxury white housing They will then get a return on their savings, moreover, that goes some way to reducing the erosion of rising prices on fixed incomes.

In the longer term such a move will help to stabilise the general price level. In the short-term householders will be cushioned from excessive increases in monthly loan repayments by the societies extending the life of these loans.

The societies have also been judicious in bidding aggressively for deposits recently, despite the chagrin of the banks. As interest rates rise, they will be seen in retrospect to have funded themselves wisely.

They have a responsibility, however, to see that any advantage thus gained is ultimately passed on to the borrower. Their past record in this respect has not been good

The societies deserve also some further criticism. First, their surpluses have been so large in recent years, that they should have been able to dig into accumulated fat and step up the home loan rate progressively a little bit at a time This would have been less overtly inflationary and not fanned an inflationary psychosis, especially in the popular press.

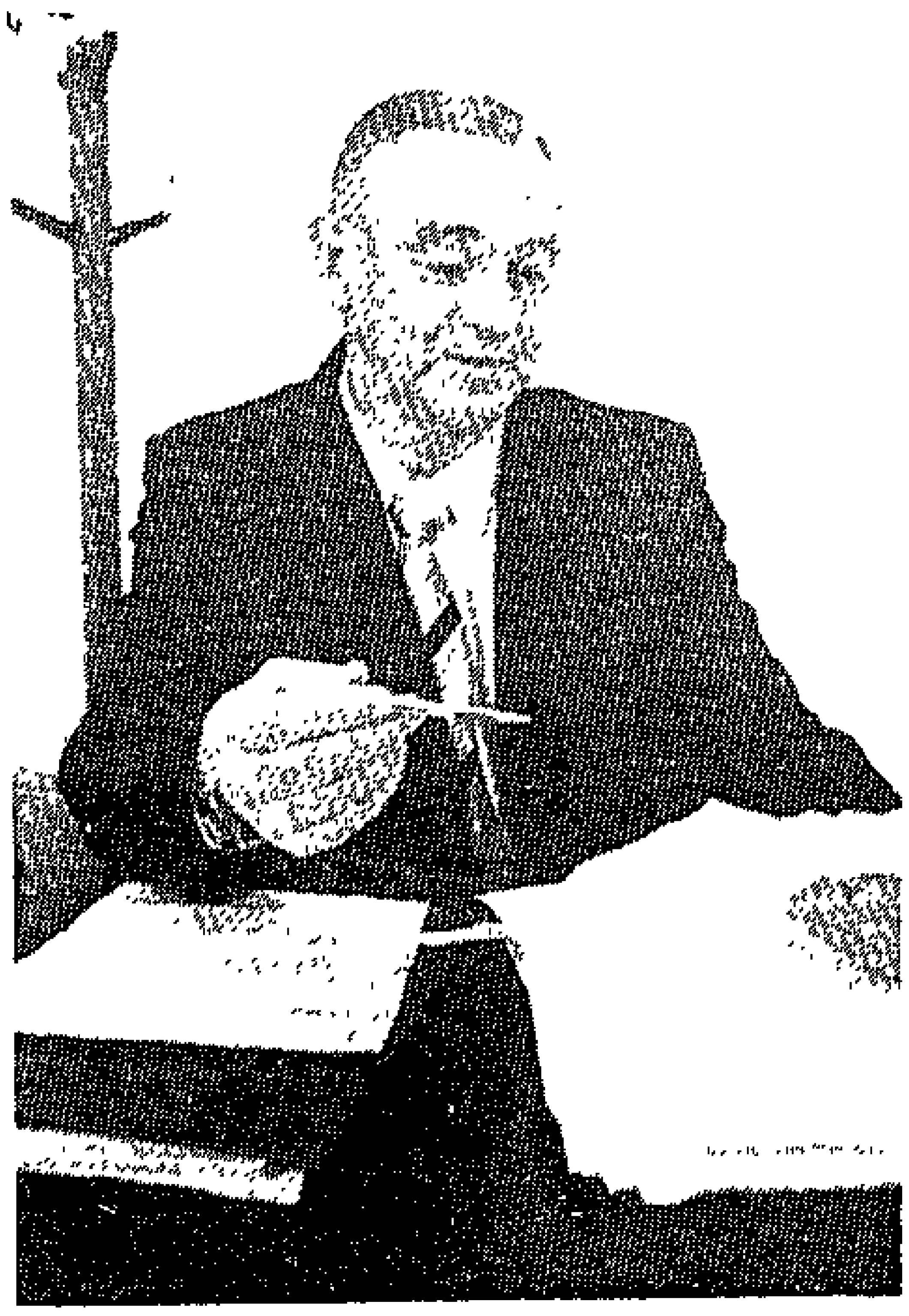
Informal cartel

Second, the building societies informal cartel should now be scrapped with each one of the country's eleven societies setting their deposit and loan rates according to their own competitive circumstances.

As the retiring Registrar of Financial Institutions, Wynand Louw, told the banks on Wednesday of their controversial cartel: "It is certainly not something which is consistent with the approach of freedom, effective competition and the free market mechanism "

"There is . . . a clear understanding between the authorities and the banks that (the cartel) will be phased out as soon as circumstances permit,' he told an Institute of Bankers' function

This is a commitment the authorities should extract also from building societies. For the lack of competition between societies tends to isolate the cost of home loans from the forces of supply and demand. In consequence, the mortgage rate has become an administered rate and one



Building Societies' Viljoen . . . warding off the charge of irresponsibility

that is often set rather wide of what the market would indicate.

An administered rate is also a prime target for interfering politicians seeking immediate popularity, regardless of what the market might indicate is in the best interests of the country

As a result of the past maladministration of this important financial rate, there has been considerable misallocation of the country s resources, a misallocation first highlighted by the Franzsen Commission ten years ago.

In an inflationary climate every effort should be made to be sure the economy is functioning as efficiently as possible The building societies cartel is a significant obstacle to this — as well as to the economy growing as fast as it would otherwise be able.

A third area of criticism is that with the money supply growing so fast, the societies ought to curtail their growing activities in the payments mechanism, ie at the short end of the personal savings market

In an obvious reference to these activities, Registrar Louw pointed out also this week that there should be a clear line between banking business and building society business.

Nor can the societies escape the criticism — as Building Societies Association chief Boet Viljoen tries to do — that they were irresponsible in their method of funding in recent years.

Had they not used a privileged position to attract so many corporate deposits at rates that were not market related, they would not have stimulated housing demand far ahead of supply. Nor would they be strapped for cash to meet demand now. House prices would then not have risen so rapidly and fewer resources would have been needed to finance this inflation

The societies see their task as being simply to attract as many deposits as possible to finance loan demand, regardless of whether it has been inflated by rising costs.

That might be so if they were competing for national resources on an equitable basis, without the backing of tax privileges and not as a cartel

Moreover, being mutual associations that are not themselves subject to the vigorous market disciplines of having to achieve appropriate and competitive returns on assets and shareholders funds If they seek justification according to the laws of free enterprise, they must first themselves become competitive institutions.

The *FM* welcomes mortgage rates which are more in line with market forces than with the desires of a government seeking popular support. It is a step in the right direction But it is only a very small and halting one mentions a refugee doctor from Natal, Njajula, whose descendants are still well known as diviners near Debe Nek. Not surprisingly, Fitzgerald's hospital quickly filled with patients ... h some people had pred...

Reserves point to capital inflow

RDM 58 10/4/81

By HAROLD FRIDJHON

THE Reserve Bank's gold and foreign exchange reserves rose by R468-million at the end of March to a total of R5 501-million largely as a result of the upward revaluation of the bank's gold stocks.

Although the bank's holdings of gold were marginally lower than at the end of February, the value rose by R361-million to R4 670-million because the price was taken at R381,18 an ounce against February's R351,01.

Other elements in the reserves were also higher, with bills up R60-million and currency holdings R44-million higher.

As the current account of the balance of payments is probably in deficit, the increase in the currency components of the reserves suggests that during the month there may have been an inflow of capital which financed the trade deficit.

Unless the Treasury or the Reserve Bank raised loans abroad, it is reasonable to assume that the so-called capital inflow emanates from the raising of short-term credits to pay for the mounting import bill.

Until the closing days of March, the money market had feared that the discount and other houses would have been heavily in deficit at the month-end. The situation, however, had been saved by the timely intervention of the central bank which is following a more enlightened and relaxed attitude.

The Reserve Bank's actions are clearly discernible in its March statement.

Bills discounted were R390-million, a figure well below the level which had been feared. It is believed that within days of the turn of the month this figure was sharply reduced.

Another item which apparently reflects central bank assistance to the market is the R44-million increase in its holdings of Government securities to a record R612-million. Normally when the Reserve Bank's holdings of Government securities rise, the central bank has either taken up stock from the Treasury or it has bought stock from the private sector to pump in liquidity.

As far as is known the Reserve Bank has not taken up any additional RSA stock.

At present when the authorities are struggling to get control of the money supply the bank would not pump extra money into the system. The increased holdings of Government stock are explained by temporary Reserve Bank help to the banks. It bought very short stocks from the banks on condition that the banks repurchased them before April 7.

I believe that this has since been done.

The high figure for other securities held by the Reserve Bank, R250-million which is lower than February's R372-million, represents further central bank help to the market. This figure should be considerable lower at the end of this month.

ional ... nt ... vices ... hal ... tionships. ... is ... s may ... nior ... t for ... illness ... s and ... s ... h ... is ... or ... old ... ar ... e ... ple ... were ... angry

...and relatives. Accusations of witchcraft occurred most often in relationships which led to friction, such as that of mother-in-law and daughter-in-law living in the same homestead or, in more recent times, fellow employees competing in a job.

The condition of recovery of the sick was thought to be admission of anger by those who had any grudge against him and an expression of goodwill, as well as treatment of the disease. Hence the concern to bring to light quarrels within the homestead, or in the wider lineage, or with neighbours, and formerly, the torture of supposed witches to extract a confession.

It is here that the therapeutic function of a traditional diviner or modern healer becomes evident. She helps to make conflicts within the patient, as well as within the family, conscious. She brings them into the open, pressing all to "speak out", since "anger in the heart", nursing a grudge, is what brings misfortune. Rev. Dr Berglund gives a wonderful account of a woman, a domestic servant, dancing at a Zionist healing service, "speaking out", and telling how a wrongful accusation by her employer that she had been pilfering, taking sugar, had hurt her, and she had fallen ill.

The stress on "speaking out" is most apparent in the treatment of a novice diviner who was thought of as someone ill. Great emphasis was laid on her confession of dreams and admissions of quarrels of which she was conscious. In Pondoland, a young woman pregnant for the first time, also "spoke out" her dreams and admitted quarrels and past misdoings, such as a flirtation with a clan member which was a breach of the incest taboo. She did this when washing with purifying medicines appropriate to pregnancy.

The diviner helps people to make up their minds as to which of several potential causes is the effective source of the illness. Typically, the diviner chooses between alternative cause, for those who are ill and their kin have possible causes in mind when they come to enquire through divination.

Anger within is made conscious and admitted, and evil without is personified in terms of evil medicines or familiars -- a baboon or wild cat, or snake, or a fabulous being with exaggerated sexual characteristics, Tikoloshe. All this is expressed in symbolic language, unintelligible in literal translation or to someone with a superficial knowledge of the

Control of Bakers passes to ATI

Own Correspondent

DURBAN — An overwhelming majority of shareholders in Bakers, the 130-year-old Durban-based biscuit-making and bakery group, voted yesterday to hand control to Anglo-Transvaal Industries.

Three meetings held yesterday set in motion the complex arrangements under which ordinary shareholdrs in Bakers will first surrender their shares in exchange for redeemable preference shares and then redeem them at 1 535c each.

The resolutions have still to be confirmed by the Durban Supreme Court on April 21, but that is expected to be a formality.

The scheme of arrangement, which will make bakers a wholly-owned subsidiary of Anglo-Transvaal Industries, was announced last December 12 and had the full support of the Baumann family, which has guided the group since its formation in 1851.

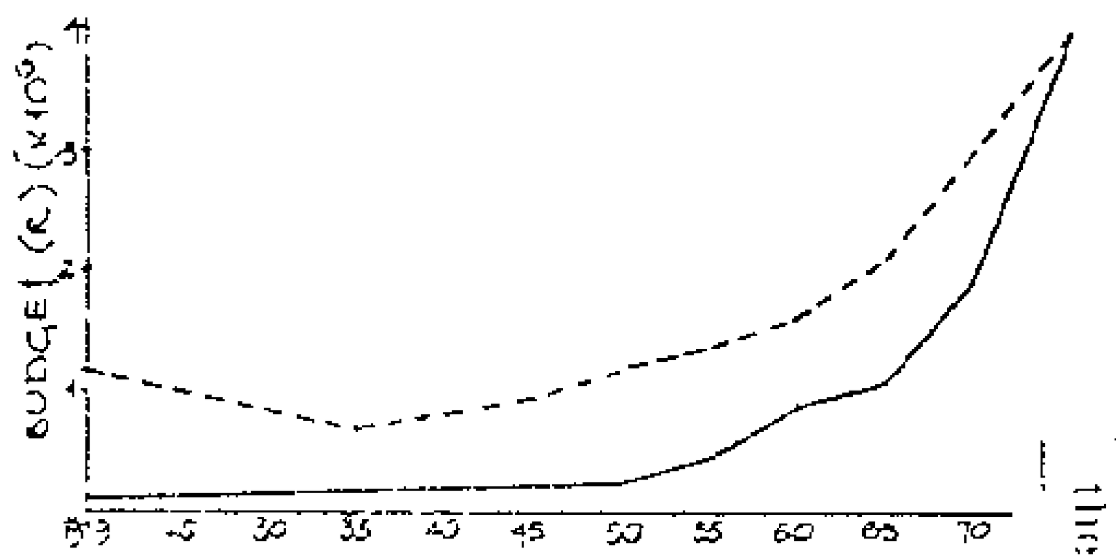
The family had the support of shareholders and the seven special resolutions passed yesterday had "yes" votes of about 98 percent.

It was not possible to distinguish between qualified in-training and assistant nurses in the statistics. Without these distinctions, no valuable assessment of the real expansion of nursing care can be made. (8)

V. FINANCES 1919-1976

The money set aside for mental health in state budgets has increased from £310 379.00 in 1919 to R38 092 793.00 in 1976.

GRAPH 8
MENTAL HEALTH BUDGET 1919-1976
— ABSOLUTE AMOUNT (IN £ TILL 1964)
--- CORRECTED FOR 1976 PRICES (USING RANDS FROM 1919).



(A simple ratio of 1:2 is utilised in converting pounds (£) into rands (R).)

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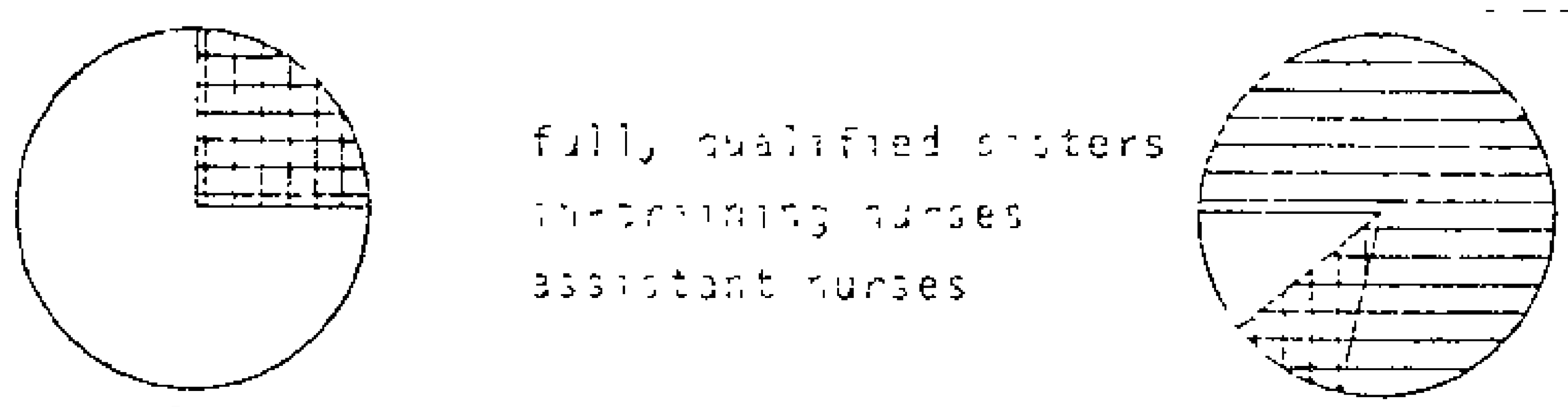
8. For example if in 1980, 600 of the 800 nurses were fully qualified and the remaining 25% were in-training nurses, a very different situation would pertain if only 60 of the 800 nurses were fully qualified, only 20 were in-training nurses and the remaining 720 were unqualified assistant nurses.



Not only would this difference affect the nurse:patient ratios, it would alter the quality of care delivered by the nursing staff as a whole. (** See page 14a)

The actual staff position could not be ascertained. Only the limited observation can be made that the total number of nursing staff kept pace with the total inpatient population; in fact, it rose at a slightly higher rate.

There is no evidence available to show that the psychiatric nursing staff is rising. It is probable that the ratio is rising.

14a/ ...

**

There is no necessary connection, of course, between quality of care and level of educational training of the nursing staff, especially in custodial institutions. The evidence from Smith Mitchell, where nurse-aides in training take major responsibility for the overall welfare of patients under their charge, suggest that people with a low formal standard of education are able to deliver a high quality service to mental paitnets.

11/4/81

Jardines earnings doubled

Jardine Matheson of Hong Kong, who hold a 51 percent stake in Rennies Consolidated Holdings, announced today that total earnings of the group more than doubled in 1980.

Consolidated net profit after tax and minority interests, but before exchange translation differences and extraordinary items, jumped 26 percent to 99.4-million US dollars from 78.5-million US dollars in 1979.

Earnings a share rose 22 percent from 0.32 US dollars in 1979 (as adjusted for the subsequent three for 20 free scrip issue in June 1980) to 0.39 US dollars last year.

Exchange translation differences and extraordinary items resulted in surpluses of 21.8-million US dollars and 69.8-million US dollars respectively against surpluses of 10.6-million US dollars and 7.3-million US dollars in 1979.

This brought total earnings of the group in 1980 to 191-million US dollars compared with 96.4-million US dollars in the previous year.

S1MN 16/6/81 (538/81)

Anamint earnings increase to 919c

Anglo American Investment Trust (Anamint) has increased its earnings a share, excluding the retained profit of its associate, from 907c to 919c for the year ended March 31. Attributable profit, including its share of retained profits of its associate, rose by R5,3-million to R226-million.

A final dividend of 630c a share (630c) has been declared which, with the interim of 260c (230c), makes a total distribution for the year of 890c (860c).

EQUITY METHOD

For the 1981 financial year, Anamint has adopted the equity method of accounting and for comparative purposes, the 1980 figures have been restated accordingly.

Anamint derives the majority of its income from its shareholding in its associated company, De Beers Consolidated Mines, which distributed total dividends of 75c a share in its financial year ended December 31, 1980 (previous total 72,5c). Anamint also has interests in unlisted diamond trading companies. — Sapa

2. cont.........

(1) Plot this demand curve a ... / using graph paper.

(2) Now suppose that over a ... annual "crop" amounted to outp... 0, 40, and 70 million bushels i... e the gross value of the crop ... nd curve scheduled above was the ... rs.

(3) Calculate the average a ... he ten years, and the output a... te.

(4) Construct a schedule s... eceived for each of the output ... make the gross value of the ... age annual gross value. Plot thi... demand curve. (It will be a ...

... offered ... art (4). ... vernment ... have to ... the ten successive years of pa... 2). Would ... sell a total greater than the amount it would ... ten years? Does the answer mean that ... gross value of a crop is impossible?

* * * * * * * * *

MSAULI

Holding out

58 Ak+/81

FM

Activities: *Mining company producing chrysotile asbestos in the eastern Transvaal. Gencor has 38,7% of the equity.*

Chairman: *C H Walters.*

Capital structure: *6,45m ordinaries of 50c. Market capitalisation, R15,2m.*

Financial: *Year to December 31 1980. Borrowings: net short-term, R235 000. Current ratio: 1,1 Capital commitments, R1,1m.*

Share market: *Price: 235c (1980-81 high, 355c, low, 200c, trading volume last quarter, 99 000 shares). Yields: 21,4% on earnings, 14,9% on dividend. Cover, 1,4 PE ratio 4,7.*

	'77	'78	'79	'80
Fibre production (000t)	100 7	71,0	85,0	100,0
Turnover (Rm)	18,1	16 2	17,8	19,1
Pre-tax profit (Rm)	7,5	5,8	4,7	4,1
Earnings (c)	83,2	63,7	54,3	50 2
Dividends (c)	50	52,5	40	35

Though market conditions were tough last year and are likely to stay that way in 1981, Msauli seems to be holding its own. But life is not easy.

Competition from Zimbabwean, Australian and Russian producers coupled with a strong rand, eliminated any possibility of price improvements. And though the rand's exchange rate should move favourably against the dollar this year, greater competition from the Canadian majors is expected impact on sales in traditional markets.

However management is confident enough of this year's sales potential to forecast a small production increase, all of which is expected to be sold. Problems with ore dilution at the mine have been overcome and plant modifications should help to improve recoveries.

Though sales volumes are expected to increase marginally, a more important factor in determining this year's profit will be prices. In dollar terms little improvement is likely, particularly as the Canadian majors are seeking alternative outlets for sales diverted from the US market. But that could be compensated for by a more favourable rand/dollar exchange rate.

Though on-mine costs are well under control and likely to remain so for as long as the market is tight, Msauli could not avoid higher off-mine costs due to increased rail tariffs. And further increases are likely this year.

There is unlikely to be any significant profit improvement this year, though there need not be a major deterioration either. However, distribution policy is likely to be cautious. Capital spending is slated to increase to R1,7m against R903 000 last year. And that will limit room for manoeuvre over the dividend. A repeat of last year's 35c is possible, though it is perhaps safer to reserve judgement on that until the first and second quarters' results are available. For the time being the share, at 235c, is fully priced.

Jim Jones

2. cont.........

(1) Plot this demand curv ... ›ly using graph paper.

(2) Now suppose that over ... "crop" amounted to ou ... and 70 million bushel ... gross value of the cr ... scheduled above was t ... e annual ... 50, 40, ... ate the ... nand curve ... ears.

(3) Calculate the <u>average</u> ... the ten years, and the output ... lue.

(4) Construct a schedule ... received for each of the outpu ... o make the gross value of th ... rage annual gross value. Plot th ... demand curve. (It will be ...

(5) From the demand curv ... offered on the market in ord ... part (4). From these amounts m ... overnment

... have to ... 2). Would ... nt it would ... at

METAL CLOSURES FM. 17/4/81

Expansion plans

Activities: *Manufactures metal closures and tubes, plastic crates and domestic plastic ware, and sells closure sealing machinery. Metal Closures (UK) holds 76,9% of the equity.*
Chairman: *Dr M D Marais, managing director. R A P Upton.*
Capital structure: *2,6m ordinaries of 50c, and 78 950 7% red cum prefs of R1. Market capitalisation R12,6m.*
Financial: *Year to December 31 1980. Borrowings: long- and medium-term, R80 000; Net cash R1,4m. Debt:equity ratio: 4,8%. Current ratio: 2,2. Group cash flow: R3,7m. Capital commitments: R2,6.*
Share market: *Price: 485c (1980-81 high, 505c, low, 375c; trading volume last quarter, 15 850 shares). Yields: 23,3% on earnings, 7,8% on dividend. Cover: 3,0. PE ratio: 4,3.*

	'77	'78	'79	'80
Return on cap %	23,1	24,5	27,1	35,4
Turnover (Rm)	15,0	15,9	21,6	29,0
Pre-tax profit (Rm)	2,1	2,3	2,9	4,6
Gross margin %	14,4	14,9	13,4	16,0
Earnings (c)	48,5	53,7	69,3	112,8
Dividends (c)	17	19	24	38
Net asset value (c)	310	344	389	464

Metal Closures' future looks bright, with plans for new developments and expansion reflecting substantially higher demand. Improved activity in all group divisions led to a turnover increase of 35% to R29m in the year to end-December, while pre-tax profit rose 58% to R4,6m (R2,9m).

Despite these increases, capital employed rose only 22% to R13,1m. Consequently, both margins and returns improved (see table), notwithstanding higher raw material costs.

Substantial investments are being made in plant and machinery to meet future demand. A modern plastics factory is being built in Johannesburg and there are also plans to expand the injection moulding activities to the western Cape. These new facilities are scheduled to come on stream by June 1981.

Capex planned for 1981 so far totals R2,6m, but will present no problems to the under-geared Metalclo which has net cash resources of R1,3m and a very low 4,8% debt:equity ratio.

Despite last year's growth, total borrowings were only R580 000 (R288 000) and this is exceeded 6,4 times by group cash flow.

Chairman Dr Marthinus Marais offers no forecast for the current year, but the expansion programme should impact favourably on costs once possible teething problems have been overcome. He adds that raw material prices appear to have stabilised since the mid year hikes.

Asset management has been sound, which has also benefited group cost structure. Last year stocks increased only 28%, despite higher raw material prices.

At 485c the share is trading at a 4,5% discount to assets and stands on a high 7,8% historic yield. This appears to indicate some caution on the part of investors, but also reflects limited marketability.

Cathy Warrmer

* * * * * * * * *

EVELYN HADDON

FM · 17/4/81

Accelerating growth

(58)

Activities: *Supplies paper, machinery and allied materials to the printing industry. Gencor controls 53% of the equity.*
Chairman: *H A Smith; managing director P A McGurk.*
Capital structure: *2,8m ordinaries of 50c; and 80 000 6% cum red prefs of R2 Market capitalisation R18,8m*
Financial: *Year to December 1980. Borrowings, long- and medium-term, R7,7m; net short-term, R7,1m. Debt/equity ratio: 55,5%. Current ratio: 2,3. Group cash flow: R4,5m Capital commitments: nil.*
Share market: *Price 670c (1980-81: high, 750c, low, 465c, trading volume last quarter, 21 025 shares). Yields: 23,1% on earnings, 8,1% on dividend. Cover 2,9. PE ratio: 4,3*

	'77	'78	'79	'80
Return on cap % ...	16,4	17,8	20,2	30,2
Turnover (index)	100,0	121,6	158,4	214,2
Pre-tax profit (Rm) ..	2,4	3,1	4,5	7,6
Gross margin (ratio) ..	1,00	1,09	1,25	1,47
Earnings (c) ..	48,9	65,7	91,1	164,8
Dividends (c) .	24	27	35	54
Net asset value (c)	343	477	540	642

Evelyn Haddon's sustained profit improvement since 1976 was further enhanced during 1980, with pre-tax profit

urve as accurately as possible, preferably ...

Evelyn Haddon's Smith . . . benefiting from volumes

growth increasing to 69% from 45% 1979. The group benefited both from th continued economic upturn and improve operational efficiencies. This is reflecte in the fact that profit growth was almo double the 35% rise in turnover.

Although expenses rose significantl particularly raw material costs, the hig er volumes gave better overhead recove and improved warehousing facilities Maritzburg, Cape Town and East Lond also appear to have contribute favourably.

Chairman Hugh Smith comments, ho ever, that the paper division was hinder due to problems in the supply of pap from local mills This forced the compa to import certain grades and it was al obliged to maintain stock at a higher lev than would otherwise have been the cas

Thus, the balance sheet shows stock 46% — 11 percentage points more than th increase in turnover. But, in terms overall working capital requirements, th company scored from disproportionate in creases of 23% for debtors and 42% fo creditors, so that the rise in worki capital remained in line with turnover.

Nevertheless, the additional R7,3m which the company had to invest in worl ing capital may well explain why dividen cover was again increased Over the pa year cover rose from 2,7 to 2,9, whil since 1976 it is up from 2,1.

However, working capital needs ove the past year could just have easily bee financed with borrowings. As it is, tota debt declined slightly to R10m (R10,6m and, with the growth of shareholders funds from profit retention, the debt

equity ratio dropped to 55,5% (69,9% Given a gross return on capital of ov 30%, this financial structure is very co servative for a trading company.

Evelyn Haddon should, therefore, able to increase dividends in line wi earnings growth. With demand st strong, earnings of 200c (155c) look pos ble for 1981, and the payout on this bas could be 69c (54c)

If this kind of performance is achieve the share at 730c yields a prospecti 9,5%. Smith says no significant reductio in working capital requirements are for seen in 1981 but, with an improving ou look for the supply position, the shar appears to be a stable investment.

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F. M. 17/4/81

QUIN CORPORATION LIMITED

(58)

Interim Profit Announcement – 28 February 1981

Net income before taxation up 62 times to R4,8 million
Earnings per ordinary share up 25 times to 27,2 cents
Net tangible asset value per ordinary share up 2,2 times to 96,9 cents

QUINCOR'S TRADING RESULTS

The directors announce the unaudited trading results of Quincor for the twelve months ended 28 February 1981 as follows

	Twelve months to 28 February 1981	Eight months to 29 February 1980
	R'000	R'000
Net income before taxation	4 853	78
Less taxation	1 649	34
Net income after taxation	3 204	44
Preference dividends	175*	—
Earnings attributable to ordinary shareholders	3 029	44
Earnings per ordinary share (cents)	27,2	1,1

*The preference shares were issued on 9 March 1981 and will result in a total preference dividend charge of R234 000 for the seventeen months ending 30 June 1981. The total preference dividend charge has, for the basis of establishing earnings attributable to ordinary shareholders, been apportioned from the date of which attributable earnings have been accrued.

DIVIDENDS

The directors of Quincor intend, subject to no unforeseen circumstances, to declare a dividend of 5 cents per Quincor ordinary share in respect of the period ending 30 June 1981. The dividend, if declared, will be paid to shareholders in September 1981.

THE HENDLERS ACQUISITION

ACTIVITIES

Hendler & Hendler Holdings (Pty) Limited ("Hendlers"), together with its subsidiaries, is a well-diversified group and through its subsidiaries operates as a manufacturer and merchandiser of a large product range of metalware products, office furniture, building panels and specialised products

THE CONSIDERATION PAID

On 11 December 1980 Quincor acquired with effect from 25 May 1980 the entire issued share capital of, and a shareholders' loan of R695 607 to Hendlers. The purchase consideration of R18 million was satisfied by the issue of 1 600 000 Quincor ordinary shares of 50 cents each and by the payment of R16 million in cash. The cash payment of R16 million was financed as follows·

		R'000
(i)	By the issue of the following Quincor shares	
	5 386 820 ordinary shares of 50 cents each issued at 105 cents per share	5 656
	2 899 180 10 cent dividend convertible cumulative preference shares of 50 cents per share issued at 105 cents per share	3 044
	6 000 000 variable rate redeemable preference shares of 10 cents each issued at 100 cents per share	6 000
		14 700
(ii)	Quincor's internal cash resources	1 300
	Total payment	16 000

THE DOMANI ACQUISITION

ACTIVITIES

Domani Stainless Steel (Pty) Limited ("Domani"), together with its subsidiary, operates as a manufacturer and merchandiser of stainless steel products and ceramic decals. The company pioneered the concept of colour on stainless steel in South Africa.

THE CONSIDERATION

On 12 February 1981 Quincor entered into an agreement whereby Quincor acquired with effect from 1 March 1981 shareholders' loans of approximately R5,5 million to Domani and Domani's entire issued share capital for approximately R1,2 million (which approximates Domani's net tangible assets) Domani's financial structure at 1 March 1981 will be such that the company will have debt (excluding shareholders' loans) equal to less than 60% of Domani's net tangible assets

The purchase consideration will be settled by the issue of Quincor ordinary shares at 150 cents per share Your directors anticipate that Quincor will issue approximately 800 000 Quincor ordinary shares to the vendor of Domani The exact number of shares to be issued will, however, only be known when Domani's financial statements for the year ended 28 February 1981 are finalised. It is anticipated that such will eventuate in May 1981.

EFFECTS

The Domani acquisition will, based on Domani's management accounts for the year ended 28 February 1981, increase Quincor's net tangible asset value at 28 February 1981 by approximately 3,1 cents per share from 96,9 cents to 100,0 cents per share. The acquisition will not initially have an effect on Quincor's earnings.

QUINCOR'S FINANCIAL STRUCTURE

Quincor's summarised financial structure at 29 February 1980 and Quincor's financial structure at 28 February 1981, including the Hendlers acquisition but before the Domani acquisition and before the payment of any dividends, is as follows·

	28 February 1981		29 February 1980	
	R'000	%	R'000	%
Fixed capital	13 829	52,8	1 807	100,0
Ordinary shareholders	10 785	41,2	1 807	100,0
Convertible preference shareholders	3 044	11,6	—	—
Debt	12 351	47,2	—	—
Redeemable preference shares	6 000	22,9	—	—
Long/medium-term	3 338	12,8	—	—
Short-term	3 013	11,5	—	—
Total capital employed	26 180	100,0	1 807	100,0
Debt % fixed capital	89,3		N/A	
Net tangible asset value per ordinary share (cents)	96,9		43,6	

QUINCOR'S RIGHTS OFFER

Quincor shareholders subscribed for 82,5% of the shares offered in terms of the rights offer to shareholders of Quincor on 6 March 1981. The balance of 17,5% of the offer was taken up by the underwriters. The 8 286 000 Quincor shares offered by rights were allocated as follows.

	000's
Ordinary shares	5 387
Convertible preference shares	2 899
Total shares issued	8 286

Quincor's issued share capital after the rights offer, but before the issue of shares for Domani, comprised

	R'000
11 129 820 ordinary shares of 50 cents each	5 565
2 899 180 10 cent dividend convertible cumulative preference shares of 50 cents each	1 450
6 000 000 variable rate redeemable preference shares of 10 cents each	600
	7 615

GENERAL

On 5 February 1981 Quincor shareholders authorised that Quincor's financial year-end be changed from the last day in February to the last day in June with effect from 30 June 1981.

Quincor shareholders will receive the company's financial statements for the period ending 30 June 1981 in September 1981.

By order of the board
H R MEYERSON
Chairman

TRANSFER SECRETARIES AND TRANSFER OFFICE
Pillar Trust (Proprietary) Limited
Unicorn House
80 Marshall Street
Johannesburg
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REGISTERED OFFICE
29 Nourse Avenue
Epping Industria 2
Cape 7460
(P.O Box 5012
Cape Town, 8000)

Cape Town
15 April 1981

PROPERTY

Rebuilding the sector

Fm 17/4/81

58

It has become an established fact that the start of a property boom lags behind an upturn in the economy. So it follows that buoyant conditions in the property market can continue long after all indicators point to a downtrend for the national economy.

Armed with that fact it should be simple to formulate the basic theory that commercial and industrial rentals will rise significantly, space will be fully taken up and profits, assuming reasonable cost increases, will soar. Buying into that is easy, so the theory goes. When industrial share prices are depressed and beginning to discount the coming downturn, property share prices tend to be dragged down in sympathy and do not reflect the potential profit and dividend increases around the corner.

Sadly, this theory does not hold good for a number of reasons. Firstly, when the stockmarket drops there are virtually no sectors which move strongly against the overall trend. The trend nowadays is that property shares generally move in line with the market but, as yields increase the institutions tend to opt for direct real estate investments rather than property shares.

Secondly, the major structural changes which have taken place in the property industry over the past 20 years have resulted in most of the newer, and thus more profitable buildings, belonging to institutions. Few of the quoted property companies have been able to generate sufficient profits to keep pace with the cost of building and re-investment in modern, high-income commercial or industrial property.

In the past 10 years, SA's property industry has greatly expanded its level of expertise, thanks largely to the entry of the financial institutions such as life assurers and banks — some of which were willy nilly dragged into property investment. One result of that is that the plums have been, or are being picked out of most under-utilised or under-valued property portfolios. In part, Sage's current bid for Unisec and, indirectly, its property arm

EDUCATION 17/4/81 FM

Barlows move

Government could do well to take a leaf out of Rand Mines' book on black education policy. The company has embarked on an ambitious project aimed at upgrading educational facilities on its mines and redressing racial imbalances in education expenditure.

The programme, with a budget of R2,6m, is part of a R256m project directed at improving the quality of life of Rand Mines' black employees. At present, 25 schools, catering for 4 000 children, and employing 115 teachers are covered by the programme.

According to Rand Mines chief education officer, Debby McWilliams, "the programme involves upgrading of all educational facilities including buildings, equipment, teacher training skills,material resources, teaching aids to a standard which compares favourably with white schools However, the gap is enormous and miracles can not be achieved overnight. At present we are concerned with basics.

"The company is spending between R130-R150 on schooling per child but the budget is elastic and will increase. Our schools all fall under the aegis of the Department of Education and Training so our spending supplements the R98.00 a child from government."

Even companies with unlimited goodwill and preparedness to spend find themselves up against official obstacles. Curricula are determined by departmental decree.

Last weekend Barlows MD Mike Rosholt, in accepting a doctorate in economics from Natal University, spelt out his company's commitment to a common and equal education system for all racial groups However, despite this commitment, the actual education offered in the mine schools may yet be inferior and unequal. In addition to government decreed curricula, teacher salaries are laid down by the department although supplemented by *ex gratia* payments from Barlows.

Says McWilliams: "A beginning must be made somewhere. At this stage our intention is simply to upgrade existing teaching facilities including teaching skills, equipment, supplementing textbooks, teaching aids to reach parity with white schools. Not to equalise the curricula immediately but rather to ensure schools are adeqauately equipped. When facilities are equal then we can think of equalising syllabi."

The scale of the problem is enormous and requires not only an investment in physical infra structure but also the establishment of a viable social-infra structure. McWilliams sees the major problem as "the teachers' inability to teach. The majority have only Std 8 and have suffered from poor education and training facilities. If we are to reach parity, our prime task is to upgrade teaching skills. As a result, one of our most important projects has been the institution of an in-service training programme. This is an essential and immediate priority."

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PLEASE CIRCLE ITEMS REQUIRED

2. cont.........

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FOSCHINI/LEFIC FM 17/4/81 (58)

Growth plans

Activities: *Operates a chain of over 500 clothing stores, including Markhams and Pages as well as American Swiss Jewellers Lewis Foschini (Lefic) holds 50% of the equity.*

Executive Chairman: *Stanley Lewis; managing director: H Mathew.*

Capital structure: *970 000 ordinaries of 50c; 200 000 cum prefs of R2. Market capitalisation: R61,7m.*

Financial: *Year to December 31 1980. Borrowings: long- and medium-term, R13m; net short-term, R10,3m. Debt:equity ratio: 64,5%. Current ratio: 2,1. Net cash flow: R9,7m. Capital commitments: nil.*

Share market: *Price: 6 357c (1980-81, high, 7 800; low, 4 750c; trading volume last quarter, 1 397 shares). Yields: 16,9% on earnings, 7,6% on dividend Cover. 2,2. PE ratio 5,9.*

	'77	'78	'79	*'80
Return on cap %	32,7	32,4	30,0	35,6
Turnover (Rm)	88	98	112	145
Pre tax profit (Rm)	9,0	11,1	13,0	18,0
Gross margin %	11,7	12,4	13,2	13,7
Earnings (c)	529	659	775	1 071
Dividends (c)	216	270	321	483
Net asset value (c)	2 280	2 670	3 131	3 681

* Lifo accounting basis

A buoyant economy and the related consumer spending spree during the past year undoubtedly contributed to Foschini's achievements in 1980. And future growth is certainly on the cards for 1981, with the group planning a record expansion of trading area.

During the year the group adopted the lifo stock valuation method, the effect of which was to reduce pre-tax profits by R1,6m and taxation by R706 000. More to the point, fifo-based figures show pre-tax profits up 51% to R19,7m (R13m) compared with a 17,1% rise in 1979.

Last year also saw significant expansion to the group's chain of stores, with the opening of 22 additional shops — in Johannesburg, Cape Town, Port Elizabeth and Maseru. This brought the number of stores to 490 at year-end — a total trading area of more than 150 000 m². Since December 31 the number of stores has increased to over 500.

The 22 new stores opened in 1980 compares with 40 brought on stream in 1979. This does not, however, take into account extensions of existing outlets during the year and, therefore, does not necessarily indicate a reduced rate of expansion. In fact, executive chairman Stanley Lewis says planned expansion for 1981 will substantially exceed that of any previous year.

Foschini recorded a 29% increase in turnover to R145m (R112m). But this was accompanied by a 46% rise in debtors, indicating that much of the additional activity was credit-based. Because of the seasonal nature of the business, a December 31 debtor figure is undoubtedly higher than the year's average. Indications are, however, that it could become increasingly difficult during the coming months to increase sales on credit, because of the degree to which consumers are already extended.

On lifo valuation, the value of stocks rose only 13% over the period, while on fifo the increase would have been 21%. In either case, this indicates tighter and more efficient stock control was excercised throughout the group.

To finance these additional stocks and debtors, total borrowings increased by over R7m, taking the debt:equity ratio from 52,4% to 64,4% — not unusual for this type of company. The balance sheet is, in fact, strong as the bulk of the additional borrowings came from a debenture issue redeemable between 1993 and 1997. Furthermore, annual cash flow of R9,7m is the equivalent of 41% of total debt.

Despite increased activity, the gross profit margin was little changed at 13,7% (13,2%). The main reason for this was the switch to lifo which reduced the ratio by 1,1 percentage points. But margins may also have been affected by new store openings and disruptions from the expansion of existing outlets.

Another effect of lifo was to reduce dividend cover from 2,4 to 2,2 times. Dividend policy was, in fact, unchanged as the fifo cover remained constant.

At 6 357c, the share yields a fairly attractive 7,6%, but that is largely academic because of limited marketability. Pyramid Lefic, with a yield of 7%, is an easier, if marginally more expensive, way into Foschini.

Chris Wilson

UNIDEV

Cleaning up

(58) FM 17

Activities: *Property investment company Unisec owns 52,7% of the equity.*
Chairman: *D D Morgan.*
Capital structure: *22,3m ordinaries of 50c Market capitalisation: R68m.*
Financial: *Year to December 31 1980 Borrowings: long- and medium-term, R26,5m; net short-term, R2,5m. Debt: equity ratio. 69,3%. Current ratio: 0.2*
Share market: *Price: 305c (1980-81: high, 310c; low, 220c; trading volume last quarter, 119 000 shares). Yields. 7,1% on earnings; 4,9% on dividend Cover: 1,4. PE ratio. 14,2.*

	†'77	'78	'79	'80
Return on cap %	11,4	12,1	14,3	16,1
Gross rents (Rm) ...	12,2	12,4	13,9	15,5
Pre-tax profit (Rm) ..	4 3	5,0	6,8	8,3
Earnings (c)	11,3	13,2	16,8	21,5
Dividends (c)	8	9	12	15
Net asset value (c) .	170	172	178	186

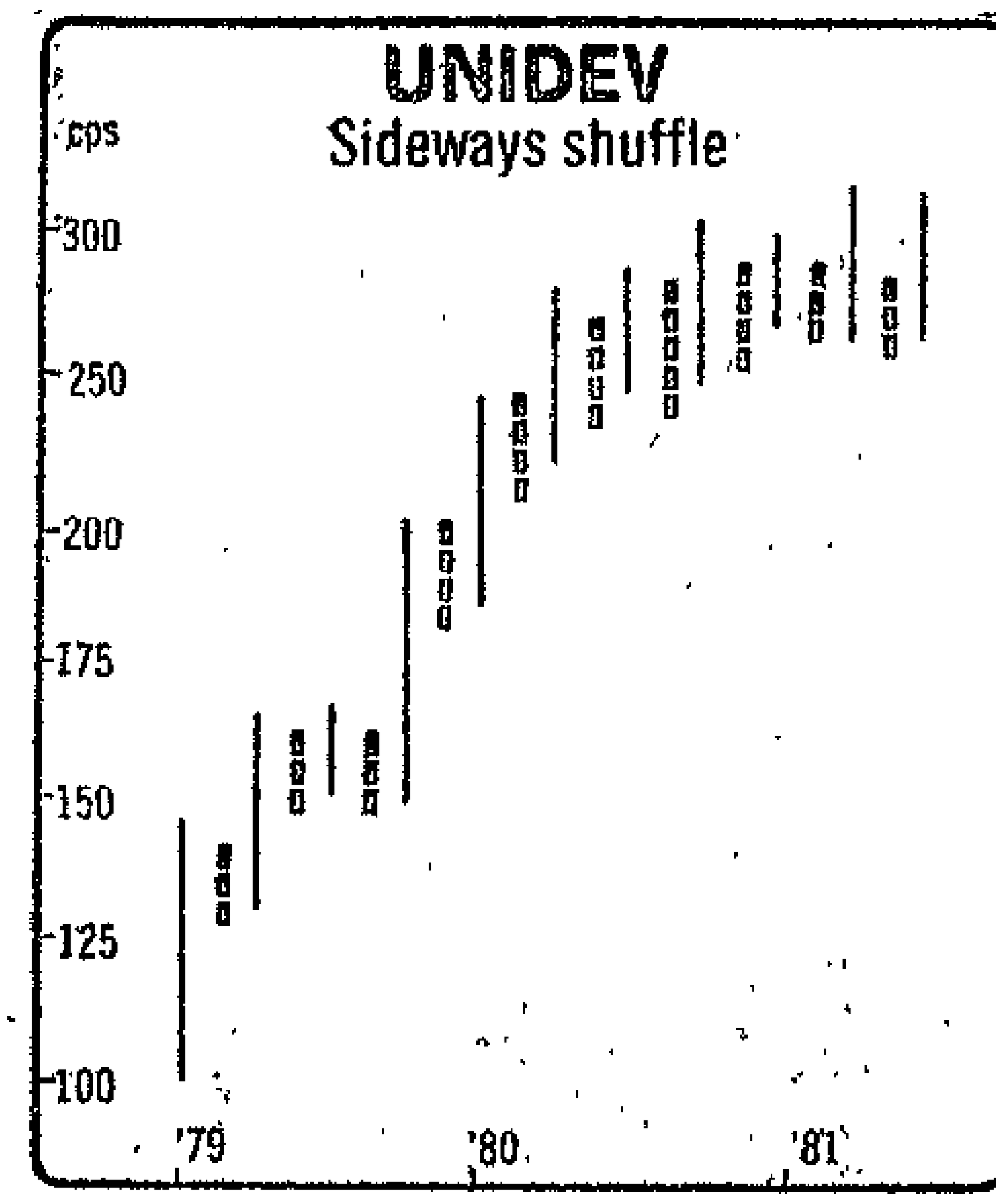
† 10 months annualised.

Unidev is really pulling out the stops to upgrade and improve the appearance of its property portfolio. Spending on repainting and renovation was almost eight times higher last year than in 1979 and, according to executive director Peter Thomas, is likely to increase even further in the current year.

Chairman Donald Morgan notes in the annual report that repainting and renovation cost the group R229 000 in 1980 against R30 000 the previous year. With some 48 properties in the portfolio, this means average expenditure per building has risen from R625 to nearly R4 800.

A further indication of the new emphasis being placed on maintenance is that repainting and renovation costs now exceed annual directors' fees. In 1979 the directors received R99 000 (excluding R70 000 paid in respect of previous years' service). But although last year's emoluments were increased one-third, the R132 000 which the directors received in 1980 was outstripped by a substantial margin by costs relating to the repainting and renovation programme.

However, despite this additional expenditure — which must have reduced earnings per share by about 3% — the company was able to maintain its record of strict cost control. This is reflected in the fact that an increase of R1,5m in pre-tax profits attributable to property letting was achieved from an increase in gross rental income of R1,6m.



Unidev's success in keeping down costs can be fully appreciated by a longer-term view of its results. The accompanying table, for example, shows that since 1976 total costs — which exclude uncontrollable items like assessment rates, water and light — have been virtually static, and it was only in 1980 that there was any increase worth mentioning.

The average annual compound growth rate in expenses for the four years to 1979 was a little over 2% and, even with last year's increase, the five-year rate is still only 5%.

Static costs

	Rm					
	1976	1977	1977†	1978	1979	1980
Gross rent	10,3	11,6	12,2	12,4	13,9	15,5
Operating profit*	7,3	8,6	9,0	9,2	10,6	11,6
Total costs	3,0	3,0	3,2	3,2	3,3	3,9

* Profits from letting, before tax, interest and depreciation.
† 10 months annualised.

Given the inflationary climate during this period, an annual increase of between 10% and 15% would not have been unacceptable. On this basis, under normal conditions, a total expense figure for 1980 of between R5m and R6m might have been expected instead of the R3,9m indicated in the table. Profits would, of course, have been lower by a corresponding amount. Put another way, the 1980 cost figure, based on a 10% inflation rate, is 21% down on 1976 in real terms.

Over the five-year period, management has devoted considerable attention to strengthening the balance sheet. To this end, borrowings totalling R14,1m have been repaid since 1976 and with the normal growth in the capital base, the debt: equity ratio has been reduced from 128% to the current 69%.

Despite the accelerated repainting and renovation programme, Morgan is confident of a further substantial improvement in profits this year. Rentals, he says, are beginning to assume more realistic proportions and the rent roll is currently running at an annual rate of R17,6m — 17% more than the comparable year-ago figure.

The other item of interest in the annual report is the statement that Norman Bank, an executive director and one of the three founder-shareholders, has instituted action against the company "and certain other parties" for the reversal of the sale of the Gillis-Mason Construction group in November 1977. This is the first time there has been any official recognition of the friction which the market has long believed exists within the management of the company.

The current price of 305c, although close to the all-time high, is still well below the 521c indicated by the directors after an in-house valuation of the portfolio. The market, however, appears to be valuing the company on yields rather than assets and the 4,9% historic dividend yield is in any case low by present industrial market standards.

Brian Thompson

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Financial Mail April 17 1981

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NED-EQUITY

FM (1/4/81) (58)

Record year

Activities: *Long-term insurer, jointly controlled by Sage Holdings and Nationale-Nederlanden NV (Netherlands).*
Joint chairmen: *H L Shill and O Hattink; joint managing directors: K W Hartwell and J A Schlesinger*
Capital structure: *18m ordinaries of 10c. Market capitalisation: R27,9m.*
Financial: *Year to December 31 1980. New business:total premiums, 45,9% (36,8%). Expenses:net annual premiums, 17,7% (21,1%). Claims:net annual premiums, 17,7% (17,3%). Dividends:investment income, 20,9% (22,7%).*
Share market: *Price: 155c (1980-81: high, 175c; low, 105c; trading volume last quarter, 55 200 shares). Yields: 5,7% on dividend.*

	'77	'78	'79	'80
Life fund (Rm)	33,4	45 0	66.6	92,8
Net annual premiums (Rm)	10,0	12,2	16,2	24.4
Investment income (Rm)	3,4	4,5	5,7	7,5
Total assets (Rm)	42,6	54,2	75,9	103,2
Dividends (c)	4,5	6	7,25	8,75

Boom economic conditions have boosted both listed life assurers over the past year. But, compared with Liberty Life, the smaller base from which Ned-Equity is working — around 3% of the individual life market, according to co-chairman Louis Shill — has led to particularly impressive growth.

Net annual premiums climbed strongly over the year to end-December from R16,2m to R24 4m, of which new business accounted for a hefty R12,5m (R6 8m) on an annualised basis. Normally, such a strong influx of new business would generate considerable strain because of the pattern of commissions, but Ned-Equity's reserves proved more than adequate to cope with this.

The life fund, as a result, increased from R66,6m to R92,8m, though the increase in equity dividends, from 7,25c to 8,75c, did not quite match the long-term compound growth rate. Group assets grew from R75,9m to R103,2m.

Shill says the strong performance reflected a good year for the industry as a whole, as well as deeper penetration by Ned-Equity into the broking industry. The company is gaining more acceptance in the market place, he adds, since it began operations in its present form seven years ago. And he believes that, though the economy may turn down over the next year or so, the company should maintain a very good growth pattern.

Investment income grew from R5,7m to R7,5m, but the structure of the portfolio changed only slightly. Government and quasi-government stocks represented 36,2% (32,9%) of total investments of R96,0m (R71,2m), while holdings in shares, unit trusts and property trusts accounted for 39,3% (39,7%).

Though Liberty Life's investment strategy over the past year has clearly been aimed at increasing the importance of direct property holdings, Shill believes that property funds are a better investment for a life assurer. He points out that the group has substantial interests in both Pioneer and Fedfund and, on this basis, about 20% of the total portfolio is effectively in property.

During the current year, he adds, the company will probably be more cautious about equity investment. But though there are some attractive investment opportunities at present in fixed-interest stocks, Shill says there is unlikely to be any great rush into this area as yet. While interest rates have risen well, he reasons they have not yet reached their peak. Short term rates, meanwhile, are strong and money can profitably be placed there while longer rates continue to move up.

There has been no change in the pattern of prescribed investments over the past year, except for a relaxation of required cover on linked insurances. This had a very beneficial effect on investment policies, Shill says, though he is clearly eager to see further changes in the official requirements.

Shareholders can expect a growth rate in dividends similar to 1980's 21% for the current year, given the fairly steady relationship between payouts and investment income. This ratio usually stays around 22%, though it slipped slightly last year — presumably because of new business strain.

This would indicate a total dividend this year of up to 11c. With the share just off its year's high at 155c, it therefore offers a prospective yield of 7.1%. This is certainly slim, but it does offer a cheaper entry into the assurance field than Liberty Life, while also having more rapid growth prospects for at least the medium-term.

Scott Hacker

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(2) Now suppose years the annual
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RENNIES FM 17/4/81 (58)

Expansion plans

Activities: *Conglomerate with main interests in shipping, hotels, tourism, security, manufacturing and wholesaling. Jardine Matheson of Hong Kong holds 52% of the equity.*

Chairman and chief executive: *C W Fiddian-Green; vice-chairman and deputy chief executive: E Steyn.*

Capital structure: *22,3m ordinaries of 50c, 800 000 5,5% cum prefs of R2, and 218 511 5% red second cum prefs of R1. Market capitalisation: R75,8m.*

Financial: *Year to December 31 1980. Borrowings: long- and medium-term, R33,5m. Net cash, R3m. Debt/equity ratio, 59,0%. Current ratio, 1,4. Group cash flow, R21,8m. Planned capex, R28m.*

Share market: *Price, 340c (1980-81, high, 400c, low, 260c; trading volume last quarter, 846 000 shares). Yields: 19,6% on earnings; 9,7% on dividend. Cover, 2,0. PE ratio, 5,1.*

	'77	'78	'79	'80
Return on cap %	17,5	21,7	24,9	29,2
Turnover (Rm)	150	162	192	236
Pre-tax profit (Rm) .	10,1	13,0	17,3	25,8
Gross margin %	10,0	11,3	11,3	12,4
Earnings (c)	22,3	32,6	45,4	66,7
Dividends (c)	10	15	22	33
Net asset value (c) .	172	184	206	240

Having firmly recovered from the 1977 low, and posting annual compound earnings growth of some 50% since, Rennies chairman Charles Fiddian-Green is confident of profit growth through 1983 as internal efficiencies and new projects boost activity. This recovery has provided Rennies with the financial muscle it needs to fund expansion without straining liquidity. Dividend growth potential, therefore, looks sound.

Last year's 47,8% earnings advance was broadly based, but casinos and hotels fell from being No 1 profit contributor as the Lesotho Holiday Inn was deconsolidated. This unit also faced increasing competition. The deconsolidation follows a renewal of the trading licence on a non-exclusive basis and a reduction in Rennies' stake to 50% (80%). However, other Holiday Inns turned in "exceptionally good" results, with 71,2% (69,4%) average occupancy and a 58% rise in total operating profit despite growing competition.

This year's results from hotels and casinos should improve again as new projects come on stream, though the bigger developments will have a negligible impact until 1982. Included in the R19m to be spent on this division this year, is the equipping of the Wild Coast and Sandton Inns.

Shipping and transport activities topped the profit pile in 1980 as import volumes remained strong. High demand was maintained for ancillary shipping and security services and vehicle rental operations. The only disappointment was a lower profit from the ships' agency arm which lost a major agency. Capex in the shipping and transport division for 1981, including expansions to the Durban bulk terminal, re-development of the Maydon Wharf warehouse and additions to vehicle fleets, is planned at R6m.

Rennies' Fiddian-Green . . . looking to continued growth

A 32% increase in the trading division's operating profit reflected the improving margins throughout the group. Turnover rose 19% and was enhanced by the acquisition late in the year of Keens Electrical from Tavistock for R6,6m. Keens contributed some R10m to turnover and, judging by activity in the electrical wholesaling sector and Keen's strong market position, significant advantages will accrue in 1981.

At the time of the preliminary report, Fiddian-Green said Rennies was looking for a 20% return on this investment, which augurs well for a taxed contribution of well over R1m to earnings this year. Keens contributed around R400 000 to operating profit in the two months it was consolidated during 1980.

Large contributors to last year's profit increase in the trading division were Jordans (the shoe manufacturing subsidiary in which Rennies has lifted its interest from 70% to 92,5% since the year-end) Douglas Green and the 33,3% stake in Makro. With the acquisition of Keens, this division should comfortably beat last year's performance.

Strong profit growth last year placed Rennies in an ideal position for expansion. The self-imposed debt/equity ratio target of 80% leaves the group with significant expansion capacity. Even after meeting this year's expected R28m capex bill, Fiddian-Green reckons gearing will remain below 70%, compared with the present 59%. Provided profitability is maintained, there is no reason why Rennies could not exceed its internal target, as the cover on annual interest payments is over eight and properties, particularly in the Holiday Inns division, are conservatively valued. Equally, these properties could always be sold on leasebacks to provide funds for future expansion.

With Fiddian-Green's forecast of higher profit this year, continued growth through to end-1983, and the sound asset management of recent years, it is surprising to see Rennies on so high a dividend yield. The past record is, perhaps, against the market rating, but at 340c and yielding an historic 9,7%, the share is a sound income buy. *Des Kilalea*

(58) gold FM 17/4/81

AMGOLD

Capital commitments

Activities: *Anglo's major gold and uranium investment vehicle. Holds most of the group's strategic gold mining company stakes, both in-house and in mines managed by other groups. Has a 10,9% interest in GFSA. Participates in Anglo's gold and uranium exploration programmes worldwide. Anglo has 48,6% of the shares.*
Chairman: *J Ogilvie Thompson.*
Capital structure: *22m ordinaries of 10c; 25m red cum prefs of 10c. Market capitalisation R2 156m.*
Financial: *Year to February 28 1981. Net cash: R144,7m. Current ratio: 1,5 Capital commitments: Nil.*
Share market: *Price: 9 800c (1980-81: high, 14 700c; low, 7 875c; trading volume last quarter, 305 000 shares). Yields: 14,6% on earnings; 11,7% on dividend Cover: 1,25. PE Ratio. 6,8.*

	'77	'78	'79	'80
Investments,				
Book value (Rm) ...	185	207	208	217
Market value (Rm)	766	1 103	2 246	2 335
Investment income (Rm) ..	45,2	74,4	133,9	321,4
Earnings (c)	189	318	583	1 435
Dividends (c) ..	165	250	525	1 150
Net asset value (c)	3 415	4 916	10 181	10 829

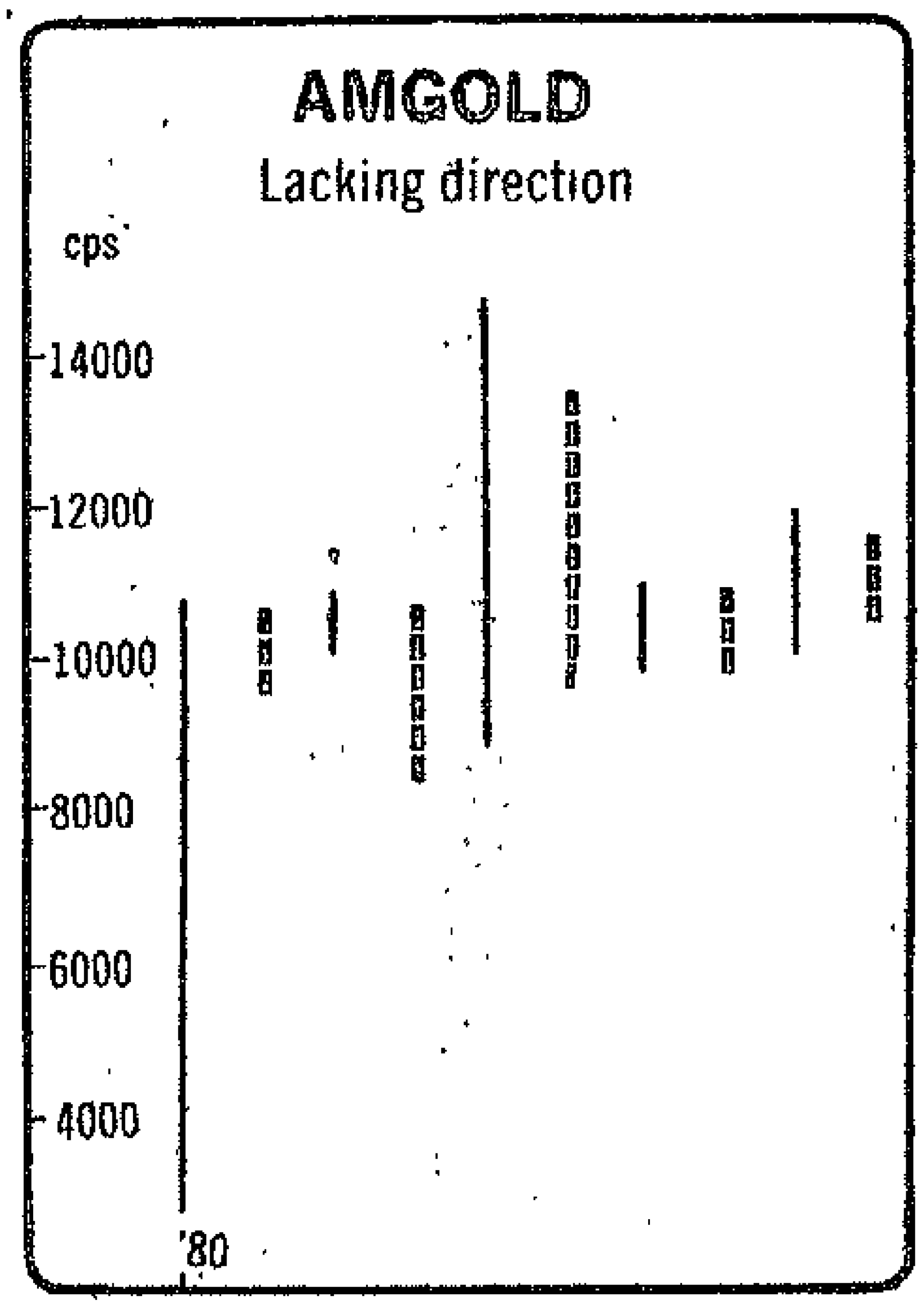
* 12 months to December 31. † 14 months to February 28

For the present, Amgold's share portfolio appears to have stabilised. The company sold no shares last year and, apart from following its obligation to fund the Western Deep Levels expansion, the only major portfolio addition was 100 000 Unisel, lifting the holding to 1m shares.

More to the point, though, the company took advantage of last year's quantum increase in investment income to strengthen liquidity. Net current assets increased from R9,9m to R62,3m while dividend cover was increased from 1,11 to 1,25 times. However, it remains to be seen whether management decides to support distributions from cash resources this year as dividend income will almost certainly be lower.

The next couple of years are likely to see some relatively heavy calls on Amgold's resources. This year at least R28m will be needed to follow Elandsrand's R120m rights issue And there is a commitment to subscribe a further R14,3m for Western Deep Levels debentures.

Last year, prospecting expenditure rose to R3,9m (R2,2m) and the tempo of exploration is likely to increase steadily over the next couple of years. Funding Amgold's share of the Anglo group's exploration programme is no strain But judging by the confident way chairman Julian



Ogilvie Thompson talks about the southern OFS drilling programme, the group could be involved in the establishment of a new mine within a couple of years.

It was possible to fund the Erfdeel/Dankbaarheid project with the tax saving alchemy of a merger of Welkom, Western Holdings and Free State Saai. That may be more difficult as far as new mines south of the existing producers are concerned. And until any possible new mine reaches the planning stage, Amgold is likely to take a fairly cautious line on retentions

What it all adds up to is the likelihood that this year's distributions will move in line with dividend income. In the longer term, funding new ventures in the OFS could coincide with additional calls if Anglovaal's eastern Transvaal exploration programme (in which the Anglo group has a 40% interest) results in the establishment of new gold mines.

This may appear unduly negative as far as near-term dividends are concerned But Amgold is arguably the best gold investment available — its portfolio spread ensures that And it is worth paying the price of near-term income slackness to be in on the ground floor of major new mining projects.

At 9 800c the share yields a high historic 11,7% — almost 70% higher than the yield of this time last year. The market seems to be counting on a dividend drop to about 700c this year, though the share price may not yet fully reflect that. If gold continues to weaken over the next few weeks, first-half income will almost certainly reflect relatively high rententions (and at the same time cautious dividend declarations) by mines with heavy capex programmes. And when that is reflected in Amgold's earnings and distribution, the share price could come under further pressure.

On a short-term view, a purchase of the share cannot be recommended, nor can it be until gold escapes from its current bear trend. Investors with longer-term objectives could see better buying opportunities during the next few months.

Jim Jones

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GEFCO

FM 17/4/81

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58

Singing the blues

Activities: *Mining company producing crocidolite (blue asbestos) in the northern Cape and Bophuthatswana. Managed by Gencor which has 37,6% of the equity. Sentrust has a 13,2% holding and 11,5% of the shares are owned by Sanlam*
Chairman: *C H Walters.*
Capital structure: *11.95m ordinaries of 50c. Market capitalisation, R16,7m.*
Financial: *Year to December 31 1980. Borrowings: net short-term, R10,2m. Current ratio 1,3. Capital commitments: R298 000*
Share market: *Price, 140c (1980-81: high, 300c; low, 140c; trading volume last quarter, 209 000 shares) Yields: 14,4% on earnings; 10,7% on dividend. Cover 1,3. PE ratio, 6,9*

	'77	'78	'79	'80
Fibre production (000t)	76,1	64,3	50,5	47,3
Turnover (Rm)	47,1	45,1	39,6	37,5
Pre-tax profit (Rm)	15,1	12,8	6,7	3,5
Earnings (c)	94,3	70,3	38 3	20 2
Dividends (c)	52	55	32,5	15

Chairman Wally Walters' report for 1980 is a tale of woe. And he has little comfort for shareholders in 1981.

Sales have been hammered by a combination of weak demand, de-stocking by consumers, adverse exchange rate moves, health fears and substitution. And though some of these problems could be alleviated during the current year, improvement prospects are limited.

As Walters sees it, the rand/dollar parity should shift in Gefco's favour this year. And he sees some changes in the health hazard allegations levelled against crocidolite. But these are minor advantages when weighed against prospects of a further year of weak demand.

Several importing countries, with foreign exchange shortages, have switched purchases to poorer grades of chrysotile asbestos while, in the present climate of lower economic activity, there is probably scope for further de-stocking by consumers.

As the sales downturn has deepened, Gefco has rationalised production by stopping extraction of some lower-grade ore bodies and concentrated on those with higher grades. In addition, last year's fibre recovery improvement from 12,4% to 13,0% was aided by modifications to extraction techniques. The net result was that production costs per ton of fibre rose only 8,5% to R313,3. Cash flow was conserved by pruning the company's capital spending programme and limiting exploration to only the most promising target areas.

It is difficult to see anything better than a slow, medium-term recovery for the company. And that implies that management will be ultra-careful in recommending dividends. For the current year it is unlikely that there will be an improvement on last year's 15c distribution. At 140c the shares are only for investors prepared to take an optimistic medium-term view or for traders who believe that the fall has reached its bottom limit.

Financial Mail April 17 1981

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SCOTTISH CABLES

FM 17/4/81

Belated recovery

1981

58

Activities: *Manufactures insulated electric cables and technically related components. BICC (UK) holds 58% of the equity.*
Chairman: *A B Theunissen; managing director: H Dixon.*
Capital structure: *13,3m ordinaries of 25c. Market capitalisation: R49,2m.*
Financial: *Year to December 31 1980. Net cash R2,1m. Current ratio: 1,7. Group cash flow: R6,3m. Capital commitments: R3,1.*
Share market: *Price: 370c (1979-80: high, 410c; low, 260c; trading volume last quarter, 70 000 shares). Yields: 9,1% on earnings; 6,2% on dividend. Cover: 1,5. PE ratio: 11,0.*

	'77	'78	+'79	+'80
Return on cap % ...	16,4	35,0	34,0	50 5
Turnover (Rm)	21,6	17,6	20,9	52,1
Pre-tax profit (Rm)	1,8	4,1	4,8	7 8
Gross margin % ..	10,6	19,7	11,7	15,3
Earnings (c)	8,5	20,2	21 6	33.7
Dividends (c)	7,5	13,5	18	23,0
Net asset value (c)	90	97	106	116

+ Lifo accounting

The electrical sector of the market is finally feeling the benefits of the economic upswing. Scottish Cables' year-end profit reflects this somewhat belated improvement and, provided margins can be maintained in a competitive market, the earnings advance should continue.

Improved levels of activity produced a 27% increase in turnover to R52,1m (R41m) in 1980. This reflects increased electrification plans by the SAR and Escom in the public sector, as well as in the mining industry. Soweto's electrification programme is also beginning to affect local manufacturers.

Increased operational efficiency, significantly higher volume sales (and, therefore, overhead recoupment) resulted in a faster rise in pre-tax profit of 38,1% to R7,8m (R4,8m).

The effects of lifo stock valuation worked in reverse in 1980 with the fall in prices of copper and lead creating a credit in the income statement. So instead of reducing profits and tax, lifo increased these items. But offsetting this R483 000 increase in profit was an additional R604 000 in profit charge for depreciation as Scottish Cables adopted the straight-line, rather than reducing-balance write-off policy.

Despite the 27% sales increase, capital employed rose only 9,1% to R15,5m (R14,2m), while the gross profit return improved to 50,5% (33,8%).

Chairman Albert Theunissen describes 1980 as a year of "planned and sustained" growth. He says industry expansion may not have been spectacular, but there is a "phase lag" in demand for the company's products. However, continued improvements in township electrification programmes should pull Scottish Cables through years of lower national growth.

Theunissen expects higher turnover this year, but stocks were nevertheless up only 2,4% at the year end.

In anticipation of improved activity, the company's distribution network has been expanded. Facilities in Johannesburg have been increased considerably and a new Durban regional centre and branches in Windhoek, Welkom and Newcastle are now operational.

Capital expenditure of R1,3m was incurred last year and Theunissen says about R3m is expected to be spent over the next 15 months to keep abreast of technological developments and demand. Financing this will be no problem, as group cash flow is strong (R6,3m in 1980) and, like other cable manufacturers, Scottish is ungeared.

Problem areas for the industry include strong competition from local manufacturers and imports from the Far East. Local industry PVC material prices are higher than overseas, and the industry therefore wants protection against cheaper imports. These at present probably amount to over 12% of total industry sales. In terms of volume, PVC forms the largest part of the cable market's raw materials.

According to MD Harold Dixon, "copper and lead prices should harden in the last six months of 1981 rather than the first half." So depending on competition, this could mean lower margins. Should the price rise, however, lifo policy would have its normal effect and this could also result in a relatively slow profit gain this year.

Since the June interim report, the shares have dropped from 405c to 370c, giving a 6,2c historic yield. This is about average for the cable manufacturers, but the share could rise as benefits of increasing demand become more apparent.

Colin Warriner

DATES TO REMEMBER

Last day to register for dividends:
Friday April 21: Cullinan 12c; Panafic 3c; Premier Cement 5,2c, Tex Mills 3c; Tollgate A 220c.
Meetings:
Tuesday April 21: Asea (Pretoria); Elandsrand, NEI; SA Land
Wednesday April 22: A Alpha; Amic; Field.
Thursday April 23: E Haddon; EP News (Port Elizabeth); Fedvolks (S); New Kleinfontein, QH Super, Triomf, Utico (O & S), Veka.
Friday April 24: Af Lease; Amgold; Broadacres (S); Cadswep; Diroyal (Cape Town); Dubin (Moberni); East Dagga; Gefco; Msauli; Vaal Reefs; Western Deep; Yorkor (Pretoria).

All meetings are in Johannesburg unless otherwise stated
S = Special meetings
O & S = Ordinary and special meetings

EXCHANGE CURBS COULD EASE SOON

Argus 18/4/81 (58)

SPECULATION is rife in financial circles about whether the Government is planning to slash exchange controls immediately after the election as part of its move on inflation.

by DEREK TOMMEY, Financial Editor

The speculation has been started by hints by the Prime Minister, Mr P W Botha, that steps to curb inflation can be expected soon.

Any easing in the restrictions on the movement of money overseas could have dramatic effects on the money and capital markets.

It could lead to an increase in short-term interest rates as local investors take advantage of the greater freedom to invest abroad.

But at the same time, as the move would help to dampen expectations about inflation, it could lead to an easing in long-term interest rates.

It could also result in an increased inflow of foreign capital into South Africa.

At present any funds invested in South Africa cannot be repatriated except through the financial rand with the risk that investors could lose up to 30 percent of their capital.

Exchange controls in their present stringent form were introduced as emergency measures in 1960 at the time of the Sharpeville disturbances.

There is no doubt that they initially played an important role in curbing the capital outflow and helping the economy to recovery.

However, this resulted in exchange controls being regarded in some political circles as an integral part of the country's defence and thus sacrosanct.

But lately there have been signs of a change in Government thinking and a realisation that exchange controls are becoming increasingly ineffective.

According to Reserve Bank figures, there was an unexplained private capital outflow last year of R1 761-million, which brought to R4 600-million the unexplained private capital outflow in the past three years.

Bankers claim these figures show that while exchange controls may stop the private individual from moving a few thousand rands out of the country, they are having hardly any effect at all on stopping big corporations moving out hundreds of millions of rands.

They argue that South Africa could hardly be worse off without exchange controls as it would at least open the way for the big corporations to bring money back to the country.

Economists

However, the main pressure for an easing of exchange controls is at present coming from economists who see it as an important anti-inflation measure.

The substantial balance of payment South Africa has been experiencing for the past two years, and apparently is still doing, has resulted in a major buildup of money, which is intensifying inflation.

Economists argue that inflation could be reduced if exchange controls were relaxed and this money were allowed to flow out of the country.

It is believed the Government is beginning to support this view

Mr Botha, made a reference to easing exchange controls when he opened the Rand Show in Johannesburg last Saturday.

On Monday at a Press conference in Pretoria he promised action against inflation in the coming weeks and months.

Taking all the facts together, financiers think there is a good chance that exchange control will be relaxed after the election.

S. Times 19/4/87

Step-up in electronic bank tellers

58

By Tony Hudson

THE change to electronic banking takes another big step this week with the announcement that two more organisations are to introduce automatic tellers (ATMs).

This brings the number of banking organisations with ATMs to four — the United Building Society, which has had them for some time, the Standard Bank, which starts operating next week, the Natal Building Society, which hopes to be operational by the end of the year, and Volkskas on a limited scale.

John Bennet, NBS managing director, tells Business Times that the decision to go on to ATMs was taken a year ago, but because of a 14-month lead time from IBM, the first delivery is due within a couple of months and the scheme should be operational by the end of the year.

Mr Bennet would not say just how many terminals would be installed, but he hoped it would be between a third and half of the number operated by the UBS, which is around 100.

The ATMs, which cost R40 000 each, will be installed at points of sale where NBS already has cash-card terminals.

The difference will be that present NBS terminals read the card and then produce a printed slip, which must be handed either to a teller at an NBS branch or a cashier in the supermarket with the terminal. The ATMs will dispense the cash directly.

The first batch will be concentrated in the Durban areas, but Mr Bennet says that at a later stage the society could well install them in the Transvaal.

The society has written its own software for the ATMs, much of which has been based on that for the current terminal system, which has been debugged.

IBM does not supply the full programme, says Mr Bennet, and the customer has to add his own refinements to the basic programme. NBS will be using its existing computer facilities to run its ATMs.

Total cost of the initial phase of the project, including software, will be in the order of

● To Page 3

Southern Insurance change

RDM 21/4/81

JJ

Finance Reporter

SOUTHERN Insurance Association is to become a wholly owned subsidiary of General Accident Insurance SA, says General Accident.

Southern Life Association and General Accident Insurance have reached agreement in principle on this acquisition.

The deal will involve the issue of General Accident shares to Southern Life.

As a result of this, and the issue of shares to other minorities, the holding of the UK-based General Accident Fire & Life Assurance Corporation in General Accident Insurance SA will be reduced to about 70%.

Southern Insurance has historically been the short-term arm of Southern Life, says General Accident.

Its total premium income for 1981 is expected to reach R45-million, of which about R38-million will come from existing General Accident business, the balance flowing from the Southern Insurance acquisition.

The purchase of Southern Insurance will boost its standing in the short-term premium income league from 12th to eighth, says General Accident.

What Horwood's 20-year loan rate really boils down to

RDM
22/4/81

Howard Preece

Economic Spotlight

58

MR OWEN Horwood, the Minister of Finance, will announce next month that in theory he thinks inflation in South Africa will continue at over 10% a year until into the next century at least.

He will not, of course, put it quite like that.

What he is expected to do, however, (through the Treasury) is to announce that the Government will offer interest of 12,875%, or so, on 20-year loan stock.

Actually, that could be disastrously low and be one of Mr Horwood's biggest blunders.

The coming long-term loan issue is, in fact, vital to (a) Government financing, (b) money supply and inflation and (c) the whole credibility of Mr Horwood.

But leave that for the moment.

On the surface 12,875% (or 12,75%, or 13%) makes a mockery of official insistence that the number one financial priority is a substantial and enduring reduction in the level of inflation.

If inflation is indeed going to come down in that way then why offer extravagant interest rates on loans stretching to 2001?

The argument was put concisely by Samuel Brittan of the Financial Times when inflation in the UK was running at 16%.

Said Brittan: *"A company which issues debentures at 14% is borrowing at a bargain rate of minus 2% if inflation stays where it is.*

"But it would be taking on a very heavy obligation if inflation were to disappear.

"It is for similar reasons that the credibility and sincerity of the government's own anti-inflationary commitment will be in doubt so long as it borrows long-term on unindexed terms."

Well, inflation in Britain is down to 12,6% on a year-on-year basis with the underlying rate less.

So Samuel Brittan's concern of the effect of long-term rates on inflationary expectations may not have been borne out.

What has been borne out, however, was the view of Brittan and others that the UK government was being ludicrously generous in offering gilts at 16%, and even 14%, when inflation was temporarily around the 20% level.

Such gilt rates were absurd when the government was dedicated to bringing down inflation no matter what the political and short-term economic cost.

The result was that the government saddled itself with a hefty burden of long-term real debt as interest rates and inflation fell.

Insult was added to injury by the fact that the high-interest gilts attracted a lot of overseas support and thus helped to push sterling artificially high and bring additional grief to British manufacturing industry.

The South African case is slightly different.

There is no overseas involvement.

There is also a considerable economic debate about whether the national debt, when it is purely domestic, is truly a burden, and, if so, on whom.

But what is clear is if that the South African Treasury offers 12,875% or what-have-you for 20 years and then gets inflation back to some astonishingly low level (like 8%) it does impose a burden on taxpayers and give a bonsella to bondholders.

Is there any solution?

The one that has gained most popularity in recent years is that of indexed bonds — inflation-proof bonds which offer, say, 1%, plus the going annual inflation rate.

The UK has made a tentative start in this direction after beginning with the "granny bonds" for pensioners.

This is a development that South Africa could well do with giving more attention to in the next few years.

After all, the most important interest rate for most people is the mortgage rate and that is, roughly, indexed.

But let us get back to the potential disaster facing Mr Horwood.

In May some R950-million of Government stock falls due for redemption.

Of that R837-million is short-term and there will be no problem in rolling that over with a new short-term issue.

What matters is the conversion of the R121-million of long-term stock — and, above all, the need to attract a large amount of new long-term money.

Most estimates suggest that the Treasury will need R1 000-million to R1 500-million of new long-term money for Government financing needs in 1981-82.

There will be no gold boom to pay all the bills this year.

That money will, however, find its way back into circulation.

What Mr Horwood also needs for money supply control purposes is to take even more funds out of the system and deposit them in anti-inflationary action in the Stabilisation Account.

There is a considerable expectation in money and capital market circles the long-term issue next month will be pitched at 12,75% or 12,875%.

This would be in line with the terms of the Escom issue this month.

But there is also considerable expectation that this rate will be too low to attract anything like sufficient support from the institutions.

It looks, in fact, as though 13,25% (maybe more) would be necessary for that.

But Mr Horwood seems desperately relucant to do this.

It is difficult to see why. The whole logic of his policy (and that of Dr Gerhard de Kock, the Governor of the Reserve Bank) is market-oriented and includes the idea that interest rates go where the wind blows.

Experience also suggests that attempts to hold down rates artificially usually mean that they end up higher than was originally necessary.

But does Mr Horwood have to stake everything on a 20-year stock?

Why not offer a 10-year issue, as was done in 1975, for example, or even an eight-year issue as happened in 1978?

These were both on a small scale, however.

It is argued that institutions like 20-year issues (or longer), that they enable them to match long-term liabilities with long-term assets.

Do these precepts make so such sense, however, in the present inflationary time?

Mr Horwood must take decisive action with his loan issues.

To offer bogus long-term rates and then have to rely on institutional prescribed requirements for support will make a total nonsense of the whole De Kock Commission approach to financial policy.

It may not work, either.

There is the objection that 10-year stock has only seven years before it becomes liquid assets and thus swells the banking credit base.

But if the Government is really hopeful of making a genuine inroad into inflation over the next few years such stock could easily be refinanced later for longer terms, and at rates well below today's ruling levels.

FM 24/4/81 (58)

COMMERCIAL UNION

Underlying strength

Activities: *Short- and long-term insurer. CU (UK) owns 45% of the equity, and GFSA 30%.*

Executive chairman: *J W Birkinshaw; managing director: J M Connolly.*

Capital structure: *8m ordinaries of 50c. Market capitalisation: R22m.*

Financial: *Year to December 31 1980 Life fund: R158,8m.*

Share market: *Price. 275c (1980-81: high, 305c; low, 234c; trading volume last quarter, 127 000 shares). Yields: 14,1% on earnings, 8,7% on dividend. Cover: 1,6. PE ratio. 7,1*

	'77	'78	'79	'80
Net short-term premiums (Rm)	25,7	27,6	33,2	38,4
Life premiums (Rm)	17,8	18,9	23,2	29,2
Short-term investment income (Rm)	3,1	3,5	3,6	4,6
Pre-tax profit (Rm)	4,7	6,5	5,1	3,7
Earnings (c)	44,6	56,5	45,6	38,8
Dividends (c)	12,5	18,75	22	24
Net asset value (c)	183	237	325	384

Cusaf has been one the worst-hit of the short-term insurers to report results so far this year. But its underlying asset base and its inherent conservatism leaves little room for doubt that it will be in a reasonable position to take advantage of a resurgence in the industry as and when it occurs.

How far off this recovery may be is still a subject of conjecture among insurers. But Cusaf's mix of long- and short-term business does give it an advantage in the marketplace — though the benefits of the life side need not necessarily be passed on to shareholders.

Cusaf's Birkinshaw . . . waiting for an upturn

Indeed, though the short-term arm of the group turned in an underwriting loss and reduced pre-tax earnings, the transfer from the life operation was kept to only R277 000 (R154 000). And this was despite a hike in net annual life premiums from R23,2m to R29,2m.

At the same time, investment income attributable to life funds grew 32,2% from R13m to R17,2m, while income from the short-term fund rose more slowly from R3,6m to R4,6m.

The strength of the life side is also reflected in the return on funds invested, which rose from 10,5% in 1979 to 11,2% last year. In the short-term fund, however, the return increased only from 7,3% to 7,9%. Executive chairman John Birkinshaw points out that this return is nevertheless among the highest reported so far, despite the fact that it still includes some "old money" invested at lower interest rates. The life fund itself, meanwhile, grew 24% from R128,4m to R158,8m.

The investment strategy in the short-term fund saw equity investment rise 40% over the year from R20,5m to R28,8m, out of a total portfolio of R56,5m (R47,5m). Holdings in government stocks and mortgages dropped slightly but the preference share stake rose 26%.

On the long term side, however, municipal and public stocks increased most rapidly and, at 31% (29,6%), formed the largest part of the R134,5m (R110,1m) total.

The group consistently operates efficiently and the ratio of management expenses to premium income last year eased from 9,2% to 8,9%, after being in double figures in 1978. Including commissions paid, the ratio was 23,1% against 25,0% in 1979.

Despite the comparative weakness of the short-term side, unrealised gains on investments helped push up shareholders funds by R4,8m to R30,8m, strengthening the group's solvency margin from 78,2% to 80,0%. And though the rate of growth in this indicator of financial reserves has clearly dropped over the past year, it remains high on an industry basis and is obviously sound.

The question of dividend policy and transfers from the life fund of a short-term insurer is always a ticklish one — especially in times such as these. Though the life side of Cusaf's operations could give it an edge in deciding on payout, however, it would probably be unrealistic to anticipate dividend growth much in excess of last year's, and almost certainly not up to the four-year compound growth rate which is over 26%.

At the current 275c share price, the counter would offer a 9,8% prospective yield on a 27c payout. Though this is little more than modest, it does offer a reasonably cheap entry into short-term insurers, and one which is comfortably backed by the life business.

Scott Hawker

INSURANCE GET-TOGETHER (58) Southern Insurance, the short-term arm of Southern Life, is to become a wholly-owned subsidiary of General Accident in a deal involving the issue of GA shares to Southern Life. The merger is expected to add about R7m to GA's total premium income of R38m this year. FM 24/4/81

Sfy 7558

58

No. R. 905 24 April 1981

REGULATIONS UNDER THE INSURANCE ACT, 1943

AMENDMENT

The Minister of Finance has, under section 76 read with [illegible] of the [illegible] Act [illegible] of 1943), made the [illegible] set out in the Schedule hereto.

SCHEDULE

1. In this Schedule the expression "the Regulations" means the regulations published under [illegible] Notice R. 352 of [illegible] February 1981.

2. The Regulations are hereby amended by the substitution for regulation 3 of the following regulation:

"3. These regulations shall come into operation on 1 September 1981.".

No. R. 905 24 April 1981

REGULASIES INGEVOLGE DIE VERSEKERINGSWET, 1943

WYSIGING

Die Minister van Finansies het kragtens artikel 76 [illegible] artikel 23A van die [illegible] (Wet 27 van 1943) die regulasies [illegible] in die Bylae hiervan uiteengesit [illegible].

BYLAE

1. In hierdie Bylae beteken die uitdrukking "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing R. [illegible] van [illegible] Februarie 1981.

2. Die Regulasies word hierby gewysig deur regulasie 3 deur die volgende regulasie te vervang:

"3. Hierdie regulasies tree in werking op 1 September 1981.".

DEPARTMENT OF INDUSTRIES, COMMERCE AND TOURISM

No. R. 877 24 April 1981

PRICE CONTROL ACT, 1964

MAXIMUM PRICES OF SOFT DRINKS IN RETURNABLE CONTAINERS

I, Elias George de Beer, Price Controller, do hereby amend Government Notice R. 1901 of 12 September 1980, promulgated in terms of sections 4 and 5 of the Price Control Act, 1964 (Act 25 of 1964), by substituting the following for the Second Schedule thereof.

E. G. DE BEER, Price Controller.

SECOND SCHEDULE

1. (a) Per bottle with a content of less than 750 mℓ: 10c.

(b) Per bottle with a content of 750 mℓ to 1 000 mℓ: 20c.

(c) Per bottle with a content of more than 1 000 mℓ: 36c.

2. (a) Per half depth case: R1,50.

(b) Per ordinary full depth case: R3.

(c) Per full depth case designed for bottles with a content of 1,5 ℓ or more: R5.

DEPARTEMENT VAN NYWERHEIDSWESE, HANDEL EN TOERISME

No. R. 877 24 April 1981

WET OP PRYSBEHEER, 1964

MAKSIMUM PRYSE VAN KOELDRANK IN HERGEBRUIKBARE HOUERS

Ek, Elias George de Beer, Pryskontroleur, wysig hierby Goewermentskennisgewing R. 1901 van 12 September 1980 uitgevaardig kragtens artikels 4 en 5 van die Wet op Prysbeheer, 1964 (Wet 25 van 1964), deur die Tweede Bylae daarvan deur die volgende te vervang.

E. G. DE BEER, Pryskontroleur

TWEEDE BYLAE

1. (a) Per bottel met 'n inhoud van minder as 750 mℓ: 10c.

(b) Per bottel met 'n inhoud van 750 mℓ tot 1 000 mℓ: 20c.

(c) Per bottel met 'n inhoud van meer as 1 000 mℓ: 36c.

2. (a) Per halwe diepte kas: R1,50.

(b) Per gewone vol diepte kas: R3.

(c) Per vol diepte kas ontwerp vir bottels met 'n inhoud van 1,5 ℓ en meer: R5.

The mother's and mother figures were asked to itemise the exact diet of the child on the day prior to admission or being seen at well baby clinic.

54% of all the children were on a diet of predominantly Carbohydrate. (61% were malnourished; 39% were not malnourished)

26% of all the children were on a diet which combined Carbohydrates and Protein. (76% had malnutrition; 24% were not malnourished)

20% of all children were on a diet which included carbohydrates, protein and fat. (100% were not malnourished.)

The figures reflected a correlation between the type of diet and occurance of malnutrition but not exclusively so.

During the course of the investigation a great deal of attention was focussed on the method of feeding and preparation of artificial feeds;

Factors that were evaluated included
i) how is the baby fed,
ii) type of milk used for the bottle feed
iii) method of measuring milk powder
iv) water supply for bottle feeds
v) number of feeds per day

No significant correlations were noted with regard to the method of preparing bottle feeds and the occurence of malnutrition

Food taboos were also investigated but were not found to be of any significance. None of the householders were bound by taboos which would influence a child's diet.

In an effort to determine the mother's or mother figures understanding of health matters a number of simple questions were posed to the mother or the mother figure. The repponses are sum arised below.

Cause of the disease (Table Forty)

Response	Percentage of total	Percentage of maln.	Percentage of non maln.
Child not sick	22%		100% (Well Baby Sample)
Starvation	16%	87%	13%
Incorrect food	8%	75%	25%
"Weak child"	4%		
Inherited weakness	16%		
does not know	16%		
other	18%		

How will a relapse be preve			
Does not know	14%		
Follow advice of doctors and nurses	34%		
... proper food	12%		
pursue Zulu customary treatment	6%		
nothing	4%	40%	60%
not applicable	24%		100%

What do you do if your child gets diarrhoea (Table Forty Two)

Nothing	16%	75%	25%
Give enemas	50%	68%	32%
Sorghum porridge	2%	100%	
Medicines	30%	13%	87%
Other	2%		100%

Households routine with regard to giving enemas
(Table Forty Three)

No enemas	4%		100%
Enemas when child is ill	38%	36%	64%
Enemas routinely	58%	65%	35%

BUSINESS

Tobacco group deal causes international row

58

Star 30/4/81.

By Colin Campbell, Financial Correspondent

LONDON — Dr Anton Rupert is now centre stage of an international financial row after his abortive talks with US tobacco group R J Reynolds and his subsequent agreement with their arch-rival Philip Morris.

The way in which Dr Rupert clinched the deal and its ramifications, are being studied in various financial centres, including New York, London and in Europe

TELEXES

R J Reynolds, believed it was holding "exclusive" talks with Dr Rupert and has released telexes exchanged between its own chairman, Mr Paul Sticht, and Dr Rupert in an attempt to show how it played its hand during the talks.

It has been confirmed that Mr Sticht had several meetings with Dr Rupert in South Africa and in Europe, and it is alleged that there was agreement that neither side would negotiate with anyone else while the talks were going on.

Dr Rupert was quoted in London as saying he broke a verbal agreement to negotiate exclusively with Reynolds because he was approached by four other parties after the announcement about the exploratory talks.

Dr Rupert says his lawyers advised him he had a legal obligation to consider any firm offers made.

R J Reynolds clearly feels it was treated shabbily.

Rembrandt, from its Stellenbosch base, has always played down its connection with Rothmans International quoted on the London Stock Exchange, but the manner in which Dr Rupert agreed with Philip Morris to sell off just over a fifth of Rothmans International has confirmed just who pulls the strings.

A source close to Rothmans International suggests the board has cause to feel slighted. The source alleges the directors of Rothmans were not informed that they in effect had a new major shareholder until the agreement with Philip Morris was tied up.

COMPLICATED

City analysts say the way Dr Rupert agreed the sale of a parcel of RI shares confirms their long held feeling that the Rembrandt-Rothmans groups are at the dictate of virtually one shareholder.

The complicated voting rights which run through the Rothmans International group have been another factor which has kept the share price on the low side on the London stock market.

The Philip Morris deal has also attracted the attention of the takeover panel.

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1961 Townsmen or Tribesmen: Conservatism and the Process of Urbanization in a South African City. Cape Town: Oxford University Press

Mitchell, J.C.

1960 Tribalism and the Plural Society. London Oxford University Press.

Parsons, T.

1963 On the Concept of Political Power, Proceedings of the American Philosophical Soc

(55)

Barclays to stay in SA—chairman

Star 3/4/81

By Colin Campbell, Financial Correspondent

LONDON — Barclays Bank will not withdraw from South Africa, the chairman, Sir Anthony Tuke, told shareholders at yesterday's annual meeting.

"As long as the British Government continues to trade with South Africa, we will follow.

"If the UK Government withdraws the British ambassador, if the other 300 plus British companies pull up their roots, and if the British Government calls a halt to South African trade links, then that will be a different picture," the chairman added.

The hour-long meeting was dominated by questions about Barclays' involvement in South Africa, and at one point the chairman said that questions were more political than of concern to the matter of the meeting.

Sir Anthony said there had been contact with Swapo about Barclays' operations in SWA/Namibia, but there was no intention at this point of forming a separate Namibian subsidiary.

He also defended the bank's investment in Sasol, which had proved a profitable investment.

Barclays' operations in South Africa contributed roughly 10 percent of group profits, and it would be harmful to shareholders if the South African connection was cut.

The chairman was asked what the group would do if the United Nations imposed sanctions on South Africa, to which he replied: "We follow the British government, not the United Nations."

981

Anglo workers angry over pension scheme

58 ~~700~~ SOWETAN 30/4/81.

ABOUT 50 black workers at the giant Anglo American Corporation headquarters yesterday confronted management and demanded their pension fund contributions.

By Z B MOLEFE

This action appears to have been sparked by the possible changes to laws affecting pension funds. The workers' demands followed a management memorandum on Tuesday to the corporation's pension fund members.

At a meeting between management and the workers which lasted three hours, it was decided that the workers would meet management at a later date.

A statement from Anglo's management to **SOWETAN** said yesterday: "It has come to the attention of management that some employees are still unhappy about aspects of proposed legislation that might affect pension schemes."

The statement further explained that the corporation recently undertook a briefing programme to explain the workings of its existing pension scheme. It went on: "Yesterday (Tuesday) in response to specific questions that were still worrying some employees, every employee was circulated with a clear statement of management's attitude towards possible changes in legislation affecting pension funds."

Some of the Anglo American Corporation workers who confronted management yesterday.

Pic by LEN KUMALO

Anglo coup in one of biggest mining deals on record

51 BR 58

By Colin Campbell, Financial Correspondent

LONDON — The Anglo American Group, through its share interest in Consolidated Gold Fields, stands to gain considerable benefits following Cons Gold Fields deal with American mining company Newmount.

London analysts, assessing last week's Gold Fields' acquisition of a seven percent stake in Newmont and its intention to increase its interest to slightly below 50 percent, say it could help Anglo to become one of the biggest copper producers in the world.

The relationship between the Anglo Group, Cons Gold Fields and Newmont makes Anglo an especially interesting share.

London stockbrokers James Capel say: "What a masterstroke it was when Anglo/Charter sold the stake in Selection Trust and the group, using De Beers cash, bought into Cons Gold. With Cons Gold organising the biggest gold mine in South Africa (with Anglo as a minor holder) and now the Newmont deal, Anglo will achieve far more in one year than it could ever have done through Selection Trust in a decade."

The chairman of Newmont, Mr Plato Malozemoff, said at the time of last week's Gold Fields' announcement that: "Mergers between companies taking advantage of recognised synergisms and resulting in a stronger, aggressive combinations with the same goals can be mutually beneficial, but acquisitions of utterly disparate elements building a non-integrated conglomerate in different industries with conflicting philosophies, structure and dynamics can be wasteful, if not destructive."

What is Newmont? The answer is a table of 16 important interests: Magma Copper, US; Similkameen, Canada; Tsumeb, SWA/Namibia; Palabora, 28,6 percent; O'Okiep 57,5 percent; Southern Peru Copper; Foote Mineral, US; Sherritt Gordon, Canada; Highveld 10,4 percent; Dawn Mining, US; Peabody Coal, US 27,5 percent; Newmont Oil; Carlin Gold, US; Telfer Gold Mines, Australia; Resurrection Mining, US; Atlantic Cement, US.

Gold Fields' Zinc Corporation of South Africa could link in nicely with Newmont's 57,5 percent Gamsberg Zinc Mine, Capel suggests as just one example.

CLOSE TIES

Looking at Newmont, one sees that Anglo, with 29 percent in Cons Gold, also has close ties with Newmont in any case. Highveld — Anglo 26,38 percent, Newmont 10,4 percent; Tsumeb — Anglo 2,63 percent; Newmont 29,8 percent; Palabora — JCI 41,27 percent, Anglo 4,5 percent, Newmont 28,6 percent; O'Kiep 57,5 percent Newmont.

The question of synergy therefore is more appropriate in the case of Anglo American than it is for Cons Gold and is centred on the two prime target areas for Anglo — South Africa and North America.

With a stake in Newmont, although through Cons Gold's eventual 49 percent holding, Anglo would finally boost its interests in Palabora, O'Kiep to add to JCI's existing interests in Palabora and Otjihase.

FORECAST

"Outside of North America, Newmont has 16,7 percent of Southern Peru Copper and with Anglo's stated intention of expanding its interests in South America, any beneficial holding in Peru, in which the group has no direct interests yet, will be welcome," Capel adds.

The three together — Anglo, Newmont, Cons Gold — could rival anything the oil companies could do in the mining industry and would be the most formidable mining group in history.

Capel say: "It is a winner for Cons Gold — and therefore for Anglo. In a few years' time we can envisage Mr Malozemoff as chairman of Anglo's North American interests, Sir Rudolph Agnew, chairman of the other international interests, and Mr Harry Oppenheimer tipped for president."

INTEREST RATES [illegible]

Money costs [illegible]

Homeowners now have a pretty good idea of what the 2% increase in the bond rate over the last few months is going to mean to them. But developers have also been counting the cost and the [illegible] from look small [illegible].

Until [illegible] this year, commercial loans were available at around 11%. Today it's equivalent to 15.5%, which means a [illegible] hike in financing costs.

And that means that buyers and renters of new property are going to pay the difference — or developers will have to trim their margins.

Consider a [illegible] sectional title project of 20 units, financed on the standard two-thirds developer bond. Based on a single draw, 12-month interest charges would have amounted to R146 000 six months ago. Henceforth, the interest burden will rise to R180 000 — a differential of R34 000, or R1 700 per unit.

Couple the added burden to building costs, which are still increasing at a rate of more than 2% a month, and the all-round implications for the development market look all the more severe.

In the residential field, sectional title investors will probably continue to sell. But the new rates have certainly put paid to any suggestion that private interests might be looking at the rental market again. Only the institutions will be in a position to do so. But, as it is, they haven't shown any enthusiasm for years.

Where flats are still to be built and have been sold off plan, developers will take a similar knock. The effects, of course, will rub off equally on new office and shopping centre development. And investors who are servicing heavy bonds from fixed-rental income could be hit hardest of all.

Where possible, the increases will be loaded on to tenants, so the rub-off is going to be widespread.

But there could be worse to come.

Pica's John Ferrans sees further hikes as inevitable as long as government continues its squeeze on money supply. And as far as building costs are concerned, he sees no improvement in the offing.

Building costs alone are forcing property out of line with the economy in general. Now it has to face the interest rate trauma. Where, indeed, is it all going to end?

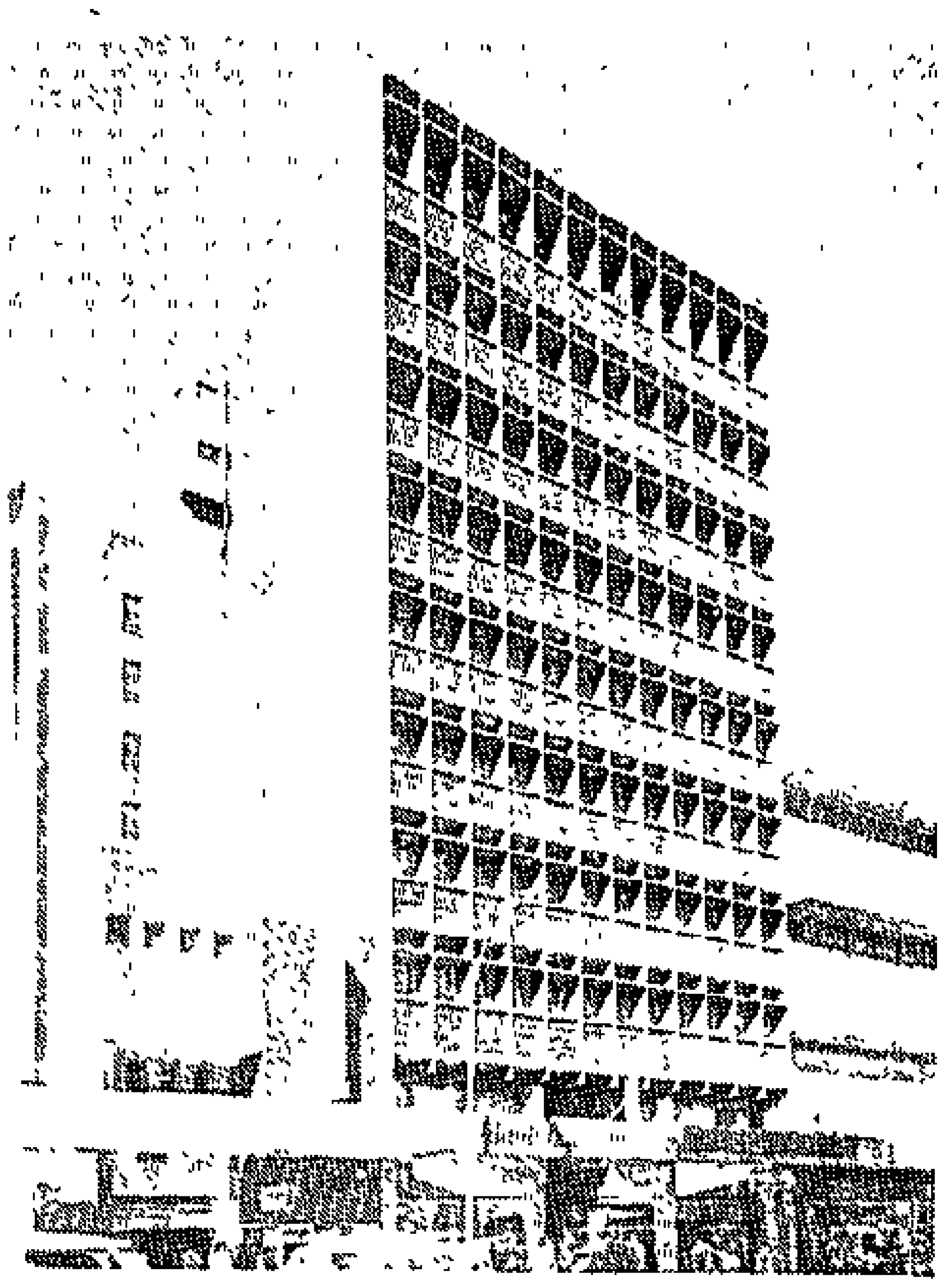
MARSHALL INDUSTRIALS FM 1/5/81 (58)

Second time around

Investment in property was one of the main factors which led Marshall Industrials (MI) into such stormy seas during 1976 and 1977. It survived judicial management but, ironically, the company is now concentrating most of its expansion in the commercial and industrial property fields.

The recent acquisition of West Walk, between West and Smith streets in Durban, for well over R2m, has swelled its property portfolio to R13m and emphasises its renewed faith in real estate.

Covering a site of more than 1 440 m², West Walk comprises 14 ground-floor shops, nine on the mezzanine, and 5 000 m² of office space on the upper seven floors. The transaction was handled by J H Isaacs Geshen.



Durban's West Walk . . . bought by Marshall Industrials

The majority of the space is let on relatively short tenancies, so there is excellent potential for rental growth. The building is situated in one of the most attractive parts of the CBD and has excellent passing trade.

Each office has individual air-conditioning units which the new owners regard as preferable to a central system. The argument is that each tenant can adjust the unit to suit personal requirements and breakdowns don't affect the entire building.

The sale emphasises the renewed interest in Durban's CBD. As the *FM* pointed out two weeks ago, the city seems to be moving against the trend in other centres where the emphasis is on decentralisation.

Why has MI gone heavily into property which was once its nemesis? GM Peter Lonsdale explains that, during 1975, the company bought and developed residential property extensively. A worse time could not have been chosen. Property was reaching its nadir, purchasers couldn't find bonds and many houses were sold on deed of sale. While MI had to wait for its money, credit was cut by its various bankers. That was almost the death blow. Provisional liquidation followed and the company was de-listed from the stock exchange.

But MI has learned from its mistakes. It now concentrates only on developed commercial and industrial property, primarily within the Durban municipal area. Each building is carefully assessed and its portfolio constantly scrutinised. If a property no longer meets requirements, it goes up for sale.

Coupled with the lucrative agricultural equipment and Datsun franchises, MI's property investments promise a bright future for the company, the second time around.

FEDERATED INSURANCE

FM 1/5/81

(58)

Tipping the scales

Of the R22,6m worth of property transactions recently concluded by Federated Insurance (FI) (*Property*, March 27), R16,2m was invested in the "non-management-related" and leaseback fields.

FI's property portfolio is presently balanced between management and non-management related properties But the company has decided on a shift in emphasis which will in future tip the balance in favour of management-related investments This has no doubt been motivated by the boom in commercial and industrial property.

Property manager John Shed explains that the decision is nothing new. It is merely a reversion to the investment philosophy of several years ago

Non-management-related properties refer to buildings which are generally occupied by one or only a few tenants. Usually, they are large institutions or companies which want rental determined in advance They also want to be sure of long tenancies.

Management is consequently confined to collecting a few rental cheques monthly and maintenance is for the tenant's account. Leases are usually lengthy (from 5-15 years), with rentals subject to a predetermined annual escalation. Unlike some institutions, however, Federated has tended to insist on regular reviews thereby avoiding to some extent being tied down to fixed rentals.

The method has its advantages — a predictable return, minimum management involvement and financial security

But the greatest disadvantage is lack of flexibility Where no reviews are involved, the landlord can find himself locked into a semi-pegged income while the market rises at a faster rate than the escalations Investors who tied up long leases during the mid-Seventies are only too aware of the problem. Also, if the tenant folds the whole building can fall vacant

Management-related properties on the other hand, usually contain several tenants who will be subject to shorter leases of between one and two years Rent collection and management becomes more involved and the owner is responsible for maintenance.

The primary advantage flowing from these properties is the ability to keep pace with current market rentals Leases can regularly be reviewed and adjusted if the market rates have gone up Returns will, hopefully, match the inflation rate and the consequences of a single tenant going insolvent are not disastrous

In re-planning its property portfolio, FI intends to invest primarily in commercial and industrial property in the major metropolitan centres with the emphasis on the PWV area. It has developed a highly specialised property management division which handles everything from securing tenants to maintenance and cleaning It is therefor properly geared to efficient building management

With a total portfolio in the region of R80m, it makes sense for FI to diversify and reap the fruits of a buoyant market — even if the risk is marginally higher

MONETARY POLICY (58) FM 1/5/81

Searching for signals

Monetary policy is at the vanguard of the battle against rising inflation. But despite a sustained rhetorical barrage from the monetary authorities, the notion remains notoriously ill defined.

It emerges, if at all, as an uneasy compromise between differing policy views embodied in the current management of the Reserve Bank. At one end those still flying the Keynesian flag believe their role to be principally to influence the demand for money through the cost of credit; in other words, interest rates. At the other, monetarism is on the up and up. It advocates a direct assault on the supply of money, which grew last year at a rate of about 30%, over twice the rough aggregate suggested by Finance Minister Owen Horwood. If there is consensus, it rests on the need at both poles to curtail the growth in money supply.

Practical weapons

Yet a brief examination of the practical weapons at the disposal of the Bank reveals an astonishingly empty arsenal:

□ Bank rate: The role of this rate as determining the cost of last-resort credit to the banking system has fallen into abeyance. By convention it now dictates, within a narrow band, the ruling overdraft rate. When OD moves out of line with other rates, credit demand tends to move off the banks' balance sheets, and borrowers and lenders meet in an informal paper market, as happened last year. The velocity of turnover of the existing money stock increases to finance inflation. Bank rate also plays a symbolic role, as it signals the attitude of the monetary authorities. But the market makes distinctions between symbols and economic fundamentals.

□ Liquid asset reserves: The liquid asset reserve system, whereby the banking system must hold liquid assets in direct proportion to its liabilities, is by common consent of little efficiency. The banks can create their own liquid assets in various ways, and thereby increase deposit liabilities, which are the main component of money supply. The imposition of credit ceilings from 1965 to 1972, and from 1976 to 1980, was a tacit recognition of the unsuitability of the system as a means of monetary control.

□ Credit ceilings and deposit rate controls: By no means infallible, these direct statutory controls would not be considered under the current "free-market" ethos, nor have they proved effective when they are really needed.

□ Exchange rate flexibility: With SA's relatively large exposure in the foreign sector, this could be a most effective means of control. A recent study by the Reserve Bank's Jaap Meijer presented substantial empirical support for the contention that the huge ebbs and flows in

Reserve Bank's De Kock . . . oiling a rusty monetary arsenal

money supply have been directly caused not by the pull of excess demand, but by the push of high-powered reserves into the banking system through the BoP current account. When the banks have the cash, they find ways of using it in loans and advances and investments, all of which expand the money stock or increase velocity. Exchange rate de-control is the only real solution.

□ Open-market operations: Sales of government stock to the non-bank private sector destroy deposits as well as the reserve lending base of the banking system — in other words, the effect on money supply is direct and instantaneous. If the proceeds of the sales do not leak back into the domestic system through government expenditure, but are sterilised in something like the Stabilisation Account, the net reduction in money supply has a longer-term effect. Sales of long-term stock to the banking system contracts its lending base as its reserves flow into the Exchequer. But short-term stock is defined as a liquid asset, and thus selling it has virtually no net effect on bank reserves. But the government's limited portfolio and the captive market in gilts, makes for an unattractive rate structure. Long-term insurers and pension funds buy gilts because they have to, but even they display reluctance in rising markets like the present one. Apart from that, virtually no market exists in the non-financial private sector. And none will develop in the foreseeable future

What then will the Reserve Bank pull out of its holster for the anti-inflation fight? From the top comes this stated policy:

The battle will continue to be fought on the two fronts of fiscal and monetary policy. On the fiscal side, Finance Minister Owen Horwood will continue to control government spending, and continue to finance government debt without resorting to bank credit. An excess of revenue and borrowing over expenditure will be sterilised, or used in more imaginative ways that do not feed it directly into money supply. The 1980/81 fiscal year, for instance, saw a surplus of roughly R3 billion. Up to R2 billion was channelled into the Stabilisation Account, according to Pretoria, and was then used to swell the oil stockpile, the purchase of which would otherwise have been financed by bank credit.

On the monetary side, Reserve Bank Governor Gerhard de Kock recognises that the money supply is to some extent a passive responder to the BoP current account, and that Pretoria must venture into the relatively uncharted field of aggressive, as opposed to defensive policy. (Defensive policies are those used to mollify the effects on money supply of exogenous factors, like the BoP or the liquidity swings between the private and public sectors caused by tax payments).

Basic reforms

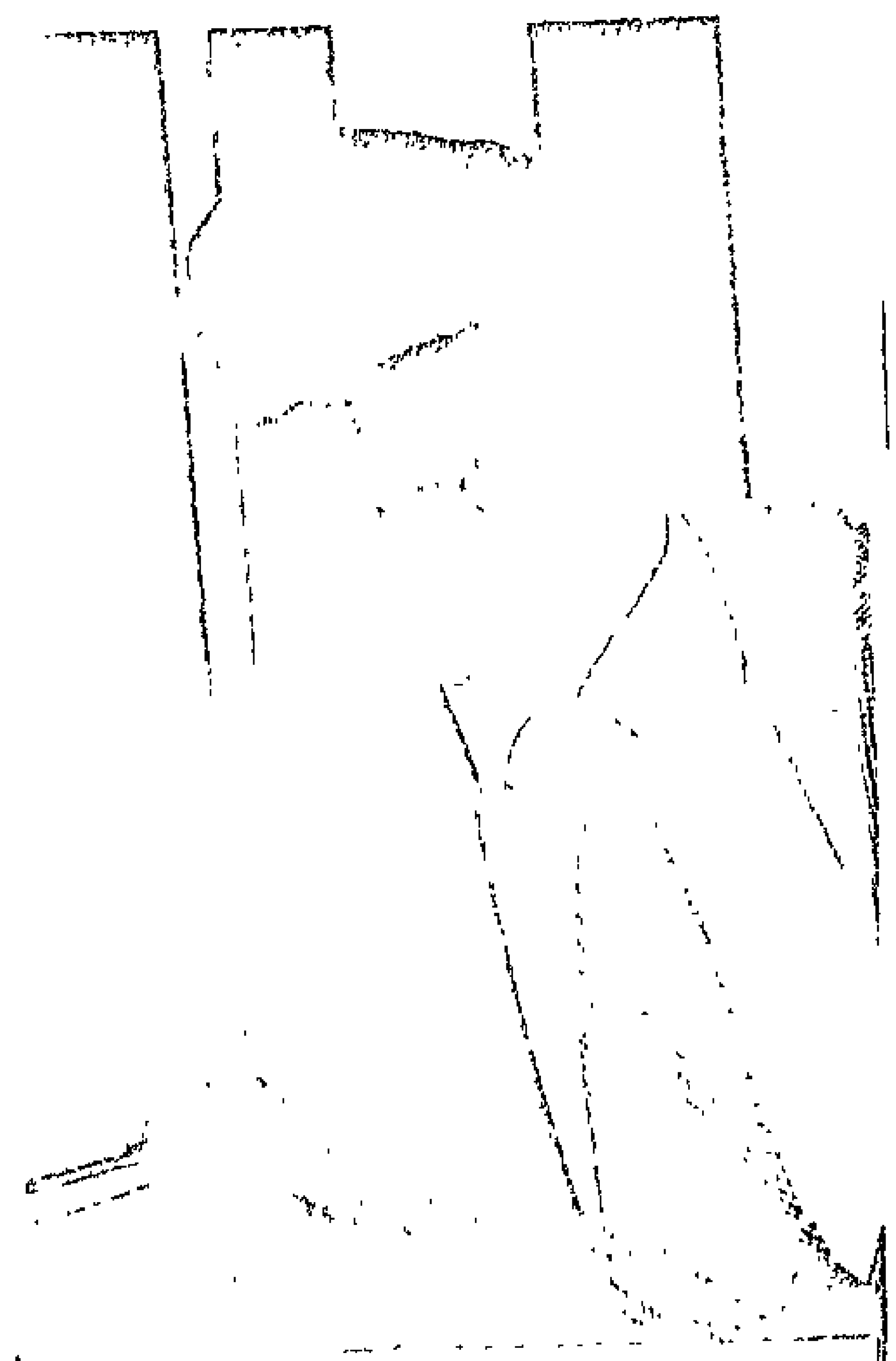
He also appears to recognise that without the fundamental reforms to the financial structure that would restore the efficacy of some of the weapons listed above, his hands are restricted. In the meantime, however, he intends to closely manage the reserve base of the banking system through the use of forward discount to bleed the country of short-term reserves when it becomes necessary. But this is not a measure capable of predictable consequences It's short-term effect can be drastic.

At the same time, no specific monetary aggregates will be set. The statistics, as it happens, are currently being distorted and distended as the paper credit created last year outside the banks comes to roost the banking system's balance sheets. But the availability and cost of bank credit will probably suffer a direct attack by rises in Bank rate and OD rates. And with the BoP current account moving into deficit, the liquidity that last year found its way into the grey market will simply not be there, so overdraft facilities will become relatively more important and relatively scarcer. The gathering deficit will also mean a contraction in the reserve lending base of the banking system. So bank credit should tighten fairly fast and fairly soon, and De Kock has said that requests for last-resort accommodation will be met with little sympathy and could be very costly to the banks

This was the burden of his message at a recent meeting of the Association of Clearing Banks. "Of course we won't

DOMESTIC BANKING

Awaiting May 15



This year, even though the all important De Kock Commission is due before the Budget, the Reserve Bank cannot allow the monetary system to languish. The Deputy Governor in charge of domestic banking, Japie Jacobs, discusses with the *FM* the line the bank will be taking during the final months of the De Kock Commission's gestation period.

***FM*: What will be the guiding forces behind the bank's control tactics for the rest of the year?**

Jacobs: The impact of the new government issue on May 15 will be very significant in determining our policy this year because it will clear the air on interest rates.

Also the days of "easy money" are over. We intend to get money supply and inflation under control and in doing this we will be far more aggressive than in the past. The bank's "experiments" in the open market are complete and now we can move with a surer hand.

But despite this we will take care to avoid overkill in curtailing credit creation because we reckon that there is still a lot of "kick" in the economy and that private sector investment should be allowed to take its course. Working without a Budget until August does create problems for us, but we are assuming a conservative Budget.

Will the Bank attempt directly to manipulate interest rates, and how important is the Bank Rate in this respect?

No. In principle we agree that higher rates, especially long term, will assist us in holding down inflation, but we are adamant that rates must find their own market orientated levels. We think that this may necessitate some changes in banking sector ideas about interest rates. They must appreciate that there is not necessarily a correlation between rises in long and short term rates, and with that in mind change their perceptions on government stock yields. Bank rate has a monetary function to fulfil and this will be reflected in the central banks actions.

Does the Bank intend to repeat February and March monthend assistance to the money market?

No. In February because of the particularly high level of tax payments, R1.8 billion, we took a broader view of the money market. Actions like selling special TBs and Land Bank debentures, easing the discount houses' ratio requirements and our buyback arrangements with the banks were calculated to iron out the unduly large swings in interest rates over the month end.

But we have told the discount houses that in future they will have to adhere to the existing rules for calculating their month end liquidity with the RB.

However, we believe the De Kock Commission is looking at ways of dealing with the flow of huge tax payments at any given month end.

What rate of money supply growth does the Bank consider desirable?

The current rate is too high — we would be happy to keep the rate down to the prevailing inflation rate, which at the moment is about 15%.

How would you explain the rise in bank lending over the past two months or so?

An important reason for the substantial rise in money supply over the last two months is the extent of reintermediation that is taking place.

This means that as interest rates rise, funds are deserting the grey market and reverting to the banking sector. These off-balance sheet loans were not reflected in credit statistics — they are categorised as contingent liabilities.

Also we believe that there is still a lot of buoyancy in the economy and that private fixed investment is still running at a good rate. For this reason, and to ensure the availability of funds in the future, companies are arranging credit facilities with their banks. With a prime borrowing rate of 11.5%, promissory notes are losing their appeal. Instead the banks are creating acceptance credits.

How important will the balance of payments be to your efforts to control liquidity levels?

We believe that the balance of payments (BoP) will have a fairly large deficit and will assist us to hold onto the growth in money supply. This is something of a relief because over the last year it has actually been feeding the supply of money.

In other words, the BoP will be a drain on domestic liquidity for the remainder of the year but this is subject to various unpredictable factors. Not least of these is the gold price.

Another variable is the capital account, because as our rates come into line with overseas rates, some companies may choose to borrow abroad.

At the moment the cost of forward cover is slightly in favour of domestic finance and we can use the forward cover rate to ease liquidity should the need arise.

Actual controls on credit have been significantly absent. Does this mean moral suasion is being applied?

Not necessarily.

The prevailing cut-throat competition between the banks makes it difficult for them to refuse credit facilities to major clients.

But we must find a balance between controlling bank credit to the private sector without putting a dampener on growth in the economy.

Would the Bank ever consider selling paper direct to the private non-banking sector?

At the moment we are prepared to sell direct to those institutions that are required to hold prescribed investments and liquid assets. But at times they seem to prefer to deal through brokers, which they have done on a traditional basis.

NEDBANK FM 1/5/81 (58)

Temporary squeeze

The first half slow-down in Nedbank's profit growth could well be no more than a temporary phenomenon. The banking group, which relies relatively more heavily on wholesale funds than its rivals, was caught in a margin squeeze as, particularly, large increases in short-term interest rate patterns could not be immediately offset by lending at higher rates.

Once the general election is out of the way, however, the Bank rate should be quickly increased, helping to relieve the pressure on margins by allowing bank lending at higher rates. But that will be simply one factor helping to boost second half earnings.

Economic growth is expected to slow this year and next, but significant amounts of previously-arranged debt have still to be drawn down by industrial borrowers as capital spending projects get into gear. And it should be borne in mind that the worst effect on margins always comes in the first part of a cyclical upturn in interest rates.

As it was, pre-tax profit rose to R49m in the six months to end-March against R41,7m in the corresponding period of 1980 and R100,2m in fiscal 1980. This was accompanied by an increase in total assets to R4 824,2m from R4 608,9m at end September.

That, however, disguises some apparently significant changes in the asset structure. The group played the interest game by switching R177,5m out of government stock etc and adding R72,5m to cash and short-term funds. In the process, the cash component of assets rose to R868,7m and the government stock component fell to R459,3m.

Both figures will probably rise by the financial year's end, though the major balance sheet increases will almost certainly be in advances and other accounts. This rose by R330,7m to R1 978,8m during the six months and is set to go further as borrowers draw on their facilities.

In effect, Nedbank should avoid much of the impact of lower margins by increasing lending volume. It certainly has scope for that as its ratio of deposits:shareholders' funds at 11,0:1 is well below the statutory 16,7:1. In addition, the bank is currently switching from disintermediated involvement (reflected in contingent liabilities) into more profitable advances.

Following a 15% rise in the first-half's taxed profit to R32,3m, a similar percentage advance should be the minimum recorded in the second half. Last year's second-half profit was R37m. Nedbank is generally conservative in its interim declaration and generally tries to pitch the advance in reported earnings at a level which can be sustained in the second half.

If there is a criticism, it is that the bank does not yet reveal movements in provisions against bad debts. Barclays made virtue out of necessity earlier this year and disclosed provisions for the past five years. Standard has been disclosing them for some time. However, there is not necessarily anything sinister in Nedbank's coyness. And management is adamant that the only transfers are *to* reserves — there are none *from* reserves as is the case with some other banks.

The interim dividend has been increased to 12,5c (11c) from first-half earnings per share of 35,7 (31,0c). As lending increases and the interest margin squeeze lessens, second-half earnings could rise 20% on last year's 45,4c. And at the least, the final dividend should rise to 32,5c.

At 635c the share yields a prospective 7,1%. It should be accumulated on any weakness, but don't count on too many opportunities at lower prices.

Jim Jones

FRENCH TO OPEN BANK SUBSIDIARY

(58) S. Tribune 3/5/81

Finance Correspondent

FRENCH Bank is to set up a new merchant bank, to be known as French Merchant Bank.

Pretoria has already approved a banking licence for the new bank, which will have an initial authorised share capital of R2-million.

French Bank is 55 percent owned by the giant French group Banque de L'Indochine et de Suez (Indoseuz). The merchant bank will be a subsidiary of French Bank, so no new money will enter South Africa from France.

The new bank is expected to be in operation before the end of 1981 and full details of its operations will be released later.

A French Bank spokesman said: "We have a lot to talk about and to think about before we get cracking". He added, however, that the bank's business will cover "normal merchant banking activities. French Merchant will be South Africa's ninth merchant bank.

French Bank itself ranks near the top of South Africa's smaller clearing banks, but well below the five giants. Its assets totalled R512 million at the end of 1980.

Money supply and the SA allergy

(58)

RDM 4/5/81

Harold Fridjhon on Monday

WHEN Standard Bank's Conrad Strauss spoke at the SA Society of Marketeers' convention last week one couldn't help but regret that Dr Conrad Strauss was no longer plying his erstwhile profession as an economist and particularly as a teacher of economics.

His style was clear and lucid His logic and sequential flow impeccable He discussed economics for the layman, cutting out the jargon and using phrases and terminology which were comprehensible to a mixed audience

There were no mysteries, no shrouded phrases. He knew what he wanted to say and said it in simple terms. The way he used to lecture his students, without ambiguity and coming straight to the point.

All this is a sincere preamble to a discussion of some of the points he raised and which, unfortunately, could not be accommodated in a report of his address — particularly his views on inflation, the money supply and interest rates. Many of his observations are well worth coming back to

He warned that monetary policy in the coming months would become increasingly restrictive "possibly to the point where the high cost and low availability of credit will cause considerable discomfort in both the private and public sector".

He forecast that the end of the interest rate upward spiral was not yet in sight and that the cost of money was likely to rise significantly over the next few months as the Reserve Bank made a strenuous effort to control domestic liquidity.

But if restrictive monetary policies were to be implemented effectively and equitably, several changes would have to be made in the way in which certain important interest rates were determined, he said

The banks' prime rate — and thus other overdraft rates — was restricted to a fixed margin above Bank Rate. At present this margin was between 2,5 and 3,5 percentage points.

With Bank Rate at 8% the commercial banks' prime rate was 11,5% and they could not push their overdraft rates any higher without an increase in Bank Rate

Dr Strauss said that at a time when further upward movement in interest rates based on market forces was unavoidable, it seemed anomalous that some rates should be pegged at artificially low levels.

"This is particularly relevant in view of the recent very rapid rise in deposit rates which are no longer subject to controls

"Financial institutions are faced with a difficult situation where they have to compete aggressively for funds at costs which have moved up rapidly over the past months, but are only allowed to lend those funds at rates which are artificially held down.

"The banking sector is keen to co-operate with the authorities in their objective of bringing monetary growth down to more manageable levels, but its ability to do so is at present limited by the remaining restrictions on the price of the commodity it sells "

In terms of "pure" market theory, Dr Strauss is right. But I question whether allowing rates to rise to what might be uneconomic heights, in terms of the average entrepreneur, is the best method of controlling the money supply.

Granted that what the authorities are determined to do is to curtail the banks' ability to create money by discouraging borrowers from paying punitive — and uneconomic rates. If borrowers jib at high rates, they won't go to their banks for money and bank lending will start to drop.

There will be a rush to repay overdrafts People in business will put the screws on debtors, they will liquidate stocks and let inventories run down. They will cut back on their orders to manufacturers who will be doing the same thing and the net outcome will be a situation which will be akin to what is happening in Britain and the United States where the backwash of similar policies has led to mass unemployment.

And this is precisely a condition which, politically, South Africa cannot sustain — any more than it can afford to support runaway inflation.

In other words, in spite of all the well-reasoned platitudes of the monetarists, pure Friedmanism is not a universal panacea Just as some people cannot take certain cures for illnesses because of an allergy, monetarist medicine need not necessarily be a cure-all for this country. We have sensitive political allergies.

Suppose Bank Rate were not to be raised — not that I think that this would happen — the banks would find themselves borrowing money which they couldn't profitably employ. What would they do then"

They would stop scratching around for deposits on which they would be losing money With lower cash resources, they would have to stop lending, or curtail drastically the granting of advances and loans. This would undoubtedly slow down business activity but I do not believe that it would be as severe as the high-interest-rate therapy

One must never lose sight of the fact that in South Africa, the capital and money markets are dominated by a handful of big lenders who have been persistently nudging up rates by their own expectations They have been going short, distorting the bankers' liquid assets position, they have been boycotting long-term lending

If the banks could not accommodate their funds, these institutions would have to go long at the going rate and money would flow into the Treasury which could then put it in the stabilisation deep-freeze.

If the banks can't lend and if liquidity is mopped up, the overall monetary aggregates would start to come down

Or if the authorities do not like this unorthodoxy, they could dilute their "pure" monetarism with a modicum of control. They could add a surcharge to the banks' cash asset requirements by effectively freezing a little more of their assets and make lending a little more difficult and, perhaps, a little more costly.

The nub of the matter is trying to curtail bank lending, to restrict bankers' ability to create money. It's a question of where to put on the squeeze.

Before Pretoria decides on policy, the authorities should weigh up how least they would harm the economy. Nobody denies that inflation has to be brought under control, but at the same time, the political sensitivity, the South African allergy, must be taken into account.

This country cannot afford any increase in unemployment. We already have far too many people who are jobless. Any addition to their numbers would add to the restlessness which simmers under the surface.

Economic theories are all very well, but they must always take into account the political realities that are, unfortunately, very much part of our scene.

RDM 5/5/81 (58)

Nedbank grabs more of the market

By DAVID CARTE
Deputy Financial Editor

THE Nedbank Group has made the greatest gains in market share among all banking groups over the past six years — even though it has lost market share in hire purchase and leasing, the fastest-growing types of lending.

This emerges from exhaustive and revealing statistics on the market shares of all commercial and general banks and seven building societies compiled by the Standard Bank group and published for the first time today.

Stanbic's analysis provides market shares of total deposits, savings, cheque deposits, "group A" or non-instalment advances, hire-purchase advances, leases and total instalment lending of the banks and building societies over the six years to December 1980.

In six years, Nedbank's share of the total deposits of banks, building societies and the Post Office has risen from 6,8% to 8,7%.

Volkskas also made gains, increasing its share of total deposits from 8,7% to 9,2%.

The building societies increased their share of deposits from 34,4% to 35,1%.

Main loser in market share of total deposits over the six years was the Bankorp Group, whose share fell from 10% to 8,2%, primarily because Trust Bank's share declined from 5,6% to 4,7%.

While Nedbank did best in total deposits over six years, the greatest gainer last year was the Standard Bank group, which lifted its share from 17,1% to 17,4% of total deposits.

The share of Barclays, the biggest banking group, declined half a percentage point over the six years, but last year its share fell from 18,4% to 18,2%.

Total deposits of all banks, the seven building societies and the Post Office grew 94% to R28 791-million, and growth last year was 19%.

Nedbank was also the chief gainer in the savings market, lifting its share over six years from 7,5% to 10,4%. Stanbic gained from 16,3% to 18,7%, and Barclays' share fell from 20,9% to 19,8% and Bankorp's from 6,9% to 5,2%.

The seven building societies also lost market share, their slice falling from 39,3% to 35,9% over the six years.

The one-year picture in savings was different, with Nedbank and the building societies the main gainers and Barclays and Standard losing.

The total savings market gained 116% to R6 720-million over six years, but was virtually static last year.

Nedbank also fared well in cheque deposits, its share rising from 7,6% to 9% over six years and from 8,8% to 9% last year. Bankorp's share dropped from 5,4% to 4,5% over the six year period, but it started making gains again last year as Trust Bank made up lost ground. Its market share of cheque deposits last year grew from 4,2% to 4,6%.

Barclays' 36% share of cheque deposits was down 0,9 of a percentage point on six years and down from 36,4% to 36,8% at the yearend.

In "group A", non-instalment, primarily overdraft, lending, Nedbank was again the biggest gainer, lifting its share over six years from 10,9% to 13,9% of the total. Volkskas increased its share from 12,6% to 13,3% and Bankorp from 10,2% to 12,3% in the same time. Barclays share of "group A" lending fell from 30,9% to 26,2% over six years and from 27,4% to 25,8% in 1980.

Standard also lost ground in "group A", its share falling from 27,6% to 26,9% in six years and from 26,3% to 25,8% last year.

Volkskas made the greatest gains last year, lifting its share from 12,8% to 14,3% with a R180-million spurt of "group A" lending in the December quarter.

Group A advances were outstripped by far by hire-purchase advances and leasing. Over six years they rose 47%, compared with the 336% rise in hire-purchase advances and the 257% leap in leasing.

Group A advances totalled R6 383-million against HP advances of R2 452-million and leases of R1 867-million.

Thanks largely to Wesbank, the Barclays group did best in hire purchase and leasing, lifting its share of the soaring HP market from 8,2% to 28% in six years and its share of the leasing market from 21,7% to 27,7%.

Nedbank lost ground here, its share of hire-purchase advances falling from 5,3% to 4,1% and of leasing from 12% to 9,1% in the six years.

Standard did best in HP last year, raising its share of the market from 31,3% to 35,2%. Bankorp increased its stake from 14,3% to 15% and Volkskas from 4,2% to 5,6%. Nedbank's share fell from 12,4% to 8,9% and Barclays' from 28,4% to 27,4%.

The Standard Bank group is to release these figures on a quarterly basis in future.

COMMENT: The figures tend to confirm things that bank watchers have long known, for instance:

That Nedbank, a "wholesale" bank and the one with the best returns and recent profit record, has increased market share in recent years,

That it is not so easy to improve market share once it gets near 20%,

That the leasing and HP markets have outstripped other forms of lending.

That Barclays has concentrated its efforts in leasing and HP in Wesbank, instead of the commercial bank.

That Nedbank has intentionally stayed out of this high-growth market.

The rand — neither villain nor angel

(58)

RDM 5/5/81

Howard Preece

Economic Spotlight

THE RAND has now fallen to just over $1,21 — back where it was at the beginning of 1980 and way below the $1,35 reached in early January 1981.

On the surface that seems bad news on the inflation front because of dearer import prices.

With the consumer-price index already showing a 12-month rise of more than 16% (although the trend for this year is a little less horrific) South Africa hardly wants to fuel it any further.

But how important is the link between inflation in this country and the foreign exchange rate of the rand?

There are several top economists who believe that the Government, through the Reserve Bank, should have let the rand go much higher last year.

It is a view shared by some leading businessmen, among them Mr Donald Gordon of Liberty Life.

There is no precise agreement about where the rand should have gone, although the $1,45 to $1,55 range at the peak broadly covers it.

The effect of a rise in the rand to $1,40 or so against the $1,35 peak would probably have been too little — for good or for bad — to make much difference.

It is argued by some economists (although certainly not all those who were pushing for a substantially higher rand last year) that the Government should have no policy for the rand at all in parity terms, that it should simply let the currency go where market forces take it.

But that begs a lot of questions.

Full market forces could come into play only if the Government were to scrap all, or nearly all, exchange controls.

Just what would happen in those circumstances has to be a matter of speculation.

But I would expect certainly judging by the market-related financial rand that the ordinary commercial rand would actually fall if exchange controls were largely removed.

There is, of course, a case for that.

It is not altogether logical, however, to argue as some people do that (a) the rand should be deliberately pushed higher to combat inflation and (b) that exchange controls should be removed.

There are, to say the least, some probable contradictions, at least in the short and medium term.

We can instead consider the view (at any rate until the further findings of the De Kock Commission on monetary and exchange rate policies) that the rand should have been fixed sharply higher last year by the Government through a very selective response to market pressures.

Well, why did the Reserve Bank not do this?

The main immediate reason was its concern that many ... the dollar.

On the other it firmed by only 3,2% against sterling and depreciated by 5,7% against the Japanese yen.

Safto claims, and so do individual exporters, that overall those changes meant lost exports for South Africa, basically in manufacturing.

The Reserve Bank was not willing to risk even more.

Its general judgment on the rand was also affected, however, by the painful memories of 1975/76 when the balance of payments hit a major crisis when the bottom dropped out of the gold market.

The bank was scared of taking what it saw as a dangerous chance by pushing the rand too high.

But what was the effect of all this on inflation? And how would a different rand policy — say, $1,50 plus — have affected retail prices?

In 1980 imports totalled R14 288-million, roughly 23% of the gross domestic product.

According to the Reserve Bank import prices rose by about 25%, rather surprising in view of the 10,5% average increase in the value of the rand.

That, however, points to one of the difficulties in trying to analyse the effect of import price rises on general inflation.

The import total last year was heavily influenced by oil purchases, but these are known to have included considerable stockpiling (which had no immediate effect on the economy).

Oil price rises were also not passed on to the retail side.

According to the Department of Statistics the wholesale price of imported goods rose by 14,7% against 17,2% for SA-produced commodities.

Taking that figure and the Reserve Bank figure together it is possible that had the rand been pushed to a $1,50 peak — say, an extra 10% higher on a weighted average basis — the rand price rise of imports could perhaps have been kept close to 5%.

One difficulty, though, is that there is no way of knowing how many exporters to South Africa would still have kept up their rand prices and increased their profits.

But let us accept that import prices would have been noticeably restrained and that, directly and indirectly, this would have had a curbing effect on price rises in the shops overall.

We come back to the fact, however, that imports are responsible for only 20% to 25% of GDP.

Adding it all together I cannot see that a rise in the rand last year to $1,50 could at most have done more than hold back the rise in the general consumer-price index to 13,5% or so compared with the 15,7% recorded.

Now that would have been useful, but it is nonsense to suggest, as some economists have, that inflation in South Africa last year could have been enormously averted by a different rand policy.

It is also dangerous nonsense because it may lead to exaggerated claims this year about the inflationary effect of a falling rand.

(The rand has actually fallen by only 3% so far in 1981, according to the economics department of Johannesburg Consolidated Investments.)

In any case we cannot ignore what effect a sharply higher rand would have had on exports.

It is true that last year gold was so strong that the impact on the balance of payments would not have mattered.

But that is not the point. South African manufactured exports cannot be turned on and off as the fancy takes the policymakers.

Had exporters been hurt badly by a much higher rand last year some might well have lost precarious holdings in markets that could not then be recaptured simply by lowering the rand again.

The balance of the argument about the rand is difficult to determine because there are obviously unknowns in the alternative strategy.

Nobody could, or should, suppose that the authorities miraculously found the precisely correct pattern for the currency in 1980.

The Reserve Bank may have been too cautious.

But it is ludicrous to suppose that that is the overriding heart of our inflationary problem, just as it is to suppose that everything would have been fine if exchange controls had been drastically unwound.

Rembrandt Group appointments

6/5/81

71/79 (58)

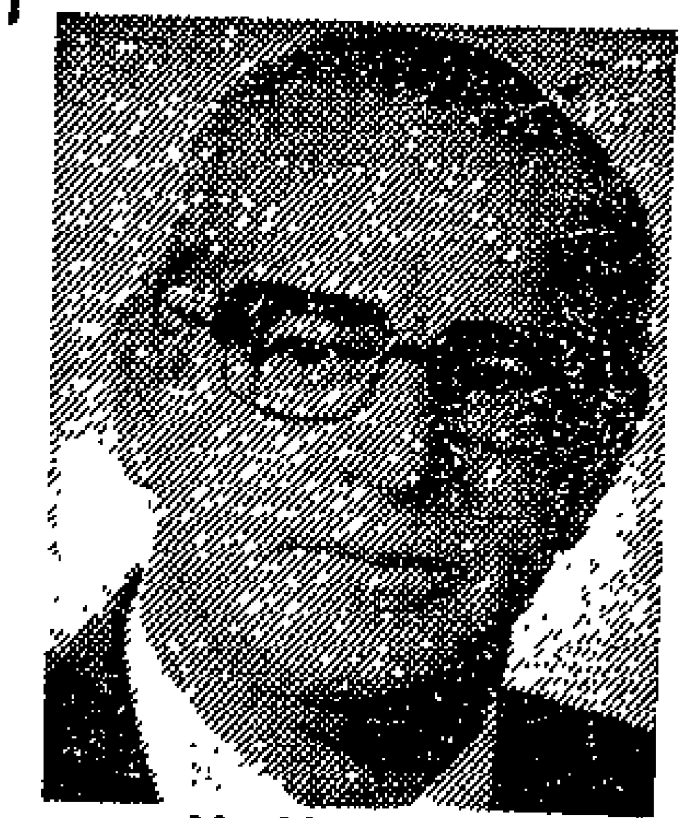
The following appointments to the boards of the four quoted companies in the Rembrandt Group have been announced:

Mr Louis Rive, former Postmaster General and since July 1980 chairman of the Planning Board of Greater Soweto, has been appointed to the board of Rembrandt Group and Rembrandt Controlling Investments. He succeeds Dr J H Steyn, who served on the boards of Rembrandt Group for over 30 years and who has now retired.

Mr M J Roux, managing director of Rembrandt Tobacco Corporation SA, has been appointed to the boards of Rembrandt Group, Rembrandt Controlling Investments Technical and Industrial Investments and Technical Investment Corporation. He replaces the late Mr D M Hoogenhout. Over the past 31 years Mr Roux has served the group in many capacities, locally and abroad.

Mr J P Rupert, chairman of Rembrandt Tobacco Corporation SA, and director of the other quoted companies, has been appointed managing director of both Technical and Industrial Investments and Technical Investment Corporation.

Mr J A Rupert, managing director of Rembrandt Group, has been appointed to the boards of Technical and Industrial Investments and Technical Investment Corporation.



Mr M J Roux.

55

Anglo Alpha plan to spend R358-m

STAR 6/5/81

By Frank Jeans

Anglo Alpha, the cement, stone and industrial mineral group, is spending R358-million in a five-year expansion programme, and of this, the cement division is to get a R150-million injection aimed at increasing production capacity.

The lime division of Anglo Alpha has the next largest budget of R100,6-million, while the stone division has an allocation of R84,3-million.

More than R18-million will be spent on industrial minerals expansion, while the textiles sector and other areas of the group will account for more than R14-million.

The cement division's klinker production this year is expected to be 2,3-million tons, which will be boosted by 250 000 tons when the company's Roodepoort kilns are re-commissioned.

Two Anglo Alpha buildings are due for completion by the end of the year — the R5,5-million group headquarters at Sandton, and a R1,4-million technical training centre.

[redacted]

President Insurance takes over Senator

RDM 6/5/81

58

Financial Reporter

THE President Insurance Company has taken over the Senator Insurance Company as part of the rationalisation programme of the short-term insurance interests in the Rentmeester Group.

The takeover, which is subject to the permission of the Registrar of Insurance, will be effective from April 1 1981.

The merged companies will operate under the name of the President Insurance Company.

To prepare the ground for the merger, Rentmeester recently acquired the shares of the minorities in Senator and most of the outstanding shares in President.

Rentmeester says that the takeover will provide a stronger financial base and will result in considerable savings in administration costs.

It will create a more efficient organisation capable of providing better services to clients, brokers and agents.

Star (58)

Anglo coup

9/5/81

In Monday's Star an article headed "Anglo coup is one of the biggest mining deals on record," the shareholding of Palabora should have read, JCI owns 4,5 percent (JCI in turn being 41,27 percent held by Anglo American).

Palabora's other major shareholders are Rio Tinto Zinc 38,9 percent and Newmont 28,6 percent.

BUSINESS

Weaker firms may go to wall—Standard

5/1981 8/5/81 58

By Geoff Shuttleworth

Companies with weak balance sheets may experience worrisome financial problems by the end of the year, Standard Bank says in its economic review.

The review, written before the increase in the Bank Rate to 9,5 percent, does, however, clearly anticipate such a move.

It noted that the combination of lower sales, the coming onstream of new plant at the end of a boom and inevitable tightening of credit will have a significant impact on the financial wellbeing of many companies.

The supply of internally generated funds will increasingly be restricted by declines in the rate of increase in sales and productivity. As a result profit margins are bound to narrow and the financial gearing of many companies will deteriorate.

POSITIVE

The Bank said that while there are signs that the economy has begun to run out of steam, there are no indications of an impending significant decline in activity on the scale of the 1976/7 recession.

Positive factors for renewed growth after a consolidation period include prospects for a gradually improving international environment and, internally, changing attitudes towards labour training and management and ongoing fixed investment to improve the growth base.

Noting at the time the review was compiled that "an increase in the Bank Rate and a consequent rise in the overall-rate pattern are on the cards," it adds that apart from conducting open-market operations, the authorities are also likely to attempt to attract big funds from the short-term markets and, out of the money supply, through the forthcoming long-term stock issue.

It noted that the most important external economic factor will be the performance of the gold price. It added that even if the bullion price did move up moderately in the next few months, economic-growth prospects for the remainder of the year would not improve significantly.

On balance the bank expects a further weakening of short-term growth factors and the overall growth rate will probably be confined to half of last year's 8 percent.

Farm production, because of the big surplus last season, may alone add 1 percent to this year's growth rate. Nearly every other sector is expected to experience a marked slowdown this year.

However several favourable factors emerge. These include:

- An easing in the skilled-manpower bottleneck.
- Weaker demand, coinciding with completed projects, will accelerate the return to less strained conditions in industry.

The bank said that it would be unrealistic to expect the downturn to bottom in 1981. During the first half of 1982 a further slackening in business activity must be reckoned with.

Financial conditions may ease slightly in 1982, but interest rates seem likely to remain relatively high because it will take time to reduce inflation to acceptable levels.

One of the most crucial determinants of the length and depth of the downswing will be the BoP. Reviving exports, against the background of more buoyant economies of major trading partners, seem likely to pick up in the first half of 1982.

The results should filter through to the rest of the economy and the overall-growth rate will begin to pick up in late 1982 or early 1983.

THE RAND FM 8/5/81 (58)

Verging on a float

There is something ostensibly very odd about the financial advertisements in the Sunday newspapers these days. The money supply is still rising fast. Some excess liquidity remains in the financial systems. Yet the banks' adverts have switched from offering loans to attracting deposits.

This is because of what economists call "rational expectations." The banks have been persuaded by the authorities that change is in the wind. The money supply growth will eventually be controlled, short-term interest rates will be higher and the banks' ability to lend, severely circumscribed. Prices in general should thereafter begin to stabilise.

It was partly because of this official persuasion that certain short-term interest rates have risen higher than longer term ones. Tuesday's sharp 1.5% rise in Bank rate, coming so soon after the previous 1% rise, was a further means of encouraging these expectations.

The authorities may at present appear deficient in their armoury of monetary controls. They may have been delayed by the general election in the application of discipline. But the sharpness of this week's Bank rate rise suggests they could soon make up lost time.

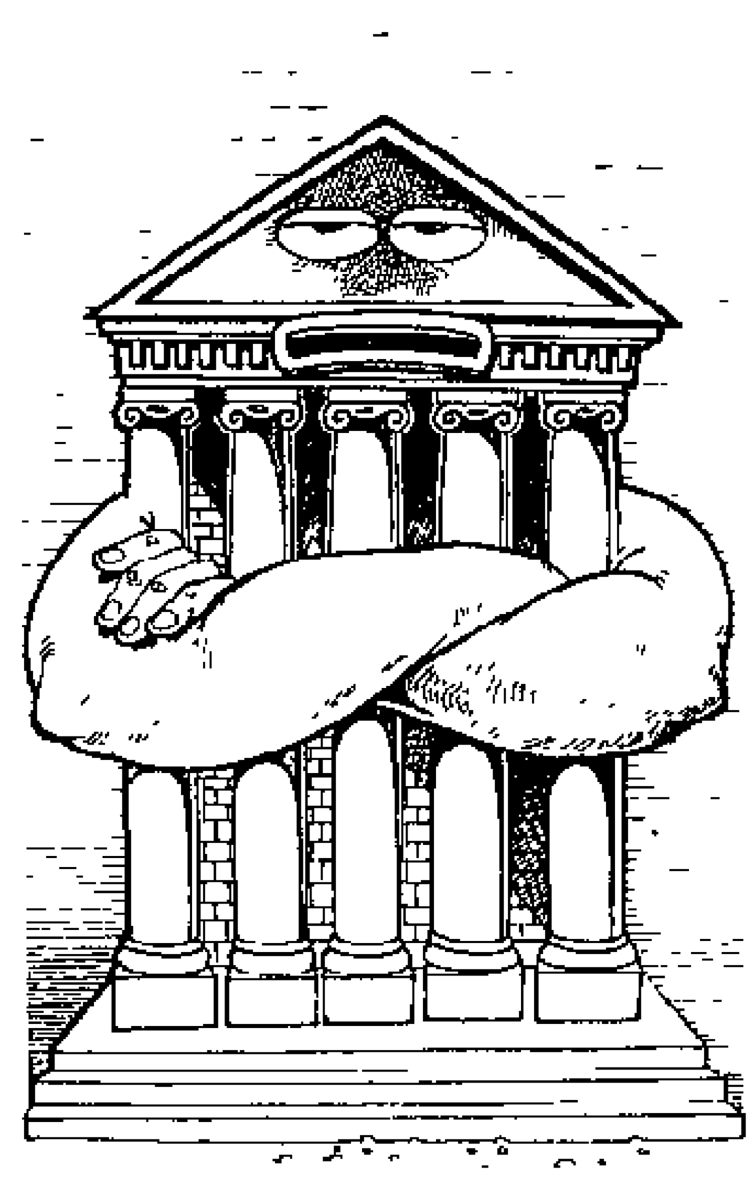
But there was another important indication that the Reserve Bank is on the brink of swift and decisive action. It was a proposal put forward by Senior Deputy Governor Chris Stals to the Institute of Bankers.

If it is implemented, the first and most important step will have been taken to float the rand since the formation of a foreign exchange market two years ago.

Once the rand's value is determined mainly by market forces, the way is clear for a relaxation of exchange controls without necessarily prejudicing the reserves should its value decline.

And, once those controls have been progressively dismantled, together with the rise in domestic short-term interest rates, there will no longer be a surplus of worrisome domestic liquidity. It will seek automatically the most favourable returns in international markets.

In that event, the De Kock commissioners may argue with erudite prolixity over whether to control credit through liquid assets or cash reserves. For, to the extent non-bank surpluses are involved, there will be another — very powerful — restraint on credit creation besides the single one applying now, which is the trade deficit.



Stals' proposals are aimed at preventing the simulated forward currency market from dominating and distorting demand in the smaller spot market where the rand's value is supposed to approximate a market determined rate.

At present there are more forward transactions with the central bank than spot ones. During the first quarter of this year there were R6,8 billion currency transactions with the Reserve Bank. Of those, R4 billion (59%) were forward contracts. Yet the forward contracts play no part in determining the rand's spot value.

Nor, as Stals points out, need the banks take their forward currency positions into account in determining spot rates. For any disequilibrium can be covered at any time, and at a well-known price, with the Reserve Bank.

Stals' solution is that when banks sell dollars for forward delivery and cover themselves by buying spot, these spot purchases should:

- Either be deposited with the Reserve Bank at an appropriate rate of interest during the contract;
- Or the banks should sell the spot purchases to the Reserve Bank under a buy-back agreement at a rate akin to the prevailing forward rates.

Stals reasons that if the spot purchases were allowed to be invested abroad, the reserves would decline and bank liquidity would be restricted; foreign deposits do not rank as liquid assets. His first alternative overcomes the foreign exchange loss but not the liquidity problem. The second overcomes both.

The buy-back alternative will mean that the Bank's 20 point spread between buying and selling rates would have to be abandoned, removing another distortion from the spot market. The buy-back rate could also become a key instrument of policy.

There is, of course, another and swifter way of achieving the same purpose: simply scrapping exchange controls and the Bank's withdrawing from the forward market altogether. This would force dealers here and abroad to create their own forward market.

The fact that Stals is shy of such a move suggests there is still a strong body of official opinion that would support the use of the reserves to bolster a floating rand which it considered was weakening too far or too fast. That is a pity. In the circumstances, therefore, the *FM* believes Stals' proposals are the next best thing.

Nor do they require a great deal of heart-searching before implementation. Like the scrapping of usury limits, they can and need to be implemented now. Market expectations are more than propitious.

BANK RATE FM 8/5/81 (58)

Too little, too late

All the major banks announced on Wednesday that they would raise their prime lending rates almost immediately to 13% from 11,5%. This was their unanimous reaction to the 1,5% rise in Bank rate on Tuesday.

The Bank rate increase, another salvo from Reserve Bank Governor Gerhard de Kock in the battle against inflation, came with almost indecent haste after the election. But the market was surprised neither by the timing nor by the extent of it

Regrettably, the rise was too little, too late. Had it been as much as 2%, the Bank rate would most likely have reverted to its original rediscount function to determine the cost of last-resort central bank accommodation to the banking system. This controls bank reserves, and thereby the process of money creation at its very root.

However, even although Bank rate now represents merely a handle on the process of credit creation by the banking sector, the higher rate does constitute an unambiguous signal to the banks to tighten credit and the extent of its rise suggests Church Square is deadly serious.

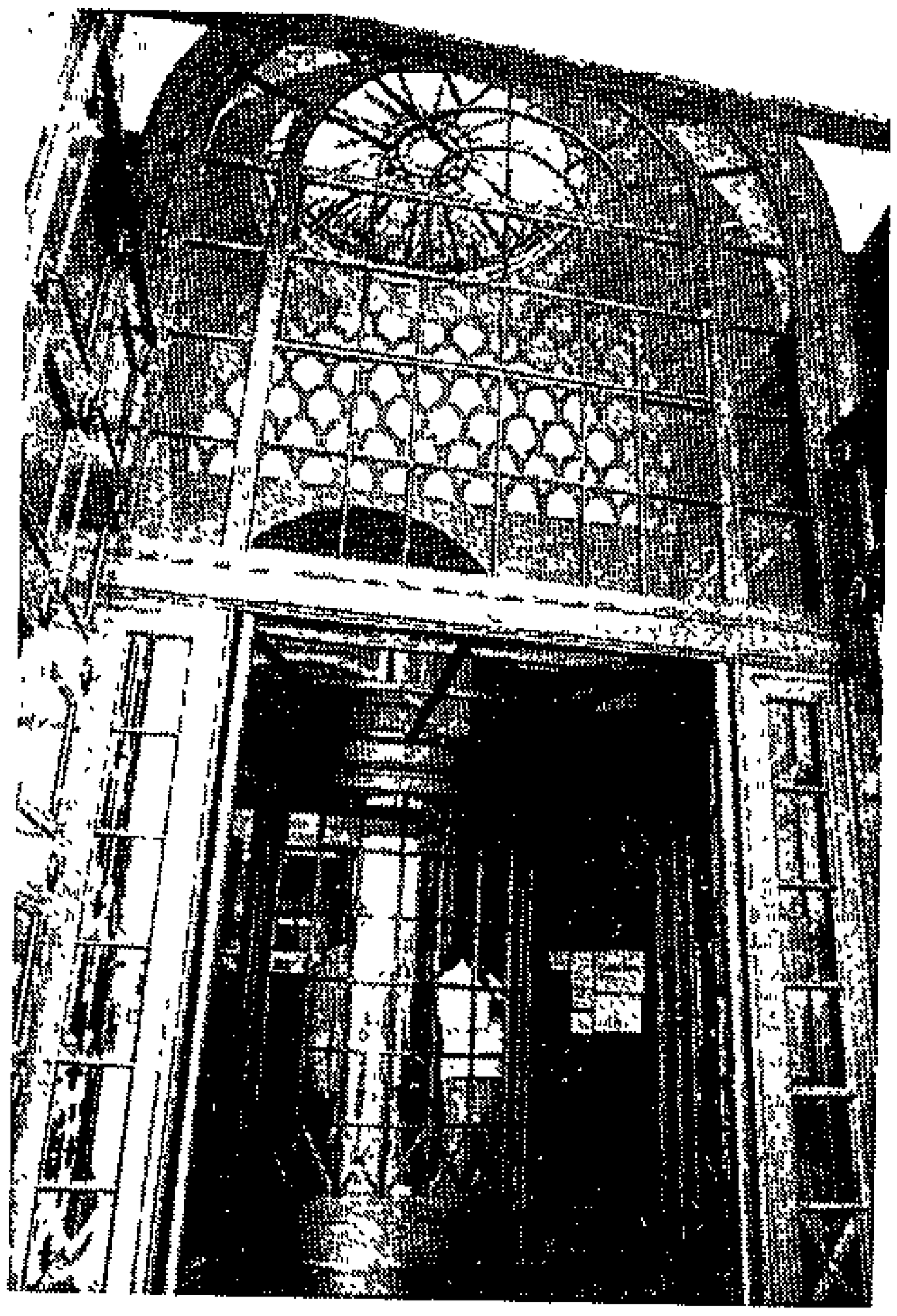
The new prime OD rates, say bankers, leave a 5% margin between lending rates to the most credit-worthy clients, and the new Ladofca ceilings set in February by Finance Minister Owen Horwood. The most relevant of these is that of the 18% maximum for lendings of R1 000 and over. Bankers maintain the 5% margin is wide enough to allow them realistic differentials between prime and lesser-rated borrowers. So moves to have the Ladofca ceilings raised are not imminent from that quarter. And, the new Registrar of Financial Institutions Naas van Staden, maintains the idea is not yet "even under consideration."

Pressure mounts

The general banks, on the other hand, say that the cost of money has forced them against their lower limit of 21%, and it will not be long before pressure mounts to raise that rate. They have apparently been given an official assurance that appropriate adjustments will be made.

The widely-held belief that the rise in Bank rate had been delayed by the general election means that all the money markets tended to discount it in advance. Negotiable paper maturing after May was marked up some time ago, and capital market sources say the Bank rate announcement had virtually no effect on trading rates — an unusual occurrence. So despite the extent of the rise, Church Square was once again following rather than leading.

More crucially, bankers say the recent rises in retail deposit rates were made with one eye on the probability of the Bank rate increase. So it should have little immediate impact on deposit rates structure. By the usual transmission mechanism, increase in bank deposit rates would have led to increases in building society deposit rates, and placed additional pressure on mortgage rates. But the societies are adamant that the 1,5% rise in mortgage rate already announced, and set to become effective on June 1, is all that can be expected from them now. Their forward mortgage commitments are now much lower than a few months ago and new savings, albeit it at a lower rate, plus a substantial reflow of mortgage repayments, should see them through. But the 15,5% they have been paying for 12-month deposits must have played havoc with margins. So a further mortgage rate rise in the months ahead cannot be completely discounted.



Reserve Bank . . . closing the door on credit creation

In the longer term, of course, it can still be safely assumed that the whole rate structure will continue to rise. Local lending rates are still substantially below those in other countries and inflation remains above the cost of long-term capital

Another rise in Bank rate will be necessary if an effective rediscount policy is to be implemented. It could come after the government stock issue in May To be sure, if that happens the markets will greet it with more than the laconic nods that met Tuesday's announcements.

KRUGERRANDS FM 8/5/81 58

Market settles

The krugerrand market has settled down following the April 13 "freeing" of the coins in the primary market.

The banks report that the primary market trade has eased considerably since the initial spurt of demand when waiting lists for coins were abolished.

In the first week after the new marketing system became effective, demand for the coins rocketed. The banks now report diminished demand for all krugers.

A spokesman for a leading stockbroker says this could be because, immediately after the changeover, coins on the JSE were trading at a premium on the banks' price. But the situation has now "righted" itself and the price on the floor is lower than the banks' price. This is because buyers are not willing to pay more than the banks are charging, so sellers are forced to accept their price.

On Wednesday, the discount on one ounce coins on the JSE was running at about 2%, with the banks trading around R474 and the JSE at about R463.

Dealers believe that the market may well settle down now that the pent up demand has been eased and will remain so as long as the gold price remains steady around $480 or $400. This means that the JSE premium gold price is 16%.

Others say the reason for the drop in interest in the coins on the primary market is the high premiums. On some fractionals it is running as high as 30%, incorporated in the banks' price for krugers. Dealers claim that the small investor, the market at which the fractionals are aimed, is keeping out of the market because of the premiums being charged by the banks.

A leading secondary market coin dealer reckons that during March fractionals accounted for 15,5% of his value of krugerrands traded, while in April this figure had fallen to 2% of his turnover.

He believes the "speculative fever" visible in the market could be eliminated if the Treasury restriction of 300 000 ounces for the SA market were lifted.

FRENCH BANK (58)

FM 8/5/81

Continuing progress

Activities: *Registered commercial bank and foreign exchange dealer. French-based Banque de l'Indochine et de Suez owns 54,5% of the equity and Gencor 30%.*

Chairman: *G Dangelzer; managing director: M Moreau.*

Capital structure: *8m ordinaries and preferred ords of 50c. Market capitalisation: R9,6m.*

Financial: *Year to December 31 1980.*

Share market: *Price: 120c (1980-81: high, 180c; low, 98c; trading volume last quarter, 47 000 shares). Yields: 16,3% on earnings; 8,8% on dividend. Cover: 1,9. PE ratio: 6,1.*

French Bank's profit performance in 1980 mirrored the growth in the economy and also reflected benefits from expansion of the range of services offered. The result was a net profit increase of 37%, which compares very favourably with the growth rates of the larger banks.

	'77	'78	'79	'80
Total assets (Rm)	153	21[illegible]	[illegible]	313
Return on assets (%)	0,41	0,4[illegible]	[illegible]	0,50
Return on equity (%)	14,0	11,7	11,3	1[illegible],4
Taxed profit (R'000)	817	95[illegible]	[illegible]	[illegible]
Deposits (Rm)	161	17[illegible]	22[illegible]	25[illegible]
Advances (Rm)	6?/4	76	116	1[illegible]
Earnings (c)	13,0	16,4	17,2	19,6
Dividends (c)	4	8	9	10,5
Net asset value (c)	93	13[illegible]	152	165

This improved performance meant a fairly substantial gain in the return on equity to 12,4% (11,3%) which, though lower than figures reported by the big three banks, is back on track to the 14% recorded in 1977.

Presumably French Bank's return on equity is lower than others in the sector because of the nature of its business — like the financing of capital equipment in a period of high liquidity and its low exposure in the fast-growing consumer sector where demand for HP finance has helped keep banking profitability growing.

In addition, French Bank is not at present in the merchant banking field where the other major banks have reported large gains. However, recent plans to establish a merchant banking arm suggest a profit benefit from this source in 1981.

Major contributors to last year's strong profit performance included the financing of imports and exports. French Bank arranges this finance with banking consortia internationally and expansion of this activity is planned.

Last year, the bank also reported strong growth in its leasing department despite the general high level of liquidity in the economy and, for the first time, the bank entered the leverage leasing market.

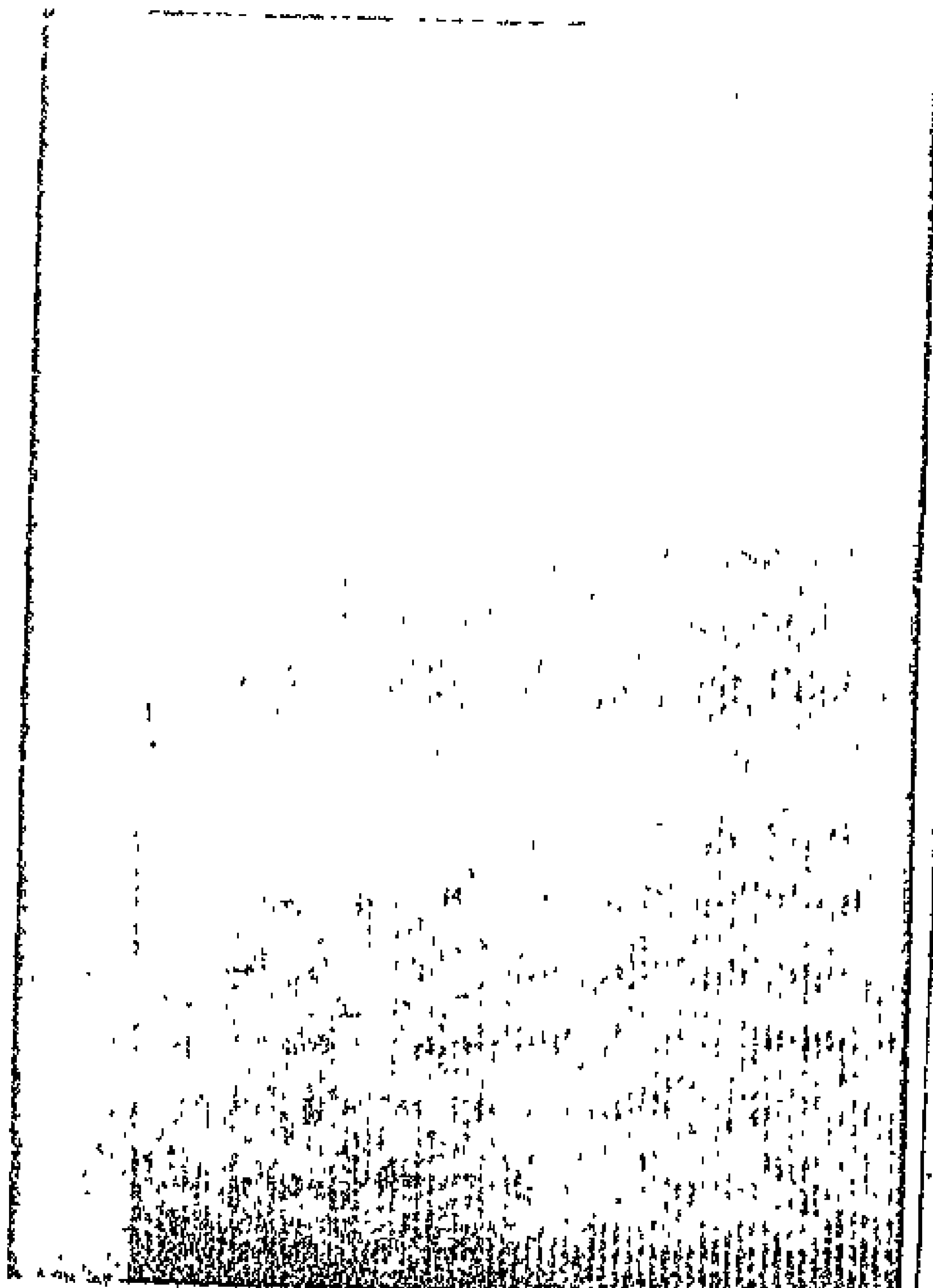
Chairman G Dangelzer says the money and capital market division continued active with increased market penetration. He hopes for some relaxing of official controls in this market, which would create better opportunities for the banks.

Changes to asset structure included a drop in investments — notably listed dated securities — to R11,5m (R22m), presumably a reflection of the bottoming of interest rates. On the other hand, advances increased by R2?m to R1?6,5m, cash by R31,9m to R10?,6m and bills discounted by R1m to R27,5m.

Performance this year, judging by management comments, should reflect continued progress, with new operations set to contribute to profit. In addition, results could benefit if the De Kock Commission recommends a relaxation of controls in the banking industry.

The share trades at 120c, yielding an historic 8,8% on dividends, which compares with a 6,4% sector average. In view of diversification plans, an improvement in the price seems possible.

Des Kilalea



French Bank . . . more profit from more activities

PREMIER GROUP (58)

FM 8/5/81

Growth demands

If there were ever any fears that Premier's growth rate would slow in the second half of last year, they have been effectively flattened. The second six months saw an extension of the first half's growth and resulted in a 27% turnover advance to R1 205m and a 43% hike in trading profit to R84,3m for the year to end-March.

And chairman Tony Bloom is confident that conditions this year will be good enough to push earnings for 1982 up by at least 20%.

The first half sales increase was also 27%, but that did not include 65,6%-owned Gallo. Nine months trading for Gallo (Africa) have now been included for the full year. So the year's figures do indicate some slowing of the rate of growth in food sales during the second half.

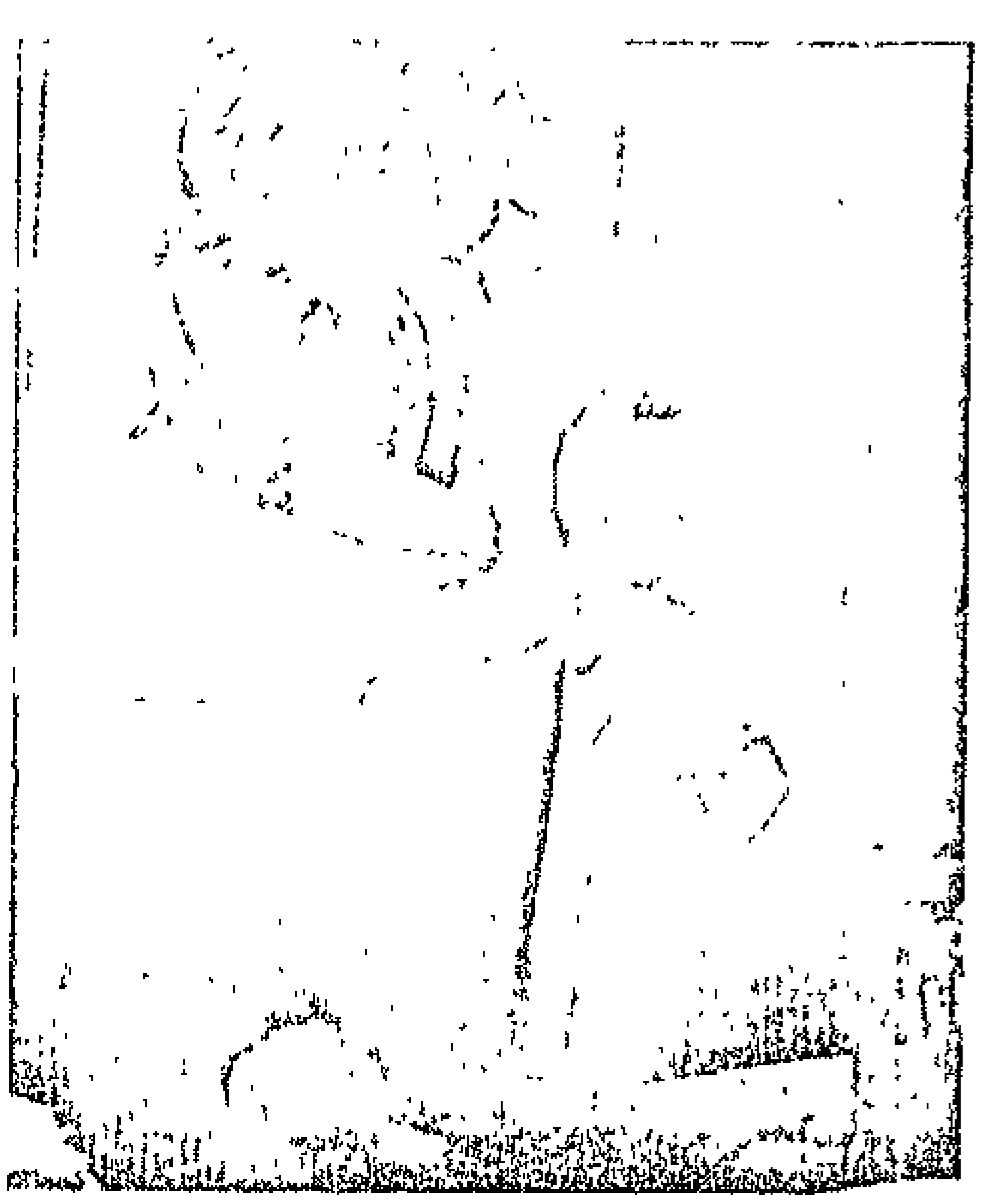
Overall margins improved significantly from 3,1% to 3,[illegible]%. Gross profit was [illegible]% higher at R[illegible]m. But as interest costs were moderated by lower rates on the foreign and domestic borrowings, pre-tax profit increased by 56% to R67,7m. A small decrease in the tax rate, from 33,3% to 31,9%, resulted from assessed losses.

Taxed profit was 55% higher at R45,1m. The inclusion of the results for Gallo and a full 15 months for Twins, however, resulted in a sharp increase in minority interests. Together with the pref dividend, this deduction is now R5,1m against R672 000 in fiscal 1980.

Earnings per share, on a small increase in issued share capital, thus rose 45% to 159c. Bloom attributes the improved earnings to the sales increase, tight cost control, the utilisation of spare capacity, the elimination of egg losses and lower local and foreign interest rates.

Though earnings are in a firm growth trend, Bloom is concerned over the possible adverse effects of inflation. At the half-way stage the group warned that an increase in dividend cover was likely to fund working capital requirements. The rise from 2,8 times to 3,1 times puts cover at the upper level of the range stated by management. And while turnover continues its strong advance and inflation shows no signs of abating, a cover reduction is unlikely.

At end-March the group had authorised capital expenditure plans of R27,6m (R20,3m). Much of that will be funded from existing facilities, though it also has some bearing on the retention level. Capex is earmarked for expansion and modernisation of the milling, baking and animal feeds section.



Premier's Bloom . . . flour powered growth

Bloom says the only disappointing aspects were the edible oils division and the newly merged Twins-Propan pharmaceutical division. Edible oils contributed almost 20% to the 1980 pre-interest profit. Last year, Bloom says, an oversupply of edible oils on the local market pushed margins down and exports were lower. The Twins-Propan merger, he says, resulted in rationalisation difficulties and the division took time to "bed down." He expects a good profit from the division this year, however.

Premier is currently traded at 1 125c, giving an historic yield of 4,5%. Competitor Tiger Oats yields 4,4% at 1 900c.

Since 1970 Tiger's earnings have grown 9,3 times from 35c to 325c, while Premier's growth was a more pedestrian 7,2 times from 22c to 159c. However, Premier has been more generous to its shareholders, increasing dividends 4,6 times from 11c to 51c against Tiger's 4,4 times advance from 19c to 83c. So the market appears to be ignoring Premier's faster dividend growth as well as near-term growth potential in its new investment areas, Gallo and Twins.

Ian Mac[illegible]

Field [illegible]

Activities: Industrial holding company with interests in aviation and manufacture and marketing of fastener and industrial rubber products. [illegible] [illegible] Industries [illegible] Associated Industries of the UK, owns [illegible]% of the [illegible].

Chairman: Dr L P McCrystal.

Capital structure: [illegible] [illegible] [illegible] [illegible] [illegible]

Financial: Year to December 31 1980. Borrowings: long- and medium-term, R[illegible] 000 [illegible] short-term, R[illegible] 000. [illegible] [illegible] ratio: [illegible] Current [illegible] ratio: [illegible] [illegible] cash flow [illegible] [illegible]. Capital commitments: R[illegible]

Share market: Price [illegible] ([illegible] [illegible] high, [illegible], low, [illegible]; trading volume last quarter, [illegible] 500 shares). Yields: [illegible]% on earnings, [illegible]% on dividend. Cover: 3,0 P/E ratio: 2,8.

	'77	'78	'79	'80
Return on cap % ...	20,7	14,9	[illegible]	24,3
Turnover (Rm) ...	[illegible]	[illegible]	[illegible]	[illegible]
Pre-tax profit (Rm) ..	[illegible]	[illegible]	[illegible]	[illegible]
Gross margin % ...	15,0	[illegible]	10,[illegible]	[illegible]
Earnings (c)	17,8	10,8	11,3	25,[illegible]
Dividends (c)	6	6	6	[illegible]
Net asset value (c)	70	76	83	58

* Adjusted for sale of Zimbabwe assets

During the year, the group sold off its Zimbabwean interests. This was not done because of poor returns from that investment, but because the directors and Field's UK parent believe both operations will perform better separated from each other at the corporate level, given the current southern African political climate.

Shareholders of Field were, in the end, the buyers of the Zimbabwe operation. These shareholders were offered either two Field Zimbabwe shares or 60c cash for every Field SA share. This necessitated a reconstruction of share capital. The [illegible] ordinary 20c shares were subdivided into [illegible] 1c ords and [illegible] redeemable prefs of 2[illegible]c each. The prefs were immediately redeemed at par in specie by the [illegible] to shareholders of the Zimbabwe [illegible]. [illegible] the effect on the balance sheet [illegible] [illegible] of over R1m in equity [illegible] [illegible] increase in non-distributable [illegible].

[illegible] Dr Lawrence McCrystal [illegible] to the reasons for the sale, but the offer document made it clear [illegible] the deal would leave [illegible] little change [illegible] earnings and net [illegible] basis. In 1980 Field took only the Zimbabwe dividend into account and, [illegible] it was [illegible]% of group pre-tax income, there was little change on 1979 in the amount received.

This year of course, Field will not be receiving anything from Zimbabwe, but the SA operations look set for a period of profitable consolidation.

Firstly, the aviation servicing division has expanded and its penetration in a growing industry is well established and likely to improve further. Secondly, the industrial interests may now be over the worst of the teething problems which have, until now, restricted profit contributions.

Aviation contributed 38% to turnover but 68% to profit. It is likely that, while the directors will want to expand the aviation division as far as possible, a better balance between manufacturing (only 4% of income) will be aimed for.

McCrystal is optimistic about improved profit from the rivet and rivet tools division, and for a turnaround in the problematic rubber repair materials division. Industrial rubber manufacture continues to worry management, but steps taken this year could see a recovery.

One of the problems is that depth of management, up to executive level on the board, is thin. The tone of McCrystal's report suggests, however, that a consolidation period could correct this.

No fireworks from existing operations can be expected this year. The 9,7[illegible] dividend yield reflects this.

What is food for thought, however, is the possibility that the UK parent may sell a portion of its stake to a local operation, thus allowing an expansion of the industrial interests. The appointment [illegible] ex-SA Breweries executive director John Hall could also point to a period of acquisitive growth for the company.

Marketability is poor, but for the small investor this is a not too risky speculation.

[illegible]

Tolux
FM 8/5/81 (S2)

No attractions

Activities: *Luxembourg-based investment trust*
Capital structure: *1,8m ordinaries of no par value. Market capitalisation (JSE): R7,5m.*
Financial: *Year to December 31 1980. Borrowings: nil. Net cash: $967 000. Current ratio: 1,6.*
Share market: *Price: 400c (1980-1981: high, 410c; low, 320c; trading volume last quarter, 1 000 shares). Yields: 6,6% on earnings; 3,9% on dividend. Cover: 1,7 PE ratio: 15,1*

	'77†	'78	'79	'80
Div income ($'000)	258	11	177	410
Earnings (c)*	20,3	(1,6)	17,4	26,0
Dividends (c)*	14,6		14,1	15,7
Net asset value (c)*	300	163	218	322

† 15 months annualised
* SA currency — converted at year-end rates

From the point of view of an outside shareholder, the existence of this company is largely meaningless. Operating as an investment trust, its only asset of any consequence is a holding of 2,2m Hesperus shares (32,8%). Hesperus, another investment trust, has as its major asset 16,1m Unisec shares (36%), and that company, in turn, has a large — although by no means dominant — proportion of its assets tied up in a share investment portfolio, including a major stake in Hesperus.

With profit retentions all the way up the line, Tolux dividends relative to the source of income are minimal, and those interested in this group of companies should rather invest closer to the operating level.

An interesting structural change within Tolux last year was the revitalisation of Panamanian-registered Tagsut Inc, previously a dormant company. In 1979 it was a wholly-owned Tolux subsidiary but, with the restructure, Tolux's interest has dropped to 50%.

The report notes, however, that the entire net revenue of Tagsut for 1980 will be declared as a dividend payable to Tolux in terms of the dividend policy and articles of [illegible] Tagsut. The 50% shareholding, and the fact that Tolux is entitled to all income is remarkably similar to the structure of Lilmawk, [illegible] and [illegible], associate companies within the Unisec group.

The report does not indicate the nature of operations of Tagsut; nor does it explain what happened to the 101 100 Unisec shares which Tolux previously held as a direct investment.

The major shareholders in Tolux itself have remained unchanged over the past year, with Lefeuvre, Kredietbank SA Luxembourgeoise and [illegible] Exporters still collectively holding [illegible] of the equity. The report does, however, concede for the first time that these interests "can include custodian holdings."

Shareholders will be asked at next Tuesday's agm to approve an enlargement of the board from four to five members, and to appoint [illegible] as an additional director. The report does not, however, give any information on the proposed new director or what his contribution to the company is likely to be.

After a 63% improvement in Unisec dividends last year the directors seem on safe ground in forecasting that Tolux should be in a position to consider an increased payout for 1981.

This, however, is already fully discounted in the present JSE price of 400c, which offers a prospective yield of only 5,6% even if the increase fully reflects the extent of the rise in Unisec's distribution.

Brian Thompson

GOVERNMENT LOAN FM 8/5/81 (58)

Playing safe

The Treasury announced this week the coupon rates on its May government stock issue — 12,5% for the 22-year leg and 9.5% for the three-year stock. The actual yields on these loans will be determined by the prices at which they are sold, to be announced on June 12.

The Treasury explains that it chose to market its latest issue in this way so that it could read the market until the last possible moment and thus set an effective yield that reflected the latest trading rates. Prospectuses have to be prepared three weeks in advance — a lag that could easily make the difference between success and failure. And for the purpose of monetary control as much as government fund raising, the issue must be a success. So there is a good chance it will be issued below par.

The Treasury is redeeming almost R1 billion which the monetary authorities do not want to see fed back into the system. And any excess over this amount which can be effectively sterilised will probably be welcomed, despite the interest liability it will add to the Exchequer account.

The issue is a delicate one. The investing institutions have remained aloof from the long-term market in varying degrees since late-1978, waiting for the rising interest rate structure to reach a level acceptable to them, or at least reach a point where it was unlikely to rise further. Much of their cash-flows have been placed in the short-term market to aggravate the excess liquidity that has flowed into the country through the BoP current account So the fortunes of the May issue are of crucial importance to the whole economy.

Capital market sources say the Treasury engaged in an extensive marketing operation for this issue to sound out the reactions of prospective purchasers. The market has hinted that a rate of 13% would be the minimum at which they come in, but sources now suggest that the response at the current nominal trading rate of 12,85% would be materially similar. This would mean selling at a discount of about R97,5%. So by setting a coupon of 12,5%, the Treasury is playing it safe.

Informal market tests by one bank indicate that some of the bigger institutions will devote between 50% and 80% of their cash-flows earmarked specifically for gilts at any rate from 12,85% upwards. Others, anxious to play to the full the process of rumour and expectation on which the market works in troubled times, stick at the 13% level.

But a reasonable consensus appears to exist that the issue will be successful at 12,85%. As one analyst comments, both the public and private sectors are funding themselves to relatively greater extents by internal cash flows. Government does not need to borrow heavily as it has done in the past at this stage of the business cycle, so it will set limits on the price it is prepared to pay for funds. And there is a general belief that the monetary authorities in general, and Reserve Bank Governor Gerhard de Kock in particular, have the ability to bring down inflation in at least the medium term.

In addition, the Treasury will not be offering new stock in June, when R121m matures, for the simple reason that two issues so close together would place on it an unwarranted administrative burden. And on top of it all, gilt rates are now at historically high levels. So rates are unlikely to rise further, he concludes, and investors would be well-advised to get in while the going is good.

There appears to be pressure for a wider discount on the three-year loan. Sources say 10% may well be the floor at which the Treasury could set an effective yield.

TRADE DEBTS FM 8/5/81 58

Uneasy truce

The Credit Guarantee Insurance Corporation (CGIC) and Johannesburg businessman Jeff Martin, of International Paper Industries (IPI), appear to have settled their protracted dispute over alleged non-payment of insurance claims. But neither side is entirely happy.

Martin says the episode "almost made me go broke" and he has had to write off R40 000.

The problem started last year when IPI sold about R400 000 worth of stationery and business equipment to the governments of Bophuthatswana, Transkei and Swaziland.

But for a host of reasons, the three governments were either unable or unwilling to pay their bills, claiming a "trade dispute."

Martin then went to CGIC, which insures export contracts, to claim the amount supposedly owed and for which he had been insured. IPI had been covered for only part of the Transkei and Swaziland transactions.

But CGIC replied that under the provisions of Martin's insurance policy and the 1957 Credit Export Act, which makes the SA Government the reinsurer for all "political" export contracts to other governments, CGIC would not pay until the dispute had been resolved.

The policy also stipulated that IPI would have to wait at least six months after settling the dispute before filing a claim.

Martin's attorney, Benjamin Liebmann, obtained a court order in December attaching the Transkei's official residence in Houghton — the first time in SA that a foreign government's residence has been attached. SA's Deputy Attorney General intervened on Trankei's behalf, saying he "had a duty to protect the dignity of the ambassador and his consular officials."

Transkei then paid the R33 749 owed to IPI.

Simultaneously, Liebmann initiated similar action against Bophuthatswana property in SA. The homeland then returned the goods bought from IPI.

After what Martin calls "protracted attempts at settlement," Liebmann obtained another court order attaching Swaziland's interests in the common revenue pool. In response, a settlement was reached, although Martin claims that he was obliged to abandon a R40 000 claim to achieve it.

Part of the dispute with CGIC, owned by a consortium of SA banks and insurance companies, involved Martin's claim for legal fees of about R10 000. He says he notified CGIC of his intentions to take the homelands to court and was told that the insurance company would have no objections.

But CGIC executive director Jan

CGIC's Bouwer . . . sticking to procedure

Bouwer counters that "the first we ever heard" about Martin's action was "when we read it in the papers."

Bouwer says that his R2 billion-a-year company followed procedures "that were clearly laid down in the insurance policy. If Mr Martin wanted to circumvent the procedures, that is his business. But we wouldn't go along with it."

Bouwer adds that CGIC took the "initiative to assist, even in a small claim" by sending a representative to Swaziland to sort out the dispute. According to Bouwer, the problem was that the Swaziland purchaser was not authorised to make payments.

But Martin, in turn, complains that CGIC "was changing the rules as they went along. I was told by them when I took out the policy that every risk was insured. But this did not prove to be so. For small businessmen, delays like this can cause bankruptcy."

Martin also insisted that he had complied with all the necessary Swaziland rules and that CGIC sent a representative only in the face of extreme pressure from his attorney.

Bouwer maintains that it is normal policy for CGIC to intervene if the dispute appears soluble. In fact, Bouwer says this resulted in some payments to IPI and "thereafter, we paid the balance before the six months expired."

Yet Martin says that he has abandoned R40 000 owed by Swaziland and has "decided to drop the whole thing. It's too much of a hassle. Needless to say, I will not be doing business in those states again."

PUBLIC CORPORATIONS (58)

FM 8/5/81

Loan subsidy cut

A hidden subsidy to SA's over-protected public sector has been abruptly removed by a joint Reserve Bank/Treasury decision to stop providing forward dollar cover on foreign exchange liabilities at a fixed discount of 2,5% a year on the spot exchange rate.

The 2,5% discount on forward cover for all importers was set in February 1979, before which it had been 1%. At this point the public sector could obtain cover at that rate on foreign liabilities in any currency. Later that year, the Reserve Bank restricted this to dollar liabilities.

However, in early 1980 — when the Bank changed to a flexible system whereby the cost of forward cover reflected more continuously interest rate differentials between SA and its trading partners — the public sector was allowed to retain its fixed rate privilege. In line with the gradual modernisation of the foreign exchange market, this has now been removed. But the public sector has retained a dispensation closed to the private sector, which is that its dollar liabilities can be covered for the full period for which they run. For other importers, the limit is 12 months.

The public sector, in this case, includes public corporations, municipal authorities and independent governments within the Rand Monetary Area. But effectively, those most affected will be the large foreign borrowers, like Escom, Sasol and, to a lesser extent, Iscor.

Forward cover will now be extended to public sector borrowers on a basis that takes account of interest rate differentials at the time at which it is applied for. It will be entirely flexible, says the Reserve Bank, which will decide on the rate in consultation with the Treasury, which picks up the final cost. So, depending on the period to maturity of the loan or credit to be covered, different term structures of interest rates in SA and the US will be set against each other to determine the relevant differentials. But, the Reserve Bank adds, it could also be used as a policy tool to control the direction of credit flows.

However, the new system in action may not be as flexible as the Reserve Bank would like it to be. [illegible]

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The big squeeze!

S. Times 10/5/81 (58)

PRESSURE ON BANKS, CONSUMERS IN RATES WAR ON INFLATION

By Stephen Orpen

MORE than R3 000-million! That was the *increase* in overall credit extended by the banks to private-sector borrowers — mainly share and property speculators — last year.

The total was at least twice that in 1979 and easily the highest on record.

If the inflation rate is to be curbed, this level of credit is clearly a wild extravagance, and cannot be allowed to continue.

There will thus be a severe squeeze on credit available from the banks for companies and individuals alike, which will tend to cool growth — although that is not the prime intention.

Aim is simply to slow the rate of inflation, thus allowing *more* real growth.

That is why the Governor of the Reserve Bank, Dr Gerhard de Kock, raised the bank rate to 9,5 % this week.

As intended, this precipitated an increase in private-sector bank rates, which should heavily discourage the extension of credit to private-ector corporate and individual borrowers from the banks

It is a tribute to the country's major banks that in their meetings with top Government officials in Pretoria in the past fortnight — to agree on a new credit policy — they eventually accepted a programme that could certainly hurt the profits of many but is just as certainly in the national interest.

Pretoria is determined to bring the inflation rate below the level of long-term interest rates.

It told the banks: "Either you work with us on this or we will introduce very, very stiff penalties indeed "

What a turnaround from the heady days early in the recent boom! Yet Pretoria's get-tough approach is fully justified

The wild credit spree of the past 18 months has been the main thrust behind the increase in the money supply — which has fuelled inflation like a petrol bomb.

The message now is simple:

- The banks will have to exercise far more caution in extending credit
- Demand for credit will in any case be curtailed by the higher price borrowers will have to pay for it.
- Consumers and companies alike will have to pull in their horns and borrow less on credit. The major exception is where it pays them to continue to lean on credit owing to them because they earn most of their money from interest on this money (as in the case of some of the major retail chains with huge buying muscle)

DR GERHARD DE KOCK
"Short-term instrument"

Dr de Kock explained to me on Friday: "We're not here to go bananas extending Reserve Bank credit — except at a high price

"In the past two years the banks have been able to raise funds for lending at will because of the surplus in the balance of payments, the Budget concessions and the high gold price.

"We've now asked the banks to brake the extension of credit while there is still time

"We must have positive rates of real interest. Without these rates (that is, long-term interest rates higher than the inflation rate) we can only expect disaster

"People understand very well that, if the rate of inflation is high, their pay increases must be higher still.

"But they have yet to grasp that the same applies to interest rates. If the inflation rate is high, long-term interest rates must be higher to increase purchasing power

Dr de Kock and his colleagues, who were also questioned by Business Times, agree that there are likely to be more official changes in the bank rate.

"This may make it more difficult for money-market men to plan their commitments. But that is part of the free-market challenge

"Also, bank rate is a short-term instrument and should not affect decisions about investments in long-term stock. These decisions depend rather on what one thinks will happen round the world — to interest rates, inflation, trade and so on."

Regarding building societies and general and HP banks, Dr de Kock and his team agree that there will have to be new thinking about their role — and this will be spelt out in the next De Kock Commission report shortly

Dr de Kock: "Building societies can raise their interest rates on old as well as new bond loans, whereas HP banks are stuck with contracts which have to run their course before they can be adjusted to new interest-rate patterns

"This is one reason why we are not overly sympathetic to building-society pleas for a still higher mortgage rate "

The governor points out that one difficulty for the societies is that they have one foot in the short-term money market (to draw in funds) and one in the capital market (for lending).

"The bond rate has gone up some 2.5% this year. That should be more than enough for the foreseeable future.

"Ultimately, we would consider tax relief if bond rates went through the roof.

"But we see no reason for that "

● **Doubts over . . . Page 3**

More changes in offing

By Tony Hudson

THIS week's shock increase of 1,5% in the bank rate is not the last for the year, and there are strong indications that the rate is going to fluctuate even more during the rest of this year.

National Acceptances' Francis Whitby tells Business Times that the figure could be as many as eight more changes during the year.

Other money-market sources agree with Mr Whitby, but feel that the number of changes will not be as high.

The next increase is expected around the middle of the year and could be as high as 1%, depending on how the increase in the money supply is reacting to higher interest rates.

The moves are in direct line with Reserve Bank governor Dr Gerhard de Kock's stated policy to run the monetary system on a free-market basis.

He tells Business Times that he intends to recommend that the bank rate be adjusted more often and should become more flexible.

Says Standard Bank's John Lloyd: "There are firm indications that the bank rate is going to be used as a much more flexible instrument. The rate will move up until about September, after which there could be a downward move."

Bad news for home buyers and agents

By Tony Hudson

THIS week's increase in the bank rate is bad news for both estate agents and would-be home owners.

Indications are that building societies are going to have to pay more for institutional money, already running at an all-time high of 14,5%, to keep the cash rolling in for bonds.

The societies are caught between the devil and the deep blue sea as, says Tim Hart, director of the Association of Building Societies, they will be forced to rely on institutional money to meet demand.

However, building society management has stated previously that it is reluctant to borrow at the current rate, and obviously it is going to jib at paying even more.

Money-market sources tell Business Times that they expect the call rate to move as high as 10,5%. As institutions are putting a large part of their funds into this end of the market, money-market men feel that they will put a larger proportion in this area with a higher call rate.

Consequently, they say, there will be less institutional money available for building societies, and those that are prepared to go into 12-month deposits will demand higher rates, which could go as high as 16,5%.

The money market feels that increased institutional 12-month rates will force building societies to cut back from present levels or even stop lending for a while

The building societies are slightly more optimistic and say that cash flows from interest and capital repayments plus deposits from the man-in-the-street could help keep lending at current levels

However, said one society spokesman, it is impossible to borrow at 16% and lend at between 11% and 13% for an indefinite period.

Waltons income leap

By Mervyn Harris

Waltons Stationery boosted income attributable to shareholders by 65 percent from R1.5-million to R2,47-million in the year to February.

A final dividend of 19c (15,5c) brings the total payout for the year to 32c against 26c the previous year, an increase of 23 percent.

Earnings a share rose from 55,8c to 91,6c.

The profits include R94 000 from investments made during the year in stationery manufacturing and the distribution of toys, neither of which has yet made a full contribution.

The company says the improvement in profit was because of the big increase in turnover — up 33 percent to R33 million — and more sophisticated control systems.

Perm gets bigger slice

STAR 12/5/81

58

By Ann Crotty

During the last year the Perm has made inroads into the building society investment market and has increased its market share by 1,4 percent.

In a year which saw the excessive liquidity of the building societies turn about-face, the Perm granted 60 800 loans totalling over R1 100-million against the 55 000 loans granted the previous year, totalling R835-million.

An indication of the housing price hike is the fact that the average amount of a loan rose from R18 000 to R23 000.

The Perm's Development Corporation also showed record growth with the number of units sold up 20 percent. Turnover went up to R13-million from R8-million in the previous year.

RDM 13/5/81

Boumat buys Falks Electrical

(58)

By HAROLD FRIDJHON

BOUMAT, the building supply group, has bought 80% of Falks Electrical (SA) and its subsidiaries for R690 000. The remaining 20% will be retained by the vendors, Mr J A Pollock and Mr J Hattingh who will remain in the business as managing director and financial director respectively.

The purchase price will be satisfied by a cash payment of R400 000 and the issue of 50 000 ordinary Boumat shares at a price of 580c a share, the market price on March 17 1981, the date when the agreement in principle was reached.

Mr David Gevisser, executive deputy chairman, said yesterday that the acquisition would have no material effect on earnings or net worth in the financial year to March 31.

However, he had great hopes of the Falks companies making a reasonable contribution to group profits in the future.

Falks is a long-established distributor of electric light fittings and allied lines which are either imported or manufactured in Falks' factory in Lesotho.

Trading as Falks, Lumen, Cashlite and Lites, the company operates in Pretoria, Johannesburg and Kempton Park. There are plans for further expansion.

Mr Gevisser said that the acquisition of the Falks companies was not a diversification for Boumat because the product range fitted into the group's sphere of operation.

Sun 14/5/81

Good returns from Ovenstone

By Ann Crotty

Ovenstone Investments increased attributable profit by 47,5 percent to R3,5-million for the year ended February 1981.

Pre-tax profit increased by 43 percent to R5-million but increased taxation, R366 000 for the review year compared with R63 000 for the previous year, resulted in the after tax profit increasing by only 35 percent to R4,7-million.

The final dividend was unchanged at 1,5c which added to an interim dividend of 1,5c makes this year's total the same as last which was 3c a share.

Impressive start by C G Smith

Reporting for the first time in its new shape and colours, the C G Smith Group has made an impressive start with earnings for the six month to March 31 of 110c a share — an indicated growth of some 37 percent — and has declared a 45c interim dividend, reports Sapa.

The group has been significantly restructured and its financial year change to correspond with that of its Barlows parent and no meaningful comparison can be drawn with any previous published results.

Following the acquisition of a controlling holding in Smiths by the Barlow group, a major restructuring took place in October 1970 which resulted in a new single holding company listed on the Johannesburg Stock Exchange, CG Smith

Looking to the balance of the year, the directors forecast that "group profits for the next six months will show an improvement over the year under review."

* * *

Boumat has acquired 80 percent of the issued share capital in Falks Electrical (SA) and its subsidiaries for R690 000, writes Mervyn Harris.

The price is to be met by a cash payment of R400 000 and the issue of 50 000 ordinary shares in Boumat at an issue price of 580c a share the market price when the agreement was reached.

The remaining 20 percent of the share capital is retained by Mr T A Pollock and Mr J Hettingh who are to continue as managing director and financial director respectively.

* * *

Anglo-Transvaal Industries is holding discussions with Carrington Viyella of Britain regarding joint ownership of Gelvenor Textiles, a wholly-owned subsidiary of Carrington, reports Sapa.

A further announcement will be made when negotiations have been completed.

* * *

Agreement in principle has been reached for McCarthy to acquire for cash from 1 July 50 percent of the issued capital of **Grosvenor Industrial Engines**, national distributors of Rolls Royce and Ford Industrial Engines, writes Mervyn Harris.

The directors of McCarthy and Grosvenor say the merger will complement and expand their combined industrial engine businesses.

McCarthy's industrial-engine business is handled through a wholly owned subsidiary, McCarthy Industrial Holdings, national distributors of Kawasaki Petrol and Perkins Diesel Engines.

Under the proposed agreement, McCarthy has the right to acquire a controlling interest in Grosvenor Industrial Engines not later than December 31

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14/5/81

Amaprop likely to beat target

Argus 15/5/81

58

~~349~~

ANGLO AMERICAN Properties achieved profits of R1,99-million for the three months to March, equal to 4,69c a share, which indicates annualised profits of 18c a share.

Documents sent to shareholders earlier in the year projected profits of 15c a share for the restructured company.

It is likely the original projection will be exceeded and the minimum 10c dividend indicated at the time of the merger will be covered.

The results reflect the revival of the property market, the company says.

Shops, offices and apartment complexes in Johannesburg, Cape Town, Durban and Pretoria are almost fully let.

Amaprop is now the largest property group in South Africa with assets exceeding R300-million.

Shannon Sherry

Horwood frowns on rent control

By REG RUMNEY
Property Editor

THE Minister of Finance, Mr Horwood, gave a clear indication yesterday that the Government thinks rent control counter-productive.

Expressing a personal view, Mr Horwood said he thought rent control exacerbated the problem of the shortage of rented housing.

He was speaking at the opening of the Star Homes Festival in Sandton.

Mr Horwood asked rhetorically whether South Africans had not perhaps become used to too luxurious a standard of housing.

On the controversial issue of aid to would-be homeowners, he intimated that the Government was seriously considering whether to make mortgage-bond interest payments tax-deductible.

The question had been referred to the Standing Commission on Tax Policy, he said.

"Rising construction costs have brought about a situation in which not onlyh the lower-income groups, but to an extent also the middle-income groups, are finding it dificult to meet the cost of housing financed at market-determined interest rates.

"It is for this reason that it has been difficult to phase out rent control."

Hosting the opening, Mr Philip Sceales, chairman of the United Building Society, which together with the Buchner group of companies developed Lonehill, said it was sobering in the light of inflation to see what housing cost today.

He used Lonehill as an example. The amount required by the local authority for endowment money, the provision of essential services and roads amounted to R3-million for the first 248 stands — nearly R12 000 a stand.

This was in line with the experience of the UBS nationally.

Another R5 million would be required for services to another 393 stands in Lonehill.

Mr Sceales spoke of building societies' problems in attracting money.

"Building societies all over the world face an increasing problem in an ever more competitive and sophisticated money market of raising the funds necessary for home finance.

"The results of a survey published by the Standard Bank last week indicated that in South Africa the building societies are receiving an ever-diminishing proportion of the public's total savings.

"This is basically due to the fact that being non-profit making institutions, they are not able to offer an equity investment to a world which places a premium on equity investment against a background of world-wide inflation."

The Building Societies Act had been amended to provide for property development corporations, whose aim was to provide low-cost and medium-cost housing "and yet at the same time to afford the building society the opportunity to enjoy some participation in the profit to be derived by the developer from the finance provided by the building society."

At Lonehill the UBS had taken a 51% share in the development of the first 119 sectional title units.

Amaprop exceed forecast

58

15/5/81

STAR

When Anglo American Properties (Amaprop) was restructured, the profits for the new group for the year ended March 31 1982 were projected to be 15c a share.

The annual report of Amaprop for the year ended March 31 1981 says profit for the restructured group for the last three months amounted to R1,99-million, or 4,69c a share.

Annualised, this indicates an annual profit of 18c a share. There is little doubt, the projection for the new group will be exceeded in the next 12 months and the minimum dividend of 10c a share will be well covered by earnings.

The strong revival in the property industry is reflected in the results. The company's portfolio in Johannesburg, Cape Town, Durban and Pretoria, is almost fully let.

The company's Prospecton township sold out during the year.

Amaprop is the largest property group in SA, with assets of more than R300-million. — Sapa.

UBS lends R1 400m in a year

RDM 16/5/81

58

By REG RUMNEY
Property Editor

THE United Building Society's big helping hand handed over a gross R1 408-million in loans in the year to March 31, 1981.

This is an increase of more than 40% over 1980's R1 000-million, and nearly treble the R495-million lent in 1979, according to the preliminary financial results.

Mr Piet Badenhorst, joint managing director of the UBS, said yesterday: "We experienced unprecedented growth in mortgage loan balances during the year. These rose by more than R732-million to just on R3 050-million, an increase of 31,6%.

"The percentage growth in mortgage assets over the past five years exceeds the growth of assets and capital and deposits, and the increase in mortgage loan balances over the past year exceeded the aggregate increase over the past 3½, with our market share rising to 30,22% at March 31."

Mr Badenhorst said properties in possession had fallen from R4 277 000 at March 31, 1980, to R2 736 000 in the current financial year — a decrease of 36%.

Total assets rose by a record R638-million and stood at R770-million at March 31 — an increase of 20,39%.

Mr Badenhorst was confident UBS assets would reach R4 000-million soon.

Assets of the society had grown 104% in the past five years.

Total capital and deposits grew by R609-million to R3 590-million at March 31 — an increase of 20,42%.

"The ratio of capital to capital and deposits has fluctuated over the past five years in line with changing rate patterns, tax benefits and so on, but by and large mainly because of the acceptance of depostis from institutional investors in greater measure, this ratio has steadily declined," Mr Badenhorst said.

"Despite intense competition from other societies we recorded a small increase in market share to 29,83% compared with 29,79% in 1980."

Surplus — "profit" — earned in the year of about R9 500 000 meant the UBS increased its reserves to more than R102-million.

Mr Badenhorst said this increase in reserves was a milestone which no other society could hope to reach for many years.

Mr Badenhorst said that another feather in the UBS cap was that it had correctly read the money market and the rise in interest rates, so enabling it to dispose of surplus prescribed assets at a minimal loss.

"We sold R140-million liquid stocks and R151-million non-liquid stocks at a net book loss of R2 200 000," Mr Badenhorst said.

"These sales were a direct result of our view that interest rates would rise by the end of 1980. If we had delayed our decision to sell until mid-February 1981, the society would have been facing a capital loss of about R27 600 000."

Sowetan 13/1/[illegible]

Generous donation for University of Zululand

A leading insurance company has announced a donation of R50 000 to the University of Zululand (Ngoye).

The first instalment of R10 000 will be handed to the rector of the University, Prof A C Nkabinde at Umlazi, Durban, by the general manager of Old Mutual, Mr M L C van Greunen today.

Already, arrangements have been made for R30 000 to be used for the installation of a Language Laboratory at the Vocational Training Centre run by the extra-mural campus of the University of Zululand at Umlazi.

The balance of the money, R20 000, will be presented to the university during the next few years. The Language Laboratory at Umlazi will be officially opened later this year. At present there are about [illegible]35 students enrolled at the Umlazi campus.

The insurance company last year donated R50 000 to the University of Fort Hare. The first instalment of R10 000 was handed to them in December. The money is being used for the newly established Academic Development Centre.

Transkei placing

SENBANK and Standard Merchant Bank are handling a R7m private placing for Transkei. The stock, with a 16 year term, is being placed at 14 percent. It is the first part of two loans totalling R15.5m which are to be raised to finance [illegible]

Insurers on way to black control

STAR 21/5/81

58

By Frank Jeans

The white business sector, generally striving for parity at all levels of employment and social benefit, is making meaningful strides in the area of insurance.

Providing blacks with self-determination in assurance, the Permanent Life group, originally a small Cape Town-based company, has opened the way for blacks to have eventual control.

Perm Life has signed an agreement with the National African Federated Chamber of Commerce (Nafcoc) which at present owns about 1 percent of the company.

Under this pact, Nafcoc is endorsing a special comprehensive life insurance package and will also provide marketing support.

Arrangements have been made for Nafcoc to buy shares in Permanent Life over a period, with the eventual aim of black control of the company.

Perm Life, while dedicated to the broadening of the insurance scene into the black sector, needed financial muscle and in 1979, a controlling interest was purchased by the American giant, Sentry Insurance, which is represented by more than 80 companies throughout the world.

Managing director of Permanent Life, Carl Brockway, who was with Sentry for 28 years, and active in human rights action programmes in the US, says:

"One of the prime reasons Sentry decided to open here is that the company feels very strongly that the answer to reform in South Africa is for American companies to invest here, not disinvest.

"South Africa needs reform, but by investing, helping to bring about positive pressure."

Mr Brockway says the Perm Life's aim is to provide insurance protection for all the socio-economic strata of the black market, "not just the top 1 percent."

Medical aid insurance in South Africa is also heading into a major growth period to meet the demands of the black population.

According to Mr John Rollason, general manager of PFVP Administrators, which administers three medical schemes, the gradual closing of the wage gap and the continuously improving standards of living have created a bigger demand for this type of employee benefit.

"Contributions to medical funds were previously based solely on the income of the employee and the number of his dependants, regardless of race," says Mr Rollason.

"Research has shown, however, that the average amount spent on medical care differs from race group to race group, with whites spending most, before coloured people and blacks."

Now the Central Council of Medical Schemes has decided that a third base, that of race, was justifiable in deciding how contributions should be calculated.

Another contributory factor to the new growth pattern is that of increased productivity. Rather than have man-hours wasted as a result of non-white employees queueing for hospital services, companies now realise that a visit to the local doctor or clinic is advantageous.

Nafcoc chairman, Sam Motsuenyane, and Permanent Life's managing director, Carl Brockway at the signing of the new deal.

Affluent being strangled by the credit squeeze

STAR 21/5/81

58

By David Breier, Chief Reporter

The credit squeeze has begun to strangle South Africa's affluent society as cars, swimming pools, housing and even washing machines and refrigerators become more difficult to buy.

Bankers this week confirmed that credit on a vast range of items from home improvements to television sets had become tighter.

This comes after a meeting in Pretoria last month in which Dr Gerhard de Kock, Governor of the Reserve Bank, served a warning on commercial bank chiefs to curb credit to the public.

The removal of easy credit forms part of the Government's strategy to cut inflation by reducing public demand for goods.

Even credit for ordinary household items such as washing machines and other appliances has become difficult to obtain, according to a major credit card operator.

About 40 percent of householders who apply for hire purchase for these everyday commodities are turned down.

A further damper on public demand has been the bank rate — increased twice this year by a total of 2,5 percent.

Bankers warn that a third increase is imminent.

Bankers have been warned to treat new lendings with the utmost responsibility or face possible action by the Reserve Bank.

Mr C H Waterson, senior general manager of Barclays Bank, said that after the meeting with Dr de Kock branch managers were instructed to look at overdraft applications "three times instead of twice."

Mr Ron Wynter, assistant general manager (marketing) of Stannic, said he had already received feedback from branches that demand was slackening due to higher interest rates.

Mr Colin Gregor, divisional general manager of Barclaycard, said about 40 percent of loan applications were being refused.

He said Barclaycard was looking at the possibility of making credit even tighter.

Mr Arie van Vliet, senior general manager of Nedbank, said the Reserve Bank, which scrapped credit ceilings last year, would probably not introduce ceilings again unless absolutely necessary.

But he said he expected a further increase in the bank rate in the next few weeks.

But a spokesman for the Reserve Bank said it was not easy to speculate about such an increase.

BANKING 58 FM 22/5/81

Harder times lie ahead

As the economy shifts into the downphase of its business cycle, growth rates and greengrocers will not be the only things to adopt looks of long-suffering. The banking system in general, and the small independent banks in particular, could also find themselves riding a switchback not entirely of their own making.

The history of the twists and turns of fortune of the domestic economy is to an overwhelming extent the history of its export sector, and in particular that of its leading export commodity — gold. When international demand for export minerals is high, and the markets harden, foreign cash comes flooding into the country and a growing surplus on the BoP current account signals a new wave of prosperity.

And the lending base of the banking system receives, of course, a shot in the arm. The BoP surplus swells its reserves, and it puts the money to work in whatever ways that it can. If borrowers do not present themselves willingly, the banks create them by investing in their businesses. If there are real or imagined restraints on the banks' abilities to expand credit, they sidestep them by plunging into informal lending markets.

Banks cannot survive if they do not lend — contrary to popular opinion it is their *raison d'etre*, and a highly competitive one at that. So when the cash mounts in their vaults, they embark on price-cutting lending sprees that bring in the business and guarantee the margins, though reduced. When the money runs out of course, the worm turns.

The worm has in fact begun to turn The BoP current account has been in deficit since the beginning of 1981, and although the foreign sector represents a smaller portion of gdp as each grows at roughly similar rates but from different-sized bases, the historical rules still apply Interest rates rise, credit tightens, national import ability declines and the steam runs out of the economy. Already some economists are predicting gdp growth rates in 1981 of as low as 2%, after 8% last year And short-term rates as measured by the 90-day bankers' acceptance rate are more than twice as high now than the levels at which they stagnated for most of 1980. In a word, the price of money – which is the stock in trade of the banks — is rising fast.

The scenario is, of course, nothing new for the banking system In 1974, with large exposures in property — which had appeared to be a high-growth, high-return sector some years before — it ran into difficulties which took three years to mend To put it simply, customers defaulted on a large scale and the funding institutions bore the brunt Market psychology turned against the small banks, whose loss-offsetting resources were relatively fewer Their NCDs — an important funding tool — became virtually untradeable. Pretoria eventually pulled the big clearing banks into a rescue operation that resulted in the setting-up of a "lifeboat fund" aimed at the smaller banks. Rand Bank and Rondalia Bank were the two most conspicuous victims of that bleak period of mismanagement. But other traces of it are still to be found in the present structure of SA's banking system — like the Sanlam-backed group Bankorp which gained control of Jan Marais' ailing Trust Bank during that time

The history of error has a habit of repeating itself, and the process has already begun Banks traditionally make profits by borrowing shorter than they lend, so the cost of short-term money is of crucial importance to them. A reverse yield gap — short-term yields exceeding long-term — has already developed in the wholesale market as the building societies have led the battle for cash to plug leaks in their funding structures. And the banks are now actively competing for retail deposits, driving up prices and attaching various marketing devices to them to make them more attractive.

Nedfin's Rundle . . . a squeeze is coming

This in itself is not necessarily a cause for concern, since the rising cost of money is matched by increases in the rates at which it is lent. And the presence of Gerhard de Kock at the helm of the Reserve Bank, means no doubt, that both lending and borrowing rates will enjoy a flexibility rarely seen before in SA It must be remembered too, that sharp rises in short-term rates alter the marginal cost of money to the banks. However it is the average costs spread over a complete borrowing portfolio in relation to the average returns earned on the whole lending book, that determine bottom-line profitability

In this relationship, in fact, is to be found the clue to the solvency of any bank, and thereby the type of bank that is most vulnerable to adverse movements in economic cycles. The cheapest source of funds to banks are current account deposits. Commercial banks — and especially those with extensive branch networks — are best placed to take advantage of this. Although they must be paid for, savings deposits represent a solid core of relatively stable funds. So, the larger they are in relation to total liabilities, the safer the bank.

Fixed and term deposits have a built-in predictability with regard to maturity dates, as do NCDs. The longer a bank can lock into either when rates are low, the lower its average cost structure. But NCDs are bearer-held assets and therefore difficult to roll over. And fixed deposits have an obverse — when rates are low, depositors tend to go as short as possible. Deposits have to be frequently rolled over, and each renewal must be made at a cost that reflects the latest level of a rising rate structure These kinds of deposits, along with savings, represent the main funding avenues of the general banks — the HP and leasing specialists. So on the funding side, it is these banks that are probably most exposed to the rising cost of money.

"For two or three years," according to Nedfin MD Ron Rundle, "banks have been unable to match borrowings and lendings. With fixed deposits low, depositors have been going short. This has now reversed, but the general banks have high short-term portfolios, and they're going to feel squeezed."

The general banks are also most exposed on the lending side. The only link they have had with rising lending costs, says Rundle, has been the overdraft rate. But this has lagged the market due to its tie with Bank rate, and many general banks have lent on instalment at fixed rates. In many cases, this means they have locked into three-year contracts or longer at a time when market rates were very low. The major proportion of the portfolios of market leaders, he adds, are at fixed rates.

Paradoxically, the vulnerability of this type of bank is due not only to the nature of their borrowing/lending mixes, but also to the fact that they were the chief beneficiaries of the recent boom While the high pegged OD rate was blunting the edge of demand for conventional commercial bank credit lines, Finance Minister Owen Horwood was laying the fiscal base for a consumer-led recovery that funded itself largely through the general banks. Their lending portfolios collectively leapt by 50% in 1980, and while they all jostled for a share in a competitive market, both margins and discrimination between clients were shaved. As Barclays National Industrial Bank MD Peter Springett puts it: "market share should always be balanced with profitability. But these skills are often forgotten in boom conditions."

Those general banks within large banking groups — across which the lagging fortunes of subsidiaries can be spread — have immediate lifelines at their disposal While this generalisation by no means applies to all of them, as some are very well managed, it is the small independents that could feel the chill most.

A typical profile is that of one small independent bank in particular, which has allegedly put 90% of its eggs into the consumer HP basket. Its December quarterly return shows its lending book to have increased 55% in 1980. It is funded mainly by fixed deposit, with a relatively large chunk of volatile corporate call money on its books. Significantly this item rose substantially in the last quarter of the year, which makes it look suspiciously like a holding operation against the inability to draw in longer funds. It appears to have a safety valve in the fact that most of its fixed deposits are long-term. But the quarterly returns do not reveal when these deposits mature. And on the lending side

Barclays' Springett . . . it's the old skills that count

— although escalation clauses are built into even small HP contracts — the administrative costs of activating them at the lower levels are often unjustifiable

"The chickens," adds Springett, "will be coming home to roost most raucously in the consumer area. Inflation is high, mortgage rates are up, and salaries seem to have stabilised. All these are after-tax costs, and the bad debts of the HP and leasing companies will increase Couple this with funding pressures, and you've laid the ground for some really knotty problems."

Other banks which may have contracted exposures they would now rather do without, are some small independent commercial and merchant banks These not only lowered credit-worthy standards in the battle for market share, but also launched into the grey market to run up contingent liabilities far in excess of their capital bases The December 1980 quarterlies are studded with examples of annual increases in bill financing liabilities that range between 200% and 6 000%! And towards the end of this year — according to the Registrar of Financial Institutions, Naas van Staden — these liabilities will begin to attract capital and liquid asset reserve requirements under legislation passed in the previous parliamentary session. The quarterlies show a generally tight excess liquid asset position And capital bases are already under pressure One banker predicts a spate of rights issues in the short-term future, since the last round were rapidly used up in last year's lending spree. "These will be prohibitively expensive," he adds, "and in some cases probably fatal "

Although management skills are reckoned to be more advanced than they were in 1974, bankers generally believe there is no good reason why the same disasters should not happen again. One insists he has heard at the highest level not only that Pretoria is expecting some of the smaller banks to run aground, but that the authorities will not assist them when they do, unless the whole banking system is at risk. Given that, the big groups can probably look after themselves This would indeed leave those who are struggling out in the cold, and offers of incorporation could become irresistible. The structure of SA's banking system may look a little more streamlined two years from now, if De Kock has the will and political backing to grasp the nettle of bank failure when, or if, it comes

AMAPROP (58) FM 22/5/81

Beating budgets

Activities: *Property holding and development company, 80% owned by AAC. Holds 51% of Carlton Centre.*
Chairman: *Dr Z J de Beer.*
Capital structure: *42,5 ordinaries of R2. Market capitalisation: R[illegible] 8m*
Financial: *Year to March 31 1981. Borrowings: long and medium-term, R126m; net short-term, R297 000 Debt equity ratio: 66,9%. Current ratio: 1,2. Capital commitments: R34m. Annualised earnings. 18,8c per share. Net worth: 324c.*
Share market: *Price: 230c (1980-81, high, 360c, low, 178c; trading volume last quarter, 518 000 shares). Yields: 8,2% on earnings, PE ratio 12,2*

Indications are that the reconstructed Amaprop could be in a position to pay as much in dividends this year as it had originally expected to earn

Results of the enlarged group — which now includes Sorec and 51% of Carlton Centre — have so far exceeded expectations, according to managing director Gerald Leissner. In the three months to March the new group earned a net profit just short of R2m which, on the 42,5m shares now in issue, gave annualised earnings of 18,8c per share.

This is 25% more than the 15c forecast for the 1982 financial year at the time of reconstruction But the improvement is even more marked when compared with the annualised earnings of under 12c a share for the old Amaprop in the nine months to end-December

Even if income and costs do no more than match inflation, the current year could produce earnings of between 22c and 23c And if the company sticks to a 1 5 times cover, as indicated at the time of the reconstruction, the payout would be 15c — exactly what management had first forecast for earnings

The reconstruction involved a complete revamp of the issued capital. All deferred and pref shares were eliminated (including the R7,1m owing in arrear pref dividends), and the capital was consolidated on a four into-one basis. This effectively turned the original 20,8m ords, 10,7m deferred ords and 31,4m 7% prefs into 14,9m new ords Thereafter, a total of 27,6m additional shares were issued, 22,5m for Sorec and 5,1m for an increased stake in Carlton Centre which is now a 51% subsidiary.

The balance sheet shows a 244% increase in the total asset base of the group, while permanent capital (including Carlton minorities) has risen four-fold. This stronger structure is reflected in a fall in the debt:equity ratio from 94% for the old group in 1980 to only 67% now — a level which Leissner considers under-geared.

However, he emphasises that potential to borrow at the moment is limited. This is because of the group's policy of only borrowing long-term and at fixed rates of interest, whereas under present conditions most lenders prefer variable rates.

Nevertheless the group has a number of new projects planned, and capex is presently estimated at around R34m This is the equivalent of about 13% of the existing property portfolio and, coupled with rent escalations in a market short of accommodation, should ensure satisfactory future profit growth

But despite the fact that the payout this year is likely to exceed expectations by a substantial margin, the prospective dividend yield on the FM's forecast is still only 6,5% at the current 230c market price. This underlines that property companies are not for the income-conscious investor.

Brian Thompson

INSURANCE 58

Rebirth of CG

FM 22/5/81

A new specialist insurance company, Contractors and General Insurance (CGI), is due to commence guarantee operations on July 4 this year

The new company has been born out of Commercial Guarantees Ltd (CG) which went into final liquidation in November last year. The closing date for applications for the almost 2m. R1 shares in the company, is June 3.

Registrar of Financial Institutions Naas van Staden, has drawn up a new set of "operating rules" for CGI so as to prevent the recurrence of problems into which CG ran. In so doing he has created something of a hybrid between a regular insurance company and the old Commercial Guarantees

The most important factor in CG's demise was its over-exposure to the construction companies involved with the completion of contracts it had guaranteed This created cash flow problems which led to its voluntary liquidation.

To avoid a recurrence the Registrar has limited CGI's total financial involvement to 5% (CG had 100%) in the construction companies it uses to complete guaranteed contracts.

Reserve buildup

The new company projects over the initial five-year period, a build-up of reserves that will carry an unlikely 5% to 10% failure in the construction industry Initially the premium reserve fund will be built up at a rate of 60% of premium income while the average for the construction industry is 40%.

Projected after-tax profit for the company is a R142 000 loss in the first year of operation, rising to a R232 000 profit in the second year and approximately R1m in the fifth year of operation.

Bob Murton, ex-partner of Commercial Guarantee reckons that because of the cyclical nature of the construction industry, now is the time to provide guarantees. Contract prices are still good due to full quotas of work on hand in the building industry.

In this country the bulk of business in construction guarantees is on state contracts (only 3% comes from the private sector) because the State Tender Board requires construction companies to provide guarantees for all contracts undertaken So if a small-to medium-size contractor cannot raise a guarantee he cannot venture into bigger contracts.

The new company will guarantee the completion of the contract by supervising the work, while in most cases, Commercial Guarantee actually undertook the completion. Smaller contractors will probably hand over to CGI securities to the value of the contract. The contractor in turn writes the cost of the guarantee into the tender. So, in the final analysis, if the State is the principle, the taxpayer pays for the guarantee

At present construction industry guarantees can be underwritten by some banks, and by some of the major insurance companies as accommodation business Estimates are that in the first year of CGI's operation, re-insurance costs will be in the region of 90% re-insured risk to 10% retained risk, but will ease up considerably each year In the fifth year it should be only 35%:65%

Sunday Express **Business**

Merger heralds new full-service broking house

58

S. Express 24/5/81

Business Reporter

TOP life brokers, Richard Wharton-Hood and Chris Heyneman, have joined forces to form the HWH Group, a new full-service broking house with short-term and employee-benefits divisions.

The move comes at a time when life brokers are facing the threat of reduced cash flows from Government-imposed changes to the commission rates on retirement annuity policies.

Yet, says joint managing director Wharton-Hood, this was definitely not the reason for the merger.

"We felt the need to be able to offer a full range of insurance services — life, short-term and pensions.

"As the size and type of our clièntele grew and as we started moving heavily into the institutional field, we found we were increasingly [illegible] and employee benefits on [illegible].

"In order to service this business properly we have recognised the need to pool our resources and to form subsidiary companies headed by short-term and employee benefits specialists."

The HWH Group, comprising four main operating subsidiaries with headquarters at the newly-completed HWH House in Ferndale, Randburg are: Richard Wharton-Hood & Associates (life); Chris Heyneman Life & Pension Brokers (life); HWH Insurance Brokers (short-term): and HWH Employee Benefits (pensions).

Before setting-up as an independent broker last year, Wharton-Hood headed Minet Financial Services.

Joint managing director Heyneman has been an independent broker for two years. He was previously a million-dollar agent with a leading international insurance company.

● Richard Wharton-Hood (left) and Chris Heyneman ... joined forces to offer full-service broking house.

CGI is granted provisional go-ahead

S. Times 24/5/81

By Stephen Orpen

THE first new (multi-million) insurance company to be registered in South Africa for more than a decade, Contractors and General Insurance, has just issued its prospectus.

The company, which is looking for an initial R2-million, is to specialise in the insurance requirements of the construction industry.

In the prospectus it is pointed out that negotiations with the Registrar of Financial Institutions have been in progress for some two years.

The Registrar has now agreed to grant an insurance licence to CGI subject to the requirements of the Insurance Act and also to the requirement that CGI raises capital of at least R2-million.

Initially, the licence will restrict the operations of CGI to the business of issuing guarantees and contractors' all-risk insurance, as it was felt by the various parties concerned — the promoters, directors, the officers of the department of the Registrar of Financial Institutions and the consulting actuaries — that it was preferable for CGI to start operations by specialising in such fields before broadening its base to include the underwriting of all classes of short-term insurance.

The promoters include a number of leading businessmen, among them Marc Jean-Franchois Greilsamer, a reinsurance broker, and Denzil Curgenven, an insurance consultant who is responsible for the Quest Insurance Advisory Service — a detailed analytical survey of short-term insurance in South Africa.

CGI expects to begin trading on June 4, or the date on which it obtains its licence.

In November 1980, Mr Curgenven prepared an independent report on a company known as Commercial Guarantees — based on the study of the Registrar's report on the same company.

This company, which was not a licensed insurer, issued guarantees until the Insurance Act was amended to reserve this business for insurance companies. As a result, Commercial Guarantees had to wind up its business.

From the Registrar's report, Curgenven found — by reference to his own analysis on short-term insurance companies from 1973 onwards — that the underwriting principles applied by Commercial Guarantees were of a high standard, as reflected in the underwriting results of that company.

It is CGI's intention to follow as closely as possible the underwriting procedures of Commercial Guarantees, and it therefore expects to produce results better than those reflected in the market.

The profit projection has taken account of Commercial Guarantees' results and, although the claims projected are lower than the market's, they are considerably in excess of Commercial Guarantees'.

In the first year of operation the company expects to make a loss of R276 000.

But by its second year after-tax profit is expected to be R696 000.

By the fifth year, operating profit is expected to be R1,19-million.

In that year, gross premiums are expected to be R3,9-million, the net figure after reinsurance being R3,45-million.

Claims in that year are expected to be R776 000 while investment income is projected at R313 000.

The offer closes on June 3.

Only 58% take Sallies rights

58

RDM 26/5/81

By JOHN MULCAHY

ANGLO AMERICAN has become the direct holder of 17% of The South African Land & Exploration Company after the disappointing 58% response to the rights offer.

Before the rights offer — on March 31 — Anglo held 6,34% of Sallies directly. After taking up its rights and as a result of its underwriting agreement, Anglo now has 1 564 477 of the increased share capital of 9 182 700 shares.

The rights, in a ratio of 35 new shares for every 100 shares held and at a price of 570c a share, were available to shareholders registered on April 24 when Sallies price on the JSE was 640c. The price has since declined, and closed yesterday at 560c.

Shareholders were uncertain about the gold price when considering the Sallies offer, as an additional investment in the mine must be regarded as speculative, and improved returns depend on a sustained rise in the gold price.

The R13 700 000 raised in terms of the rights issue is to be used to finance an underground sampling operation.

The parallel offer in the Anglo group — that of Elandsrand — attracted subscriptions for 96,2%, the remaining 3,8% of the 21 135 587 shares offered to be taken up by Anglo in terms of its underwriting agreement.

Elandsrand shareholders were offered 28 new shares for every 100 held on April 24 at a price of 570c each to raise R120-million to go ahead with the urgent development of a sub-vertical shaft system and to bring the mine to full production of 180 000 tons a month.

While it appears from the results that the Elandsrand offer seemed far more attractive to its investors than did the Sallies offer to its shareholders, it should be remembered that almost 88% of the shares before the rights offer were in the hands of three shareholders — Anglo with 49,67%, Amgold with 23,05% and Gold Fields with 14,94%.

Assuming that the major shareholders took up their rights, about a third of the remaining investors left the issue alone.

There has been some advice from analysts to shareholders to take up their rights in the Elandsrand offer, based on profit projections on the strength of the high-grade Ventersdorp Contact Reef, exploitation of which is expected to reach full potential in about five years.

However, there has also been a warning that drilling results on the VCR can be misleading and this uncertainty, together with continuing technical problems, has placed Elandsrand in the speculative bracket.

Access changes hands

Argus 27/5/81 (58)

(232)

JOHANNESBURG. — Control of Access Investments has changed hands for about R1,4-million.

The Mowszowski family of Johannesburg has acquired about 53 percent of Access from Mr Leonard Bernstein of Durban at 77c a share.

Access comprises mainly investment companies and a trading company which distributes arms and ammunition. — Sapa.

METAMIN 58

Energy focus FM 29/5/81

Activities: *Investment company with holdings mainly in mining companies. Also has a share-dealing subsidiary for short-term trading operations. Is a 63% subsidiary of African Eagle*
Chairman: *Dr Z J de Beer.*
Capital structure: *6,9m ordinaries of 50c Market capitalisation. R33,1m.*
Financial: *9 months to March 31 1981. Net cash: R314 000. Current ratio: 1,0.*
Share market: *Price: 480c (1980-1981 high, 500c; low, 300c; trading volume (last quarter, 120 250 shares). Yields: 7,8% on earnings; 5,3% on dividend. Cover: 1,5 PE ratio: 12,9.*

	'78	'79	'80	'81
Investments				
Book value (Rm)	10,0	11,9	12,1	13,1
Market value (Rm)	19,0	27,5	42,2	46,3
Dividend Income (Rm)	1,4	1,8	2,1	*2,6
Net profit (Rm)	1,3	1,9	2,2	*2,6
Earnings (c)	19,5	27,7	31,4	*37,2
Dividends (c)	15 0	18,0	20,5	*26,3
Net asset value (c)	302	401	628	678

* 9 months annualised

Metamin's De Beer . . . appealing against tax

In the nine months to end-March Metamin continued its coal-orientated investment strategy to the extent that coal and energy related investments now total 25,9% (20,8%) of the portfolio. And judging by new chairman Zac de Beer's statement, this direction will be maintained in the current financial year, though the extent will be affected by the outcome of group's appeal on last year's decision by the Receiver of Revenue that capital profits are taxable.

The policy to put greater investment emphasis on coal has been well timed. In 1977, for example, energy-related holdings totalled only 9,9% of a portfolio then worth R19,6m. This change has coincided with increasing emphasis on coal worldwide, while base metal prices are under something of a cloud as the Western economies battle through recession.

Changes to the portfolio in the nine-month accounting period (following Metamin becoming a subsidiary of African Eagle) were relatively small. Additions of 78 000 Trans-Natal 7,5% prefs, 87 500 Sasol and 20 000 Duiker shares were offset by sales of 40 000 Highveld and 9 000 Gefco. The net profit from share trading in the review period was R131 000 (R148 000) which was transferred to non-distributable reserves.

These share trading profits are the subject of the group's current tax appeal. Profits between 1974 and 1979 have been assessed for tax totalling R666 000 — equivalent to 9,6c per share. If this becomes payable, says De Beer, it will affect future cash flows and jeopardise the dividend stream to shareholders.

Dividend income of R1,9m — a 21% annualised gain — reflects the slow-down of receipts from some major investments. Copper, tin and diamond holdings in particular had a disappointing year as markets remained sluggish. With the Western economies still in recession there is unlikely to be any major improvement in metal prices during the current financial year.

This year's results are dependent on dividends declared by major investments and the decision on tax. Gold holdings constitute 9,2% of the portfolio and dividend prospects here are not encouraging. Nor is the outlook for copper and tin.

Des Kilalea

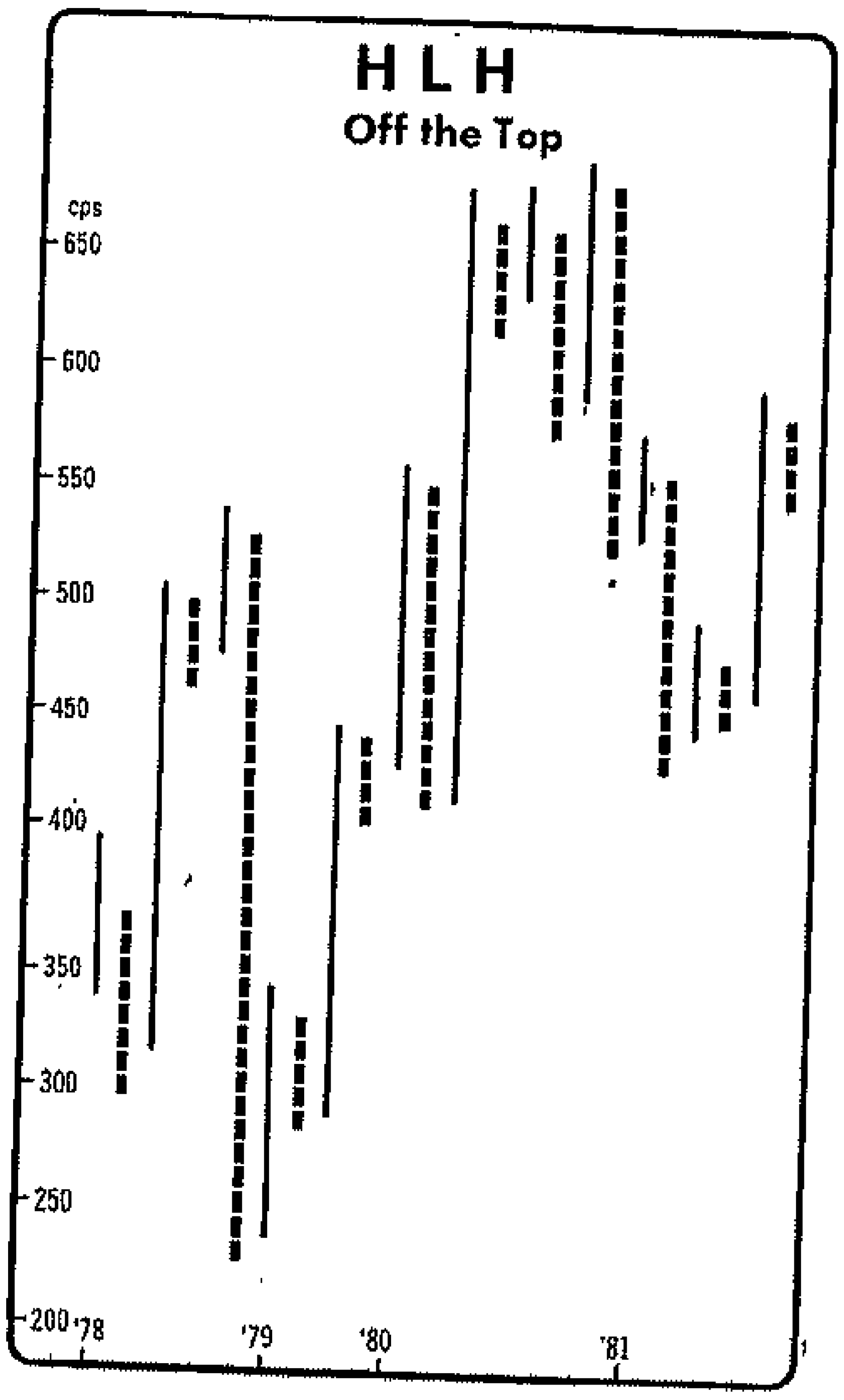
HLH (58) FM 29|5|81

Secure growth

Activities: *Industrial holding company Subsidiaries produce and distribute mining timbers, distribute building materials, transport control systems and steel Directors own 61% of the equity.*
Chairman: A I M Hepburn: deputy chairman: C B Perry.
Capital structure: *13,2m ordinaries of R1. Market capitalisation: R70,5m.*
Financial: *Year to February 28 1981. Borrowings. long- and medium-term, R20,7m; net short-term, R24,7m. Debt:equity ratio: 63,7%. Current ratio: 1,5. Group cash flow: R18,9m Capital commitments: R5,1m.*
Share market: *Price: 535c (1980-81. high. 725c, low, 420c: trading volume last quarter, 150 500 shares). Yields: 19,0% on earnings; 6,9% on dividend. Cover 2,8. PE ratio 5,3.*

	*'79	'80	'81
Return on cap %	13,0	14,0	17,9
Turnover (Rm)	135	202	295
Pre-tax profit (Rm)	7,3	11,6	19,3
Gross margin %	7,8	7,3	8,0
Earnings (c)	26,6	67,8	101,9
Dividends (c)	13,5	28,0	37,0
Net asset value (c)	418	457	559

* Includes company income for 8 months and HLH for 12 months



Hunt Leuchars & Hepburn has joined the small band of listed companies prepared to give shareholders an accurate indication of what management expects for the coming year. Following so closely the strengthening of operating management structure and the disposal of the loss-making engineering division, this move should enhance HLH's market rating.

After earnings growth of 50,3% in the year to end-February, HLH has set itself a target of a 30% attributable profit rise to R17m (R13,1m) in 1982. Given the company's financial policies, the dividend would be 47c (37c), placing the share on a 8,8% prospective yield.

The reason management is able to stick its neck out is that HLH has trimmed its operations. Selling the engineering division and putting the R12m-plus Jessievale Sawmill on the market was just a start. Having decided that future growth lies in steel, timber and building products, management is devoting the group's growing financial muscle to expanding these interests.

HLH's prognosis for the current year includes a continued improvement in asset turn. "In our price-controlled sectors," says Perry, "profit improvement comes from boosting asset turn."

This higher turn and cost controls should mean higher productivity. HLH aims for a return on total assets of 18% (14%). This compares with 10% in 1979 and 11% in 1980.

Central to these forecasts is the funding of future growth. HLH's 1982 budget allows for gearing up to 70% of equity Given improving returns, this should mean a still comfortable interest cover of five times. In 1981 cover was a 6,3, indicating the capacity available for gearing provided profitability remains intact

Total interest-bearing debt is expected to rise to around R56m (R46,9m). Last year, debt structure improved with 44% now long-term compared with 39% in 1980 Since the year-end a new R10m long-term loan has been taken up

The additional borrowings are being ploughed into the remaining divisions. In the steel division R6m was invested last year as Wolhuter Steel commissioned a cut-to-length plant in Durban and new branches were opened. Steel pipe manufacturing operation Woltube also commissioned a third tube mill during the year.

In the timber division, two companies have been acquired since the year-end — Rankin and Rogini Timbers — for R8m. Jessievale Sawmills commissioned a new frame saw line in 1980, but management has now decided to sell this soft woods operation to concentrate on areas of maximum long-term growth. The sale is expected to realise R14m and these funds, like the proceeds from the sale of the engineering division, will be used in existing businesses

Building products and control instruments are also expected to show substantial improvements. In the building products division two companies were acquired last year, while Philip Wulfsohn and Caco Houtprodukte were purchased after end-February.

A 27% earnings advance — after taking into account the full weight of the additional 1m shares issued last year — on the back of higher asset productivity is an attractive prospect in fiscal 1982, but there is every chance HLH could do even better.

In the forecast, management says operating profit will rise 61% and taxed profit 30% Allowing for an interest payment on the expected R56m total borrowings of up to R6m, pre-tax profit should be in the region of R31 2m (R19,3m) An unchanged 32% effective tax rate would mean profit attributable to ordinary shareholders of over R20m (R13,1m) compared with the R17m forecast This is equivalent to earnings of around 150c The forecast 132c earnings assumes a full tax which seems unlikely given capital commitments in the current year

It should be noted, however, that this forecast is fifo-based whereas the group plans to switch fully to lifo this year

At 535c the share yields a minimum prospective 8,8%. There could be price weakness near-term in view of the fragile state of the industrial share market, but future prospects should insulate longer-term investors and provide growing real income

Des Kilalea

THE FUTURE

	'81	'82 (projection)	% increase
Turnover (Rm)	295,2	360,0	22
Gross profit (Rm)	23,0	37,0	61
Total assets (Rm)	166,5	200,0	20
Return on assets (%)	14,0	18,0	29
Taxed profit (Rm)	13,1	17,0	30
Return on equity (%)	20,0	23,0	15
Earnings (c)	104,0	132,0	27
Dividends (c)	37	47	27

How the boss can help

Employer's role in black home ownership

THE introduction of the 99-year leasehold scheme has made authentic home ownership available to blacks for the first time.

This has brought about an opportunity and an urgent need for the South African employer to play an active part in unfolding home ownership to all because that would benefit not only the individual home owners, but also the society as well as the employer.

This is so because it has now, more than ever before, become apparent that the South African business community is anxious to improve employment practises and the quality of life of its employees. An employee would benefit from secure housing through, inter alia, opportunities for capital formation; increased sense of belonging and a contribution to better environmental outlook. Therefore, employer participation in such an exercise will add momentum to progress to make black home ownership a national goal.

By not only paying higher wages, but deliberately setting out to take part in the improvement of life of black employees, the business community has shown, and can improve, its interest in improving working conditions and quality of life of its employees.

To spark off the market, employees should be encouraged to buy the houses they presently rent. This is sensible because for a low capital outlay, the employee can acquire such houses and embark on the patch to capital formation.

Employees who convert their tenancy to ownership can enjoy any of the following

- capital can be mobilised to enable extensions to be made to the existing houses
- pride or ownership could contribute to the general upgrading of the environment in which these houses are situated.

The converse to buying existing houses would be to build new ones. By assisting employees to buy their own sites and encouraging them to build new houses, where an owner can express his personality and exercise choice in the design, the employer will assist the release of capital for the building of more houses and the development of a more attractive environment.

Demographers estimate that, by the turn of the century, some four million additional new houses will have had to be built for blacks in the Republic of South Africa

EMPLOYER'S ROLE

The employer can assist in one of two ways or both simultaneously.

- by explaining the concept of the 99-year leasehold scheme and advantages of home ownership This educational function is vital;
- by financial assistance, through either loans, or loan subsidies, or surety, collateral and guarangees, or company housing schemes.

LOANS

The deposit is often a major problem in buying a home. Historically, blacks have had difficulty raising finance.

In the majority of cases employees will look to their employers for assistance. They are employed by the firm, the firm knows them and it is easier to borrow money on that basis Such assistance may be in the form of

Sowetan 9/6/5

Loans

Interest-free or low interest-bearing loans for deposits, or home improvements, or company loans of larger amounts at preferential interest rates.

2. Subsidisation of loans

Money paid directly to employees in the form of a direct housing subsidy of subsidisation of interest rates on loans through other financial institutions. An advantage of this approach is that the company's pre-tax profits are reduced and the subsidy becomes tax deductible.

3. Surety, collateral and guarantees

The employer organises loans through financial institutions and participates to the extent of standing surety, signing collateral or offering guarantees.

4. Development and construction of company housing

The company acquires rights to land on behalf of or through its employees, erects housing and sells to employees.

Many companies may possibly opt for making direct loans out of company funds to employees for deposits. Experience shows that it may be more convenient for employers to pay creditors directly.

When a decision is taken to grant interest-bearing loans, it may be found helpful to charge at rates on a sliding scale as the employee's income rises. However, it needs **to be borne in mind that the employee has to repay the deposit loan as well as maintain monthly instalments on** the capital amount.

It is also possible to make up the difference between what the employee can afford and the actual deposit, by way of an interest-free loan repayable over an agreed period. In this way, the employee's stake in his home is increased.

COLLATERAL

Providing collateral security is another way of financing purchases.

As Building Society loans may not exceed 80% of valuation, collateral security may be furnished to a society for the balance. Money so invested may be released when the loan has been reduced to 80% of the society's valuation at the time of applying for the leases.

SURETIES

Employers can also sign sureties for their employees for the purpose of obtaining financing on their behalf. Banks or other financial institutions should be prepared

Flats built for employees in Pimville.

to advance money for the deposit on the provision of suretyship by an employer.

COMPANY SCHEMES

An alternative method of financing depends on **whether the employer company has the financial resources, the management** capacity and the demands for a company scheme. This means that a company builds houses or effectively acquires a block of sites with or without houses on them, for sale to its employees This approach has both positive and problematic aspects.

Positively, the image and status of the company are promoted amongst both employees and the public; the finance is concentrated in one area which means it can be more efficiently used and, better controlled; the scale and group identity of the scheme can be used to free up the system of delivery, the employees are housed in one area allowing easier transport arrangements to be made and finally, company financed community facilities are easier to provide.

Conversely, the implementation of such a scheme demands time and expertise, employees are "herded" together which may be uncontrolled and, lastly, a reasonably large scheme is required to ensure viability.

Combined schemes whereby two or more companies pool their resources to provide housing have also been implemented.

1. Assess the employee's ability to meet the cost of home ownership — not only repaying a deposit loan, but also monthly repayments on the mortgage bond or other form of financial assistance

2 Encourage money management ability on the employee's part: an employer might require an employee to find part of the deposit himself

3. It may be desirable to charge interest on the loan **granted for the deposit in** order to avoid any possible impression of paternalism.

Generally, an employer should establish that the house his employee wants complies with Building Society requirements for mortgage bonds. Apart from determining that the house is worthwhile in the first place, this will help ensure that when an employee eventually wishes to sell, the new buyer is likely to obtain a bond.

EMPLOYER'S INVESTMENT PROTECTION AND TAX BENEFITS SECURING INVESTMENTS:

An employer's attitude to future loans or financing may be soured if, soon after arranging that finance, the employee leaves the company and the employer has to battle to recover his outlay. After all, by providing finance to his employee he invests his hard-earned money.

To protect his investment, the following suggestions are offered:

- **As far as possible, use should be made of conventional financing from the start** for funding the capital amount. This will reduce the employer's capital exposure.
- The possibility of the employee leaving should be anticipated and an agreement as to how to sever the relationship with a reasonable period of time to transfer and secure indebtedness, should be drawn up.
- Only in the last secure indebtedness, should be drawn up.
- Only in the last resort should pension funds be drawn upon to cover the dept.

In the ultimate the properties will show capital appreciation. Ideally, the financing should be converted to unsubsidised mortgage bonds at the earliest possible stage.

TAX BENEFITS

Expenses incurred by an employer in providing housing or housing assistance to his employees will normally be allowable in determining taxable income. This means a significant percentage of the costs will be borne by the State, at company tax rates.

SAM MOKHETI, WRAB.

Company profit growth slows

(58)

RDM 2/6/81

PRELIMINARY REPORTS

Company	% Growth Pretax Profit	Earnings	Dividend
Jabula *	33	26	23
Pep	85	79	33
Retco	75	118	150
Tonkor	62	58	n/a
Bromain	164	146	144
Frencorp	26	23	38
Altech	42	44	25
Powtech	54	−2	0
CNA	90	80	61
Gallo *	147	31	44
Metcash	40	38	38
HLH	69	60	32
Kimet	36	48	44
OK	45	45	41
S Sun	123	84	82
Afcol	97	110	110
Gentre	33	47	30
Premier	56	45	31
SAB	82	62	64
Oil	43	−3	0
Dundee	−15	−26	n/a
Argus	62	54	50
Fedfood	56	27	17
GIC	83	58	88
ICS	38	29	12,5
SA Drug	21	16	8
Malbak	61	82	50
Average	**64**	**51**	**48**

INTERIMS

Company	%Growth Protax	Earnings
RM Prop	88	66
Plevans	18	21
Nedbank	17	15
G & D Sable	41	41
Afrox	15	12
PPC	34	9
Prem Paper	17	4
S & L	28	33
Nampak	34	16
Verref	66	43
Samsteele	79	81
C & Smith	36	38
Cementation	11	13
Barlows	37	17
Dorbyl	54	46
Asseng	45	45
Average	**38,7**	**31,1**

By DAVID CARTE
Deputy Financial Editor

AFTER a dramatic three-year surge, financial and industrial company profit growth has started to slow, according to a Business Mail survey of 46 companies reporting to the end of February and March.

The survey shows that companies reporting for the year are still managing handsome profit growth, but those reporting for the most recent six months are slowing.

They are finding it increasingly difficult to improve significantly from recent high levels and percentage earnings growth for interim reporters has slowed markedly.

While 30 companies reporting for the year to the end of February or March reported average earnings growth of 51% 16 reporting for the six months could manage average earnings growth of only 31%.

And this was even though some of the highest-growth stocks, such as Nedbank, Nampak and Barlows, were among the 16 interim reporters.

A similar survey of 67 December-reporting companies showed earnings growth of 55% for those reporting for the year to December and 71% growth for those reporting for the six months to December.

September 1980 reporters lifted preliminary profits on average by 49% and interim profits by 61%.

A feature of the latest batch of company results has been that most companies have warned that profit growth cannot continue at past levels.

This type of warning came from such high-flying blue chips as Barlows, Nedbank, SA Breweries and its lucrative subsidiaries, such as Southern Sun.

Many companies have done exceptionally well by increasing throughput, thus reducing unit costs and pushing up profits far more than sales. Now that most companies are working near to capacity this benefit is tending to fall away.

Another factor tending to inhibit profits is the rising cost of finance. Many companies benefited by low interest rates, which are now rising. Heavier wage bills and the skills shortage are other real impediments to growth.

The best performer among interim reporters was Picardi Investments, which lifted earnings 256% from a low base. Other Picardi companies also either excelled or promised to do so in the next six months.

Mine Properties, Sam Steele, Dorbyl and Associated Engineering managed earnings growth of 45% or more.

Nedbank, Barlows and Nampak, market leaders in the past, hardly managed to beat inflation.

Because they take into account much improved numbers of the six months to August or September 1980, reporters for the year fared better, with average pre-tax profit growth of 64%, earnings growth of 51% and dividend growth of 48%.

Most spectacular gains here were made by Retco, Bromain Holdings, Afcol and Malbak and Pep. Retco, Pep and Bromain were all recovering from a low base.

Another feature of recent results has been a tendency for companies to increase dividend cover as inflation increases working and expansion capital needs and balance sheets get tighter.

Several companies have switched to the lifo method of stock valuation. This tends to reduce profits, but figures in the table all reflect fifo based profits.

But even though the rate of profit growth has slowed distinctly, market observers do not fear overall stagnation. While certain companies will do better and others worse than average, the expectation is that so long as economic growth is positive, so will profit growth be — even after inflation.

Among the full year reporters, reconstructed Quincor reported pre-tax profit up 62 times to R4 800 000.

But these companies have been omitted from the table and from averages because of their reconstructions and because comparative figures were so low. Their inclusion would have distorted averages and the overall picture. This type of company has also been excluded from previous surveys.

In previous surveys, earnings growth of more than 100% was not uncommon.

But among the most recent interim reporters only Rand

- 4 -

The effectiveness of Care-Groups dealing mainly with the control of trachoma can best be evaluated when determining at regular intervals the intensity of the disease in small children

- 3 -

Personal and environmental hygiene is promoted by encouraging the use of individual face cloths and water, digging of rubbish pits and the erection of pit latrines. Repeat visits are made at intervals to check if instructions are followed. The ideal number of households to be visited is not more than 5 - 8 per Care-Group member.

Most members prefer to do the visiting as a group. Collectively they feel more confident, they are more readily listened to and they can help each other when problems are encountered. Various methods are used to transmit the message, sketches, health songs or discussions.

EFFECTIVENESS OF THE CARE-GROUPS

It was important to assess the effectiveness of the Care-Groups once they had been reasonably well established.

settlement of a portion of the village as disrupted by the events and Care-Group activity came practically to a standstill.

Table

4/...

Anglo reaps huge boomtime bonanza

By JOHN MULCAHY, Mining Editor

ANGLO American Corporation, South Africa's biggest company and a major world money-spinner, has produced a phenomenal 64,3% rise in taxed profit, to R864 600 000 from R526 200 000 in the year to March 31.

The rise in fortunes in the past year for gold mines, which account for around 50% of Anglo's income, and boom conditions in most other sectors of its interest, mean the total value of assets it controls is nearly R9 500-million.

This is equivalent to the total revenue South Africa will receive from gold sales this year if the gold price averages $500 an ounce.

Interest alone on cash and other deposits during the year earned Anglo a sum most companies would envy as total turnover — R149 300 000.

Anglo's 22 000 registered shareholders, who hold 226-million shares, will participate in the bonanza year by way of dividends totalling R248 300 000 compared with R157 700 000 the previous year, at the rate of 110c a share.

Individuals, who numerically represent over 90% of all Anglo shareholders, hold 18% of the company's ordinary shares, while companies, banks and nominees hold 53% and pension funds, assurance and investment companies 29%. Of all these shares, 75% are held by South African interests and the balance abroad.

At the end of March, the value of Anglo's investments listed on the Johannesburg Stock Exchange alone amounted to almost R6 000-million, and an indication of the growth in the company is that the total cost of all investments, including those not quoted on the JSE, was R3 000-million.

The total value of the corporation's shares, based on yesterday's price of R16,45, is R3 700-million.

An idea of Anglo's size is given by the fact that last year companies administered by the

than 50% of South Africa's gold, or 27% of world production, 35% of its coal and 41% of its platinum.

Among the more noted assets in the group are Vaal Reefs, the biggest gold mine in the world; the massive coal conglomerate Anglo American Coal, and its industrial subsidiary Anglo American Industrial, which includes under its wing motor manufacturer Sigma.

In addition to these, Anglo has numerous investments in mining, industrial and investment companies worldwide.

It is one of the most powerful forces in the mining world, with interests in the production of gold and uranium, diamonds, coal, copper, nickel, oil and gas, platinum, tin, potash, iron ore, vanadium, lead, zinc, manganese and wolfram.

The mammoth operation employs 210 000 people in South Africa, but since its incorporation in 1917, Anglo has had only two chairmen — the founder, Sir Ernest Oppenheimer, until 1957; and the present chairman, his son, Mr Harry Oppenheimer.

Anglo profit zooms 64% to R864m

58

3/6/81

By JOHN MULCAHY
Mining Editor

REFLECTING last year's high gold prices and sharply improved fortunes for the industrial sector, Anglo American Corporation boosted taxed profit by R338 400 000, or 64,3%, to R864 600 000 in the year to March 31 from R526 200 000.

Anglo has adopted the equity method of accounting for investments in associated companies, and earnings rose to 383c from 233c a share. A final dividend of 75c has been declared, an increase of 50% over last year's 50c final. This takes the total distribution to 110c from 70c a share.

The preliminary results show that the value of assets controlled by South Africa's biggest private sector organisation is almost R9 500-million compared with R8 000-million at the end of March last year.

Because of the change to equity accounting, the share of retained profit of associated companies — R336 900 000 against R219 600 000 — has been transferred to non-distributable reserves.

Earnings a share before extraordinary items and excluding Anglo's share of associated companies' profits rose to 234c from 136c. The dividend is covered twice by the company's organic earnings.

There is no indication of the proportion of income from gold investments to that from other interests, but overall investment income increased by 76% to R565 800 000 from the previous year's R321 400 000. Total revenue rose to R760 600 000 from R457 100 000.

The tax charge was marginally higher at R25 600 000 compared with R24 600 000, but substantially lower on a proportionate basis, considering the increase in pre-tax income.

Profit before tax and associate companies's retained profits rose to R612 300 000 from R382 500 000.

Interest and fee income earned rose to R149 300 000 from R113 900 000, indicating increased activity in most subsidiary companies over the year. Cash on deposit and at call was R1 036-million compared with R1 370-million, but this does not necessarily reflect the fluctuating situation in deposits over the year.

Interest paid rose to R99 800 000 from R53 400 000, with loans outstanding to associated companies falling to R1 420-million from R1 591-million. Once again, the balance shown in the balance sheet at yearend does not reflect the fluid situation during the year.

Prospecting costs rose to R28 500 000 from R17 200 000, reflecting a general surge in costs, as well as intensified exploration in most mining sectors.

There is an unexplained provision of R10-million against investments, as well as a further provision of R10-million against loans, compared with R4-million last year.

Anglo's deputy chairman, Mr Gavin Relly, said last year that further provisions against its investments in Cleveland Potash in the UK and Botswana RST were unlikely unless metal prices fell out of bed.

It will be left to the annual report to disclose whether it was believed this was the case in view of the provisions.

Deposits by mining companies, held by Anglo in anticipation of tax payments during the year, must have risen substantially because of the high income most gold producers enjoyed over the whole period.

Investments at cost rose to R2 121-million from R1 519-million, and the market and directors's value of general investments rose to R1 473-million from R1 305-million and that of associated companies, listed and unlisted, rose to R4 971-million from R4 118-million.

At March 31 the net asset value a share, adjusted for market value and directors' valuation of investments, was 2 761c compared with 2 184c at March 31 last year.

The major change in the consolidated balance sheet at the yearend, compared with the previous year, arises from the consolidation from mid-February this year of Anglo American Coal Corporation and Anglo American Properties.

The effect of this change on income is to increase pre-tax profit before extraordinary items by R4 800 000 or 2c a share.

Outside shareholders' interests in subsidiaries rose by 185% to R235 800 000 from R82 700 000, and the balance of loan capital increased to R216 800 000 at the yearend from R127 300 000 the previous year.

COMMENT: The final dividend is spot on market expectations, and there will be little surprise at the payment. It is an indication, however, of Anglo's confidence in the current trading period, as the gold price particularly has flattened since March, and industrial activity appears to be slowing down.

At yesterday's closing price on the JSE — 1 645c — the historic yield is 6%, well above the mining financial average, and possibly indicating that the rating is lower than deserved.

RDM

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of patient welfare. (2)

(6.1) The Brand/Generic Debate:

Before an assessment of the problem can be made, the debate must be examined.

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should, ...

The medical profession generally accepts this, ...

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greater price sensitivity enable the large buyers to maintain low prices. It may thus be in the interests of the patient to set up a central marketing board to buy and distribute

...ctors. ... the firm. ...r research ... though, ...ess except ... would merely ... still be ... on promotion ... e main, ...essary from

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(6.1.1) The Case for generic name prescribing:

Proponents of generic name prescribing stress the savings that could be generated as well as the simplification of prescription filling that would result.

The reason for the dual price structure of branded (high priced) and generic (low priced) drugs is ascribed to the fact that larger firms are able to spend the sums on promotion necessary to establish brand loyalty. Given the low price and high substitute elasticities in the market, the generic manufacturer must sell at a very much lower price to keep its market share. Generic name prescribing would do away with such practices by the large firms and hence reduce drug

45c Boumat dividend promised

By HAROLD FRIDJHON

BOUMAT'S spectacular 103% increase in taxed profit for the year to March 1981 will lead to a hefty increase in dividends in the current year. Compared with 32c last year, dividends to March 1982 will amount to 45c a share.

The company's policy is to pay dividends at a rate of 10% on the net asset value of an ordinary share at the beginning of each financial year. Last year the nav rose 40% from 321c to 450c.

Turnover increased by 76% to R191-million and operating profit was 96% higher at R18 924 000. Taxed profit more than doubled, rising from R4 717 000 to R9 568 000 after a greatly increased bill for borrowed money and a doubled rake off for tax. The tax factor however, was virtually unchanged.

Earnings a share were 181,3c compared with 101,5c on an equity capital which was 15% higher.

A significant figure on the preliminary profit announcement was the big increase in the operating profit as a percentage of sales. This ratio went up from 8,9% to 9,9%.

Asked whether the increase in turnover and the improved sales/operating profit ratio owed much to inflation, Mr Irvine Brittan said inflation contributed no more than about 15%.

The reason for the better performance was improved productivity in a good year for the building industry. Some growth came from the the acquisition of the Incledon Group whose results had been included for the full year.

Mr Brittan said the current year would also be good, but he did not think there would be the same rate of growth as in the past two years when attributable profits had been doubled.

He said prospects for the building industry were still promising in spite of the slowing down in private house construction. Trading conditions were still lively for public sector construction and housing.

COMMENT. Boumat has shown strong growth in past 10 years, dividends having grown from 8c a share in 1972 to last year's 32c and the promise of 45c for the current year. At yesterday's closing price the assured dividends for this year will give a 6,6% return.

A historic view of the company shows that management has the capacity to take the fullest advantage of trading conditions. In the previous upswing in the economy dividends were more than doubled. Then followed several years of marking time when the building industry was in the doldrums. In the past three years the group has thundered ahead.

It is interesting to note that the R83-million increase in sales last year exceeded total turnover of R75-million in 1979.

Mr Brittan usually gives a three-year forecast in his annual review. The current results have far surpassed his forecast for 1981. In fact the figures which he projected for 1982 were overtaken by the 1981 performance.

Last year, Boumat went shopping for investment opportunities. Most of these acquisitions will only be brought into account during the current year. This means that growth will come not only from internal growth but from new assets.

R17m ATI acquisition

Financial Reporter

ANGLO-TRANSVAAL Industries, the Anglovaal group's industrial investment and finance company, has acquired the entire issued share capital of Risa Investments (Pty) for R17 200 000. Based on ATI's existing capital the acquisition is expected to add 11c a share to the company's annual attributable earnings. Risa makes knitted fabrics and garments.

many of the patients who at present go to general practitioners, "witchdoctors", homeopaths and other practitioners for their primary medical care.

The details are not important. What is important to note is that it is extremely difficult to determine manpower requirements, even of doctors. Neither comparative ratios nor calculations of service load give reliable results. All estimates of medical manpower requirements are guesses, some more intelligent than others.

Packaging sale helps

Own Correspondent

DURBAN — Huletts Corporation almost doubled attributable income for the year ended March 31 by making R24,83m from the sale of its packaging interests.

This enabled it to add R25,81m to reserves.

Earnings a share come to 109c, using historic costs, and 79,9c using replacement values, compared with the previous years 86,7c and 62,2. A final dividend of 42c will be paid in August.

s and nurses we

cy and look at

A. Doctors

At the end of 1975 South Africa had 13 347 doctors on the register.[4] On paper this gives a population to doctor ratio of 1900 : 1. However if one excludes 1088 doctors already giving overseas addresses in 1975, and another 624 doctors over the age of 70 years,[4] the ratio moves up to 2200 : 1.

Even so a ratio that is only four times that of Western Europe does not seem too bad. However the maldistribution of doctors in this country is appalling. In 1962 Professor

Snyman[5] gave South African population to doctor ratios as varying from 600 : 1 in Durban

(190 : 1 for whites in Durban)

to 40 000 : 1 elsewhere in the country.

Fifteen years later the variation in ratios was reported to be largely unchanged.[6]

The numbers of medical students are being increased rapidly but the numbers of doctors are not rising correspondingly. In the six years from 1970 to 1975 (quiet years politically) it is estimated that 14% of all our medical graduates and 50% of those from Wits and U.C.T. left the country permanently.[4] During the course of 1975 despite the fact that 469 new doctors graduated and another 175 immigrated into the country, the net gain of doctors to the country was only 111.[7] During 1976 the country had a net loss of 151 doctors.[7] Of the doctors remaining 30% practise as specialists[5] so that counting on even an extra 1000 doctors working in primary health care in the next five years seems unrealistic.

B. Nurses

In 1973 there were 36 931 registered nurses in South Africa, but 37% of these were listed as not practising.[8] This leaves us 23 266 nurses and a population to nurse ratio of 1100 : 1, five times the Swedish figure. Even if all these nurses were working in hospital wards, allowing for twenty-four hour cover, when on duty each registered nurse would be responsible for 33 beds. Teaching hospitals may consider themselves to be short of nurses but compared to this national "average" at all.

BANK CARTEL

Cracks in the dike

FM 5/6/91

Signs of stress are becoming visible in the commercial banks' pricing cartel following the controversy surrounding the introduction on May 18 of its new current account charging structure. And even bankers say it is only a matter of time before the 60-year-old cartel collapses, something which the *FM* would welcome.

For the meantime, it seems it will remain. According to the Interbank Pricing Committee chairman, Standard Bank's Denzil Busse, "we can't make radical changes to the banks' pricing structure and throw out the cartel at the same time."

But cracks may have already appeared, as the case of Pick 'n Pay illustrates. Pick 'n Pay's Raymond Ackerman has had a long standing agreement with Trust Bank, whereby his company's fees were negotiated independent of the size and number of transactions. In addition roving tellers counted cash takings on supermarket premises.

Ackerman has already gone on record as saying that the new pricing structure will not affect his deal with Trust, and that he would not allow Trust to charge him cartel prices. All of which led, of course, to some interbank suspicion of Trust.

9

Although Trust Bank joint MD Chris van Wyk believes that "there are many forces these days pointing the banks in the direction of a more market orientated situation," he is adamant that the Pick 'n Pay deal is within the cartel's guidelines.

"There has been no special deal between us and Pick 'n Pay," he says. "We have a fee recovery from them which is still in line with the minimum set by the cartel. And we cannot understand what the shouting is all about."

Bank flexibility

Trust has no intention of "upsetting the applecart", he adds. But, he says, the banks must be able to be flexible in their fee negotiations with major corporate clients.

One speculation on the Pick 'n Pay mystery is that whereas the company is paying cartel rates on most transactions, Trust is providing them with cash handling services for some of which they are effectively not paying. And suspicion may in general be reinforced by the fact that five years ago Trust took an independent stand on banking hours.

Part of the problem originates from the confusion surrounding the nature and impact of the new charging system. Many companies are still struggling to work out the exact basis on which they will be charged, and many are worried.

"It's a very sore point," says a spokesman for a major short-term insurance company. And he estimates his company will be paying at least 60 more in bank charges. He, like most others, is looking

Pick 'n Pay's Ackerman ... not accepting the cartel's prices

at ways to streamline internal systems.

Retailers and other cash-heavy businesses are primarily concerned about the new cash deposit fees. But while costs will rise on this account, says Checkers, they could be offset in other areas. It used to transport cash physically to Johannesburg for banking to avoid transmission costs, thereby losing interest. This can now be avoided.

But Metcash, for instance, has done a deal which virtually stabilises bank cost at current levels. The new charging structure specifies a cash deposit fee of 0.2% for amounts up to R10 000 and 0.1% thereafter. Metcash's 130 branches nationwide can deposit R1m a day between them. But, says finance director Arnold Levy, the banks have agreed to charge Metcash as a group at the lower rate of 0.1%.

Bankers agree that much of this kind of individual deal-making is taking place. Certainly they do not want to alienate valued customers. But the minimum prices are probably not viable from profit terms, so less important customers will no doubt suffer.

And, of course, the sheer variability of arrangements drives wedges into pricing unity. That in itself is bad news for the banks' cartel, which even its supporters must admit is looking a little elderly.

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SUMMARY

Gastroenteritis remains one of the major public health problems in Israel, as well as in Asia, Africa and Latin America. In 1967 an investigation into the persistently high infant mortality rate in the "Little Triangle" (an Arab-Moslem area with a population of 25,000), revealed that as many as 50% of the deaths in infancy, were due to gastroenteritis. A study directed at determining the beliefs, knowledge and practices in regard to health matters was undertaken. The results confirmed our belief that the best way of dealing with the problem was through an educational program directed towards prevention.

The program was presented in such a manner to enable the population at risk to identify itself with the methods used and to be sufficiently motivated towards active participation. Accordingly, film strips were prepared from photographs of relevant situations and were screened to selected groups of mothers.

Following the introduction of this health education program in 1969, the infant mortality rate dropped from 50 (per 1,000) in 19... 28 in 1970 and to 21 in 1974. There were no deaths from gr... enteritis in Tira in 1976 and in 1977 the infant mortality below 20 (19.6). For the first time ever. A marked decrea... the morbidity was also apparent. It is considered that thi... to the problem of gastroenteritis is worthy of general appl... in Israel as also in many other countries of the world.

HEALTH EDUCATION IN THE PREVENTION OF ACUTE GASTROENTERITIS

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Government Health Centre, Tira
Department of Family Medicine
Tel Aviv University Medical School.

S. Rabie, B.A., M.P.H.
Health Educator,
Ministry of Health, Jerusalem

"To narrow the ... the application ... known and wha... remains a per... directly or i... prevention"(2...

INTRODUCTION

Gastroenteritis remain... death in infancy and e... developed and developi... estimated to kill five up to eighteen million and Latin America. (29) ... 10); although most of these authors stress the importance of prevention, only a few concern themselves specifically with prevention. (17,18,19,20) This paper is concerned with a description of the use of health education as a tool in the prevention of gastroenteritis and the results obtained by the application of this inexpensive and effective method.

MATERIAL AND METHODS

The investigation was carried out within the framework of the Government Health Centre in Tira and since then (1971) the program has been an on-going part of the preventive service of this centre and its sub-centres.

Bumper payout from Saficon

58

5/6/78

Shareholders of Saficon Investments are to get a bumper 118 percent boost in total dividend payouts after the group more than doubled taxed profit from R3,8-million to R8,3-million in the year to March.

A final of 23c makes a total dividend payout of 31c against 14,25c last year.

Earnings a share were up from 48,06c to 104,77c.

The directors say the exceptional growth resulted from the buoyand conditions in the motor and building industries.

Operating conditions were still competitive but not as fierce as those experienced in recent years. High rates of inflation have put costs, particularly employment costs, under pressure.

There was an increase in attributable earnings of associated companies from R686 000 to R2,23m due to the group's bigger stake in Boumat which reported substantially higher earnings.

Turnover jumped 35,5 percent from R179,2m to R242,9m and net operating profit before tax and interest was 83,7 percent higher at R11,8m.

Saker's Finance and Investment Corporation, whose sole asset is its investment in Saficon, boosted taxed profit from R2,5m to R5,5m.

A final of 25c brings the total to 33c a share, 124 percent more than the 14,75c paid last year.

MERVYN HARRIS

Money rolls in for Mr O & Co

Rom 3/6/81

By JOHN MULCAHY

MONEY makes money, and nowhere is this more evident than in the case of a family whose dividends are matched by the taxed profit of only 21 quoted public companies in South Africa.

Messrs Harry Oppenheimer, his son Nicholas and erstwhile son-in-law Gordon Waddell, are listed in Anglo American Corporation's last annual report as holding a combined 18 743 943 shares in the huge company.

In the financial year to March Anglo paid dividends of 110c a share, which means the three gentlemen earned a tidy R20 618 337.

A thrifty investor who wished to bank rather than squander his income could shop around the banks and building societies, and probably be offered an interest rate of around 13% for a deposit of one year.

If the trio of Anglo directors elected to invest their dividend in this way, their combined interest for a year would be R2 600 000 a year or about R70 000 a month each.

Of course, these earnings would not go unnoticed by the taxman, who would whittle each one's monthly cheque down to around R40 000.

If the prospect of coping with dividend earnings became too much, there is always the option of selling the lot — which, on paper at least, would realise more than R308-million.

There are only 23 industrial companies quoted on the JSE with assets valued in excess of this figure — companies such as Barlows, SA Breweries, Sasol and OK Bazaars.

UBS lends R1 400m for housing

By REG RUMNEY
Property Editor

THE United Building Society entrenched its position as No 1 in the building society movement last year with total assets growing 21% by R638 576 000 to R3 769 697 000, according to the annual report.

South Africa's biggest helping hand shelled out more than R1 400-million in loans in the year to March, equivalent to R4 600 000 a working day.

This brought the amount owing on mortgages to R3 047 025 000 (1980: R2 317 682 000).

The number of mortgage loans jumped to 157 771 from 141 441. At the yearend there were 39 unsold properties in possession worth R829 000 — only 0,03% of the amount owing on mortgage loans, and no material loss is expected from the sale of the properties.

The directors add: "Rapid and significant rises in interest rates in the money and capital markets during the second half of the year adversely influenced the society's ability to attract investment funds with resultant reductions in the level of lending in the latter part of the year".

On the inflow side, fixed deposits — by which building societies attracted the much-criticised, volatile corporate money — grew 25% to R926 075 000 (R739 076 000).

However, savings deposits rose by a like amount to R947 096 000 from R755 520 000 the previous year.

Share capital increased by R215 792 000 to R1 692 663 000.

Unappropriated profit at March 31 1981 was R4 830 000 (R4 618 000) after dividends of R131 619 000, and transfer to general reserve of R9 500 000.

This R9 500 000 (R7 500 000) brought reserves to R102 301 000.

Management expenses took a leap along with profits. They grew to R72 854 000 from R53 927 000 the previous year.

Under the 99-year leasehold scheme a total of 334 applications totalling R3 770 000 had been approved at March 31, 1981. The United had registered 277 of the 622 bonds registered by building societies as a whole up to that date.

During the year the UBS Development Corporation sold 663 housing units, compared with 477 sales the previous year and 220 in the year before that.

The corporation expanded activities into housing for blacks, coloureds and Indians and 231 houses were completed or were under construction for sale to blacks under 99-year leasehold.

"The activities in this field will be extended considerably during the coming year. All building work is carried out by building contractors and the corporation does not itself engage in building operations," the report says..

The UBS Insurance Company, in common with other insurers, showed unfavourable short-term underwriting results. It was adversely affected by the high level of storm-damage claims. Premium income increased to R10 135 000 from R7 399 000.

The underwriting loss for the year to December 31, 1980, was R655 000 (1979: loss R52 000).

Increased investment income resulted in a taxed profit of R1 260 000 (1979: R 975 000).

Assets of the insurance company exceed R36 200 000.

that can be treated with simple drugs and more complex cases must be referred to a doctor. In the Soweto clinics, prescriptions for such drugs as antibiotics must be countersigned by a doctor. The first consideration must be whether the disease profiles of urban Blacks in Soweto and New Brighton and of those living in the Cape Peninsula are different. If the ailments of those in the Cape Peninsula are such that complicated treatment regimens are necessary,

nurse physicians may allow the capacity of the Day Hospitals to be increased in terms of staff at a lower cost than the employment of more doctors, the problem of too few consulting rooms remains.

Given the original intentions of the Day Hospitals - not only to provide a service in the community but also to relieve pressure on outpatient departments, nurse physicians cannot replace doctors altogether except for the supervisory doctor, unless referrals to outpatient departments are to increase.

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In the Soweto clinics and in Kwazikhele, X-rays, physiotherapy and other procedures are all centralised in Provincial hospitals.

Some patients, accustomed to being treated by a doctor, may not want to be treated by a 'nurse-doctor' and would thus by-pass the Day Hospitals, leading to the congestion the Day Hospitals were designed to reduce. Outpatient departments
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priate, and if a simpler
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ition on the types of disease
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la is such that at least
six Provincial hospital outpatient departments and sixteen Day Hospitals are currently operating at capacity. It may be due to Say's law or social introgenesis or a variety of other factors. It is not clear whether longer queues at the Day Hospitals would reduce the 'need' for professional treatment, or whether fees should be raised to limit the number of patients. This is essentially an ethical question.

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Anglovaal lifts payout 30%

By ADAM PAYNE

ANGLO Transvaal Consolidated — Anglovaal — has declared a final dividend of 22[illegible] (180c) to make a total 290c (230c) for the year to June.

This is an increase of 20[illegible] compared with the 50% rise in Gencor's distribution and 57% in Anglo American's payment.

The difference can be ascribed to the fact that Anglovaal is less mining orientated than the other two mining houses.

Estimated consolidated profit after tax and minority interests was 2[illegible] higher at R17 104 000 equal to 1 105c a share compared with the 1979-1980 figure of R38 5[illegible] 000 (898c a share).

Dividend cover was 3.63 compared with 3.9 in 1979-1980.

The final dividend of the company's participating preference shares was lifted by 22.5c to 117.5c, bringing the year's total to 160c (125c).

Anglovaal Holdings — the group's holding company — raised its final dividend by 4.5c to 23.5c providing a 31% increase in the year's total at 29.5c (22.5c).

The company's estimated profit after tax was R487 000 higher at R2 713 000.

Anglo-Transvaal Industries raised its annual dividend by 10c to 4[illegible] reporting an estimated consolidated after-tax profit that was 27% higher at R[illegible]3 million (R26-million).

Middle Witwatersrand — the mining exploration, finance and investment arm of the group — has declared a final of 50c (45c) to make the year's total 8[illegible]c (65c) — a rise of 31%.

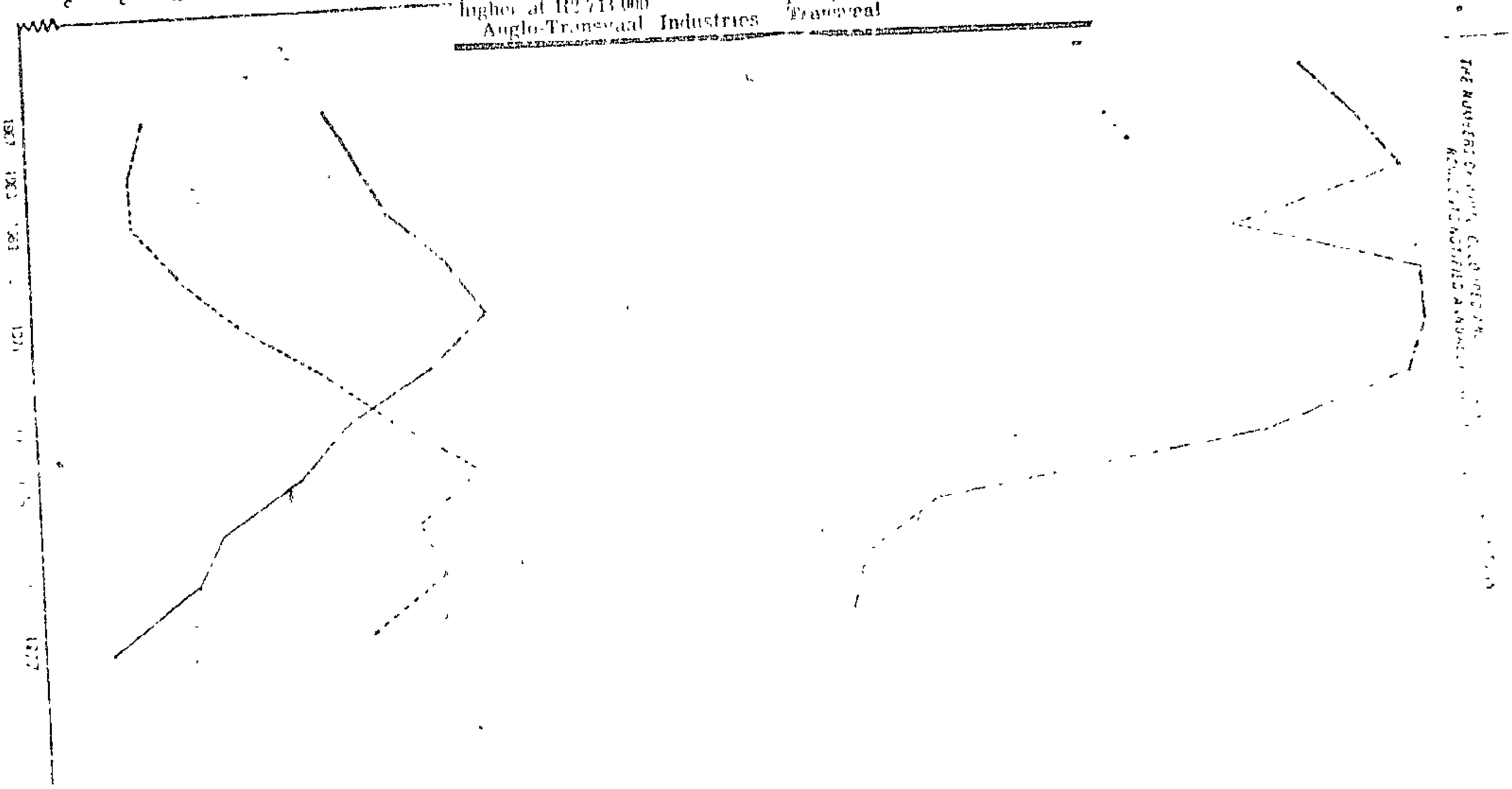
The consolidated taxed profit was [illegible]6% up at R17 7[illegible]7 000 (R14 1[illegible] 000).

COMMENT: The Anglovaal dividend is much as expected, but that from Middle Wits will disappoint. The company reported taxed profit 6[illegible]% higher in the six months to December, but the overall rise for the year was only 29% up showing a severe decline in the second half.

The company has about 85% of its investments in gold and has suffered with the decline in the gold price since January.

The [illegible]c dividend puts the share on a yield of only 5,3% on yesterday's share price of 1 60[illegible].

The share has risen since the discovery of a diamond pipe on the company's farm Venetia in the Northern Transvaal and on reports of good results in gold prospecting in the Eastern Transvaal.



Anglo near top in assets

By Andrew McNulty

ANGLO American Corp, if ranked by total assets among the 500 largest American industrial corporations, would be seventeenth in line, according to the group's latest results released this week.

Results for the year to March 31 1981 show that the value of assets controlled by Anglo, the country's biggest private-sector organisation, is almost $11 600-million compared with $9 760-million the previous year.

The Fortune 500 largest industrial companies shows that this would place Anglo behind the 15th-ranking Standard Oil, whose assets total $12 080-million.

The comparison is not strictly realistic, however, as the Fortune list is confined to industrial corporations, and Anglo and the US mining giants would be excluded.

Close behind Anglo would be US Steel, with assets worth $11 747-million.

The State-owned South African Railways, on 1980 figures, would also closely follow Anglo in asset rankings — in 19th place with assets of $10 941-million.

If other South African heavyweights were listed by assets the order would be Barclays Bank (20th) with assets of $10 607-million, Escom (23rd) with $9 226-million, Standard Bank (26th) with $7 860-million and De Beers (42nd) with $5 799-million.

Rated by total revenue, SAR & H's $4 500-million would rank 85th among US industrials.

South Africa's biggest company classified as an industrial organisation, Barlows, which has assets of $3 950-million, would rate 64th place if ranked by assets, and its turnover of $4 220-million would rate 89th if ranked by sales.

The top US companies, for many years dominated by General Motors and Ford, have been given a completely new look by the energy boom — six of the top 10 (ranked by sales) are oil companies.

S. Times Bus. 7/6/81

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

Giants battle to take over AA

By JOHN SPIRA

THE 700 000 members of the Automobile Association may be affected by a fierce battle for control of the AA's insurance company.

Kirsh Industries and a consortium headed by Mutual & Federal (one of South Africa's largest short-term insurance companies) are locked in battle over a bid for control of AA Mutual Insurance Association.

AA Mutual is believed to be worth more than R20-million. It has an annual premium income of R95-million.

Mutual & Federal, in concert with Ned-Equity and Sage, recently made a bid for control of AA Mutual at an undisclosed price.

Had the bid gone through unchallenged, AA Mutual would have been split up piecemeal, with Mutual & Federal taking the short-term business (worth some R14,5-million in terms of assets), Ned Equity taking the life business (valued at R5-million) and Sage absorbing the AA Mutual's overseas arm (worth R1,5-million).

Cohesive

Now that Kirsh Industries has entered the picture, the possibility of AA Mutual remaining a cohesive unit has been enhanced.

Kirsh Industries' chairman, Natie Kirsh, said yesterday: "It would make a good deal of sense for the AA's management committee (which controls the AA Mutual) to accept our bid.

"By doing so, they will ensure that no carve-up takes place; that there will be no staff upheavals; that management will not be materially tampered with and that the many members of the AA will receive bene-

To Page 2

be given the milk, vegetables and fruit often made available to labourers on the home farm. She also noticed many untreated diseases of the eyes and ears and some cases of kwashiorkor.

2. Providers of Health Care in Tiersdorp

1. The family

The basic care of health is the concern of the family, who, by the social and physical environment they provide, have a profound influence on the health of their members. Their ability in this respect is limited, as in all cases, by their wisdom and resources: one elderly builder and painter remarked that his only health problem was to find work. The family also provides curative medicine as a first resource, using home medicaments or pills from the 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 some-

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Bid for AA control

From Page 1

fits additional to those they currently enjoy."

Mr Kirsh stressed the wording contained in the offer announcement, which states: "If the offer is accepted, the AA Mutual group will not be broken up and will be managed in the same manner as before."

The original bid by the Mutual & Federal consortium is believed to have created a large measure of uncertainty among AA Mutual's management and staff — uncertainty which has been heightened by the acrimony which, Sunday Times inquiries reveal, stemmed from the lack of consultation between the AA Mutual's chairman and the company's top management over the Mutual & Federal offer.

If the Kirsh Industries' bid is successful, it is probable that Constantia Insurance Co (a subsidiary of Kirsh Industries and a company listed on the Johannesburg Stock Exchange) will be merged with AA Mutual.

The AA's new highly sophisticated computer network could then be applied to the marketing of insurance on a country-wide basis through the many consumer-orientated stores falling under the umbrella of Kirsh Industries — companies such as Metro Cash & Carry, Russells and Dions.

This would give rise to a situation similar to that which exists in the United States, where Sears Roebuck controls All State Insurance, the world's largest insurance company.

Should the Kirsh Industries bid succeed, the merged AA Mutual-Constantia group would be the second largest short-term insurance group in South Africa.

1) To improve overall standards of public health, and in particular to reduce incidence of water-borne diseases and diseases of insanitation amongst children and the inhabitants of the rural areas.
2) To maintain present levels of curative services, improving their standards and distribution where possible.
3) To create a situation within which a substantial moderation in the rate of population growth can be achieved within a reasonable period.

Government believes that the health services must be developed within an integrated curative-preventive framework. In order to

Kirsh's plans for AA Mutual

By DAVID CARTE
Deputy Financial Editor

IN ITS fourth multi-million rand takeover bid in a year, Mr Natie Kirsh's voracious Kirsh Industries has launched a counter-bid for AA Mutual, the AA's insurance arm.

The 700 000-member AA is negotiating the sale of AA Mutual to Mutual & Federal, the short-term arm of Old Mutual, Sage Holdings and Ned Equity.

Mr Kirsh says he can only estimate a price for AA Mutual as a takeover figure has not been disclosed, but he estimates that AA Mutual is worth "approaching R20 million", which Kirsh Industries can pay in cash.

Mutual & Federal, Sage and Ned Equity propose to split AA Mutual with the short-term interests going to Mutual & Federal, the life business to Ned-Equity and the overseas interests to Sage Holdings.

Mr Kirsh says he would not break up AA Mutual. He would put his own listed short-term insurer, Constantia Insurance, into AA Mutual and let an enlarged AA Mutual continue as before with the same management.

"We could offer the AA several options. We could make it a straight cash purchase or offer them the option of staying aboard."

Mr Kirsh would like to see AA Mutual and Constantia Insurance motor, fire, accident and home policies sold over the counters of his group's wholesale and retail stores — Dion's, Russells and Metro Cash.

"Sears Roebuck, the giant retail chain in the States owns AllState, the largest insurance company in America and all its stores sell policies."

Mr Kirsh says AA Mutual is "the best short-term insurance company in SA."

It has developed the most sophisticated on-line computer system of any SA insurer and is tailor-made for the kind of operation he had in mind. AA Mutual would also complement Constantia Insurance by spreading this company's overheads over a much bigger premium income.

Mr Kirsh reckons AA Mutual with more than R100 million of premium income and Constantia with R35 million would be the second or third biggest short-term insurer in SA if he could pull off his plan.

He says price is not the only consideration the AA and its members should take into account.

He believes his bid will have the support of AA Mutual's management as it does not entail breaking up the company and offers management better job security.

Several senior AA and AA Mutual men reached at the weekend were tight lipped, but one said top management was generally unhappy with the first proposals which were presented as a fait accompli.

The Ministry of Health has two new health centres in action. Five new rural clinics completed and working, a Rural Health Centre with 24 beds is about to be finished and will be used as a training centre.

For the expansion of preventive services into the rural areas, a second nurse has been assigned to work in rural clinic to do MCH/FP services after having been oriented in public health nursing, and because of shortage of personnel not all clinics have two nurses.

We all know that the health and happiness of families living in rural areas depends greatly on the availability of health units within a reasonable walking distance (5-10 km.) and their knowledge and practice of how to live a healthy life. In order to achieve all this the Ministry of Health started to train the lowest cadre of workers, because it has not been possible to build more clinics.

The workers are known as motivators or Rural Health Visitors. The Rural Health Visitors (RHVs) are trained to deliver the services to every homestead in rural areas. Each RHV is allocated 40 homesteads in her area.

The process of selecting trainees is one of community participation.

As stated in the FAO/WHO workshop report that "Integrated rural development is seen as a process of balanced social and economic development in a given community." Its components may include, among others, development of family health, education, agriculture, industry and co-operative enterprises, social welfare, socio cultural and other aspects of community life. Hence training of the RHVs is interdisciplinary and the trained product is a co-ordinator at grass root level.

Objectives of training:

1) To produce a cadre of workers who will educate the community on importance of latrines and protected water supply in the

of communicable infections by having dust pits and by control of house pests.

6) To educate the families on the importance of participation in community activities for improvement of health and economical structure of the community.
7) To give immediate care (first aid) to the families in cases of emergencies.
8) To create a cadre of personnel from amongst members of the communities that will be responsible for disease surveillance and will refer to nearest clinic any serious illness.
9) To provide rural communities with personnel that will supervise home treatment or chronic illness where applicable.
10) To provide rural communities with a co-ordinator (RHV) between ministries involved in rural development.

Five groups have already been trained and the 6th will start the course in October-November 1978. It is estimated that by the year 1981 800-1000 Rural Health Visitors will have been trained for the whole country.

The training lasts for two months and the requirements are literacy

Anglo's life insurance arms in R1bn merger

By DAVID CARTE
Deputy Financial Editor

ANGLO American's two life assurance companies, African Eagle Life and Guarantee Life, are to merge to form a R1 000-million insurance giant named Anglo American Life Assurance Company.

Aiming at assets of R1 000-million and annual income of R230-million in 1982, the new company will start to challenge Liberty Life as the third biggest life assurer in SA.

Now that Anglo American has acquired the 25% of African Eagle previously held by SA Eagle, both companies are wholly owned by Anglo, so there is no immediate significance for shareholders.

The two companies' actuarial, administrative, financial, underwriting, medical and other services, including investment, have already been integrated.

This means the main effect of the merger will be on the marketing side.

In the past, African Eagle Life has done its life policy marketing exclusively through its own field force, and Guarantee Life has sold its policies only through brokers. AEL's large pensions division also operates through brokers.

Although the marketing channels will continue to be managed and administered separately, both companies' products will be available to both the field force and to brokers.

Mr Nigel Mandy, a director, says this will be significant for growth. African Eagle's popular Masterplan policy, for example, can be sold by brokers in future.

African Eagle Life's home services division, which collects cash premiums for policyholders' homes, will be converted into a wholly owned subsidiary of Anglo American Life and where products overlap, will compete with the rest of the group.

African Eagle Life, which had total assets of R828-million at the end of March 1980, is by far the biggest of the two companies to be merged. At the end of March 1981 African Eagle Life will have had assets of R900-million and Guarantee Life about R100-million.

Asked if the new company would ever be listed on the JSE, Anglo American Insurances chairman, Dr Zac de Beer said: "I learned in politics never to say never, but at the moment the question is premature."

The advantage of a listing, he said, was that shareholders might be inclined to buy policies and that the company would appear more often in the newspapers.

But the disadvantage was that the company would have less operational flexibility.

"One can't take quick decisions if one has to to refer things to shareholders."

Preliminary discussions on the merger have been held with the Registrar of Insurance and an application will be made to the Supreme Court for approval of the merger.

The merged Anglo American Life Assurance Company will start business early in 1982.

(58) (833) 6/6/80

'attendance' causes some difficulty as there appears to be little uniformity either between hospitals or between hospital departments as to what constitutes an attendance. The official viewpoint is that these figures are kept to assess the workload of each section of the outpatient department and the whole department and that it is not a true reflection of the productivity of the staff if a pat'ent who receives ... patients attend more than one hospital. (4) The reason given for the lack of defined areas is that teaching hospitals require a wide selection of patients for research and teaching purposes. Also, some hospitals, for example, Karl Bremer, are open - doctors may treat private patients there.

(2.) Cost statistics.

The capital costs of facilities that have been constructed are available - for the Groote Schuur outpatient wing built in 1966,

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of the whole Tygerberg complex, the new Johannesburg Hospital, new Day Hospitals - the cost of building the outpatient department at Tygerberg for example is not known, nor is the estimated cost of building outpatient departments and Day Hospitals of different sizes. The costs that were incurred in refurbishing the Day Hospitals in 1969 are not known, nor ... cost of equipping a Day Hospital relative to an out- ...t department; intuitively it is less because less ...lised equipment is required. The Planning Department ... CPA draws up plans for proposed additions and modifi- ...s to existing facilities, and when funds become available, ...plans are passed to the Works Department which puts ...t to tender and supervises the construction. Requests ...ch hospital for new equipment are sent to the Hospitals ...ent, where an executive committee considers each ...tion and approves those which it considers to have ...y in the allocation of funds.

...rating costs of Provincial Hospitals are kept on an ...asis - salaries and wages, provisions, domestic, ...l and radiological, pharmaceuticals, maintenance and ...rt of patients. (5) Separate cost figures are not ... each department. This type of costing is creating ...m at the moment - faced with escalating costs, hospi- ...nistrators are requesting the hospital departments ...osts, but since it is not known what each depart- ... spending, there is firstly, no incentive for any ...nt to cut costs, and secondly, no way of telling which departments are spending excessively or on what this expenditure is.

Budgeting is for each institution as a whole and is incremental in nature. Each year, the expenditure over the past twelve months is analysed and adjustments are made for expected price increases, expected increases in the number of patients treated, proposed salary and wage adjustments and proposed additional employment. This estimate forms the basis of the following year's operating budget. Since it is not known how much each department spends, deficits cannot be pinpointed.

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Kirsh denies AA defeat

9/6/81 Rdm (58)

By DAVID CARTE
Deputy Financial Editor

AA MUTUAL has already been sold to Mutual & Federal, Sage and Ned-Equity and Mr Natie Kirsh's counterbid is too late, it is claimed.

One of the principals of the original deal claims that agreement was reached between the AA, M&F, Sage and Ned-Equity before Mr Kirsh announced his counterbid yesterday.

"We had agreement in principle and were sorting out the details before signing."

But Mr Kirsh says this is nonsense, and Mr Eric Turk, director-general of the AA, says he will consider not only the Kirsh offer but any others that might come up.

"There's no agreement yet," said Mr Turk. He expected AA to take a final decision in about a week.

Mr Philip Sceales, chairman of AA Mutual, has denied reports of a "schism" between himself and AA Mutual's management. He denied that he almost sold AA Mutual to the trio of Old Mutual asscıates over the heads of its management.

"Mutual & Federal came to us first and I referred the first tentative approach to the managing director of AA Mutual, Mr Warren Plummer. He has been involved with negotiations from the outset," he said.

Mr Sceales said the first he knew of a counterbid from Mr Kirsh was from a journalist.

Asked which suitor he favoured for AA Mutual, Mr Plummer said he did not own the company. He "only worked for" AA Mutual and it was "not proper" for him to comment on the merits of those bidding for the company.

"It's like the civil service. You work for what ever government is in power, and the owners are the government."

Mr Plummer acknowledged that he was due to retire next year and that Sage had offered him the job of looking after AA Mutual's overseas interests if the deal went through.

Mr Kirsh says he would like Mr Plummer to stay on as managing director of AA Mutual if he gets it.

He claims to have had many calls of support from AA members since announcing his counterbid.

"I think we have a better than even chance of success," he said.

Mr Kirsh's counterbid is his third clash with Old Mutual or its close associates. The first was when he took control of Metro Cash and the second was his thwarted bid for Tiger Oats last year.

Second big kaolin find 'hushed up'

By Graham Ferreira
Environment Reporter

AN UNPUBLISHED report by the Department of Geological Survey shows the major kaolin deposits at Stellenbosch have been hushed up to justify mining the mineral in the Noordhoek valley.

The company which plans to mine the Noordhoek kaolin deposits, Serina (Pty) Ltd, is owned by the powerful Sanlam group's Federale Volksbelegging, and the Industrial Development Corporation.

Already more than R2-million has been sunk into expanding the existing factory in Noordhoek in anticipation of the new Noordhoek mine. To justify the mine, both Serina and Government sources have said recently that the Noordhoek deposit is the only one of high enough quality.

MOST VIABLE

But a report presented to the Metropolitan Planning Committee two years ago, marked 'Confidential — Not for Publication' says the Stellenbosch deposit is considered 'the most viable kaolin deposit proposition in the Western Cape, because of its size (14-million tons), the good quality of the kaolin and the favourable situation of the deposit.'

In February this year, the Director General of Water Affairs, Forestry and Environmental Conservation, Mr Fred Otto, said that according to his information there were no deposits of the same quality as the Noordhoek deposits in the whole of South Africa.

ALL SUITABLE

But a chemical analysis of the deposits at Stellenbosch indicates that the kaolin there is of the highest quality.

All the samples tested were of a quality suitable for ceramic purposes, the geological survey report said.

The chairman of the Table Mountain and Peninsula mountain Chain interim committee, Dr Douglas Hey, said he had not been told of the Stellenbosch kaolin deposit.

The committee opposes the mining of kaolin in Noordhoek, and has recommended that Ohio Farm, on which the kaolin deposit was discovered, be included in the mountain nature reserve.

INFORMATION

In December last year, Mr D H J Bronkhorst of the Office of the Prime Minister promised the Hey committee that he would provide all information about kaolin which his department had at its disposal.

This promise followed discussion during which several committee members, including Dr Hey, said the Noordhoek [illegible] that the [illegible] of [illegible] the [illegible] of the [illegible] and [illegible] economic [illegible] to the [illegible].

But the report on the Stellenbosch deposit was [illegible] able to [illegible].

BUSINESS

Industry is urged to computerise

By Ann Crotty

The potential of companies to boost efficiency and cut costs in most spheres of industry should not be hamstrung because of senior managements' lack of commitment.

This point was made by Dr Zach de Beer, executive director of Anglo American Corporation and chairman of a number of group companies, in an interview.

He said the use of computers could help promote economic growth and, rather than creating redundancies, would help create employment.

Dr De Beer, executive chairman of Anglo American Insurances, said computers had helped insurance companies to become more flexible and reduced the previously high margins for conservatism.

"In what is becoming an increasingly complex world, computers make it possible to obtain management information much quicker and make far faster and more efficient decisions," he said.

By being able to monitor events accurately, insurance companies were able to determine which policies are profitable and which were not.

Dr De Beer is one of the speakers at a seminar on information systems entitled "A Management Perspective" at the Carlton Hotel today.

The main speaker will be Mr Victor Millar, managing director for the management information consulting division of Arthur Anderson and Company.

The seminar is being held by the consultant group of the Computer Society of South Africa.

Delegates will discuss the extent to which senior executives can, and should, become involved with information systems, the type of personal commitment that should be made, the level of technical knowledge required, the importance of information to the organisation's business planning and how senior executives should review and evaluate the cost justification of information-systems projects.

Other speakers will include Mr George Bulterman, executive director, Barlow Rand; Professor Derek Henderson, principal, Rhodes University; Mr Eugene van As, managing director Sappi, and Mr Gerrit van der Veer, systems manager, Natal South African Railways.

Ugandan shilling down

KAMPALA—The exchange rate of the Ugandan shilling was fixed at 78 to the dollar — one-tenth of the official value — at the suspension of trading last week, the Bank of Uganda announced.

The official exchange rate at suspension of trading was 7,8 shillings to the dollar.—Sapa-Reuter.

Mr John Woods who has been appointed sales administration manager for the Argus Group newspapers.

Mr Alan Collingridge who has been promoted to sales manager, Argus Marketing Division, Cape Town.

Directors slate 'stop-start' import policy

The directors of a clothing company, Ninian & Lester, are concerned over the Government "stop-start" import policy because it discourages investment and curtails jobs at a time when more and more jobs are needed.

The directors said in their annual report that import policy over the years was "disruptive and created uncertainty."

They were referring to the Government again allowing substantially increased permits for the import of woven and knitted fabrics. This had resulted in a drop in demand for locally produced goods.

The report said the prices of these imports were in many cases much lower than locally manufactured goods because of depressed economies overseas and lower raw material costs.

In reviewing the past year the directors said the buoyant trading conditions enabled all major divisions to increase production, sales and profits.

The year-on-year working capital requirements of the group increased by about 15 percent compared with an increase in turnover of nearly 50 percent.

This was attributed to the tight control of stocks on hand and a good fourth quarter which saw the value of stocks on hand increasing by less than 10 percent.

Loans at call and bank borrowings were nearly eliminated by the year-end and the group was able to report a current ratio in excess of two to one. — Ann Crotty.

OK predicts

View of

(3)

(4)

GFSA in plat search at Brits

By ADAM PAYNE

GOLD Fields of South Africa has taken options on platinum-bearing ground in the Brits area of the Western Transvaal and says its work there is still in the exploratory stage.

The reef, I am told, is the UG2 Reef which is richer in platinum than the Merensky Reef and is found in a wide chromite reef, sometimes 1,5 m thick.

At times the platinum-group metals are found in a narrow strip and at other times they go right through the chromite.

Western Platinum, operated by Lonrho, is the first mine to undertake recovery of platinum from this reef, using an extremely high-temperature furnace and recovery process developed by itself and the National Institute of Metallurgy.

GFSA's exploratory programme throughout South Africa is on a greater scale this year than last year when R4-million was spent.

The group has proved a valuable coal deposit at Sheepmoor, between Ermelo and Piet Retief on the Richards Bay coal export line.

I am told that GFSA will apply for a coal export allocation if tonnage is raised to more than 60-million under Phase 4 of Richards Bay exports.

A Government decision on increasing exports from 44-million tons a year of Phase 3 to a higher level under Phase 4 is expected in the next six weeks.

The Sheepmoor deposit is high quality by South African standards and is in a narrow seam which could be exploited with continuous mechanical miners. It is right at the Sheepmoor rail siding.

Apart from this platinum and coal exploration, GFSA has intensified its search for mining projects and is concentrating on gold, tin and uranium.

On the gold side, I am told that it is drilling to the east of Venterspost mine between the mine and Randfontein's Cooke section.

Some interesting gold values have been disclosed on the Main Reef.

Should the programme be successful, the reefs could be added to Venterspost's reserves and could lengthen that mine's life by about 10 years and lift its grade.

GFSA is also reported to be drilling south of Kloof mine, where an upfaulted block could bring the Ventersdorp Contact Reef closer to the surface. However, any development in this programme is not as close as possible developments east of Venterspost.

GFSA's action in taking options on platinum-bearing ground could be its first step to entering into the mining of this metal, but there will be a long road ahead of geological exploration.

Texasgulf, the Canadian company, has a large block of ground with UG2 Reef near Brits.

It has sent samples of the reef to Britain for recovery of platinum-group metals by the high-temperature plasma smelting process.

This method of recovering platinum from the UG2 Reef has been proved in laboratory tests at Farringdon and Texasgulf is now scaling it up.

The UG2 chromite presents a metallurgical problem because it is not easy to smelt the chromite and platinum-group metals and separate them.

However, when the chrome market improves, chromite from the UG2 could be smelted by the plasma process to produce ferrochrome.

The Mining Corporation — formerly the Bantu Mining Corporation — is also working in collaboration with Johannesburg Consolidated Investment Company on methods of recovering platinum-group metals from the UG2 Reef.

The corporation has a large UG2 orebody on the farm Maandagshoek in the Driekop area of the North-Eastern Transvaal.

Mining companies were asked to tender on the exploitation of this orebody, but the response did not lead to any mining project.

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18 Van der Horst, Women as an Economic Force in Southern Africa.

PLEASE CIRCLE ITEMS REQUIRED

Volkskas income up 53%

Star 11/6/81

58

The Volkskas Group increased taxed income before preference dividend and extraordinary items by 53 percent from R30 333 000 to R46 412 000 in the year ended March 31.

The group's share capital was increased by R30 744 000 as the result of a rights issue in May last year.

Calculated on earnings on ordinary share based on the weighted number of shares in issue, the profit increased by 244 percent.

TOTAL VALUE

Total value of the group's assets rose from R3 758 782 000 to R4 770 004 000.

The directors' report said that the consolidated income from banking activities increased by 21,3 percent from R18 693 000 to R22 678 000 during the year and the income from industries by 103,9 percent from R11 649 000 to R23 726 000.

SENSITIVE

The directors warn that industries are sensitive to the economic cycle and that the maintenance of their favourable results in future must not be taken for granted.

A final dividend of 22,5c (18c) is recommended bring the total for the year to 30c (30c). — Sapa.

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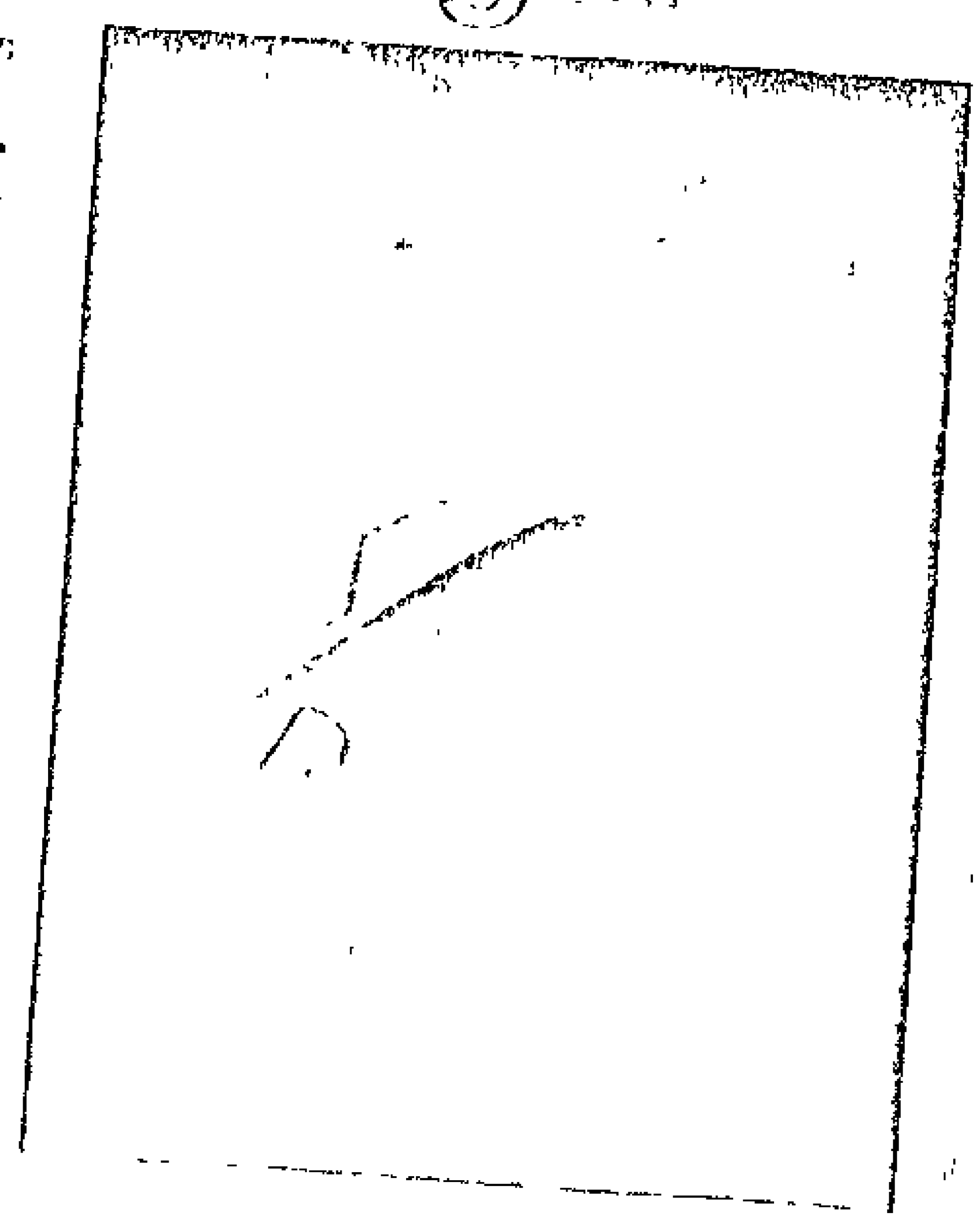
PLEASE CIRCLE ITEMS REQUIRED

58 FM 12/6/81 232

ZAC DE BEER

Marketing merger

Anglo American has streamlined its insurance interests, merging subsidiaries Guarantee Life and African Eagle Life. The *FM* spoke to chairman Zac de Beer.



***FM*: To what extent is the merger the result of the recommendations of the three outside actuarial consultants?**

De Beer: It is in no way connected to the outside consultants. They advised us only on technical actuarial matters and on product designs.

To what extent were administrative cost savings a factor in the merger?

A lot of the economies of merging the two companies have been achieved already — the actual merger is really the tip of an iceberg.

How important is the acquisition of SA Eagle's 25% stake in African Eagle in the merger of Guarantee and African Eagle?

The two moves are really not connected. I'm sure that my friends in SA Eagle would have been amenable to our proposals for this merger, but it is obviously easier to make this kind of change if the companies involved are wholly-owned.

Is this move primarily a marketing procedure designed to court the broking fraternity rejected by African Eagle for so long?

Yes. It will now be possible to market African Eagle's products through the broking fraternity. The concept of African Eagle's new up-market Masterplan will be included in the new rate book. But we found that brokers do not give Guarantee, which is a broking specialist, preferential treatment. They go to other companies even though they might have to compete with field agents.

Is this move designed to muscle in on Bowring's new Barclays connection and the resultant exposure Bowring will get to the bank's connections?

Guarantee has an established mutually beneficial relationship with CT Bowring. Bowring is actually and potentially a very big insurance broker. But we do not believe that we will receive preferential treatment because of a common Anglo interest. In the past, Anglo gave certain specialised business to African Eagle because of special service requirements.

In view of African Eagle's rather negative reputation in pensions, will we now see Anglo American Life Assurance Company launch an assault on this front?

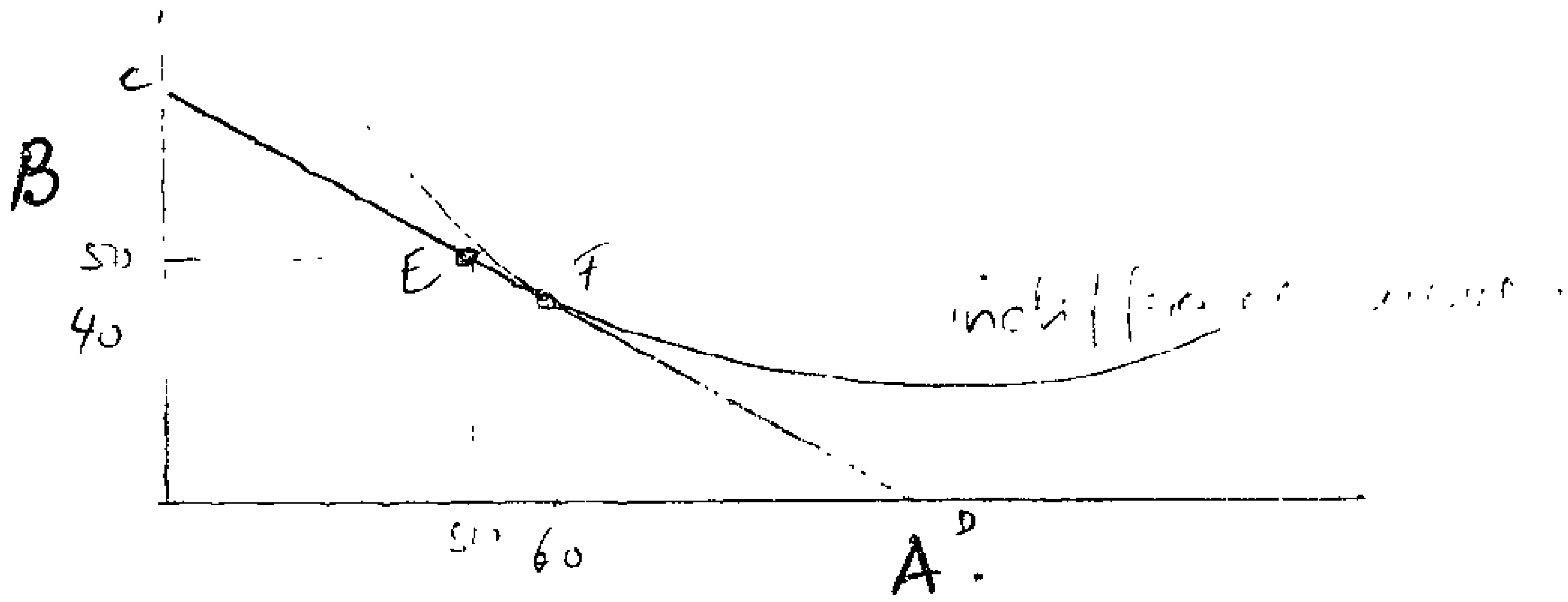
Our pensions division will constitute a major part of Anglo American Life Assurance and we certainly intend to be aggressive in our pensions marketing.

What prompted you to form yet another company out of the Home Services division?

The Home Services division operates in the cash collection business and requires a different managerial approach. Since we rationalised it, the Home Services division has become profitable and stands on its own as a separate entity.

Question 5

Indifference Analysis.



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which ... F, is
the to ... gent to
our i... ... point F is namely where I want 60 units of commodity of A and 40 units of commodity B. This is where ~~I get~~ the household gets its highest point of satisfaction upon which we draw the the indifference curves.

58 232 FM 12/6/9

INDEPENDENTS MERGE

The merger between independent financial institutions, the Board of Executors and Fidelity Bank and Trust has been finalised, giving the group total assets of over R200m.

The shareholders comprise mainly individuals who are also clients. Both companies provide a similar range of services and with such a degree of compatibility it was easy for the respective managements to agree on the formation of a new financial services group.

The development will complement and increase the overall range of services. The group will have offices in Johannesburg, Cape Town, Durban and Port Elizabeth. Chief executive and MD is BOE's Neil Chapman.

BOE's Dr Bert Olivier says plans for Fidelity Bank to open in Johannesburg, Cape Town and Durban are pending. However it will not become a multi-branch operation but remain only in the four centres.

The BOE has been primarily a Cape-based company until fairly recently. It attends to portfolio investment, the administration of estates and trusts, participation mortgage bond investments and property administration. It is also in the money-market and administers clients' assets of over R900m.

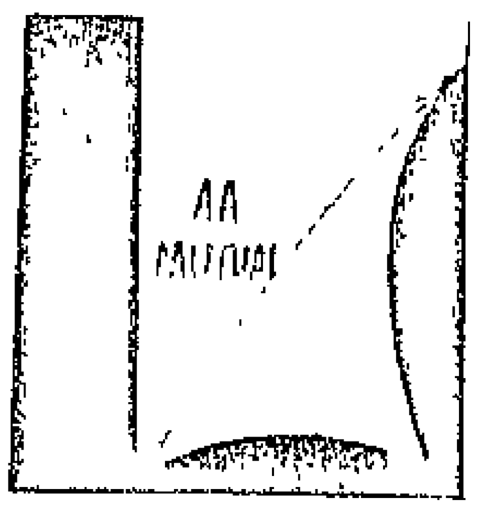
Fidelity Bank is a registered general bank, active in the field of property administration, participation mortgage bond administration and the administration of estates, and trusts. It is also involved in the commercial instalment credit and leasing market.

Now we should see what a change in the price of commodity A does to our consumption of the other commodity.

INSURANCE

Where eagles dare

(58) ~~(232)~~ FM 12/6/81



The gloves were off this week in the battle for SA's motor insurance plum, the Automobile Association's R25m AA Mutual Insurance Association. Behind it all were two separate personal feuds between leading local businessmen. And others might still be forthcoming.

The most visible scrap is between maverick businessman Natie Kirsh of Kirsh Industries, a sprawling and rapidly growing conglomerate, and establishment leader, Old Mutual's chairman Jan van der Horst.

This is their second clash. But according to Kirsh there is no personal animus. Van der Horst, too, says this is so. He believes normal competition is being confused with personal antipathy. The first clash was when Van der Horst intervened to prevent Kirsh grabbing Tiger Oats.

The battle for AA Mutual, however, is at a different level. This time it is right in Van der Horst's own industry, insurance. Previously it concerned only Old Mutual's portfolio interests. Now it's closer to home.

Old Mutual's short-term underwriter, Mutual & Federal, has offered R20m for AA Mutual, reasoning no doubt that the joint premium income of R205m would make it the country's leading short-term underwriter. This would give Van der Horst control not only over the largest long-term life assurer, Old Mutual itself, but also over the largest short term underwriter.

The plan is to split up AA Mutual, giving its short-term business to M & F, its life portfolio to Ned Equity and its London operation to Sage Holdings.

That was until Mr Kirsh came along. Natie has recently become something of a thorn in the establishment's side. In addition to his forays into the ambit of the millers, especially Tiger Oats, his ambitions in the liquor market this year caused the tightest bear squeeze the JSE has ever felt.

A few years ago, Kirsh bought an underwriter called Marine & Trade, which turned out to have chronic management problems. He changed the name to Constantia and brought in Trevor Ternent to sort it out. Ternent has made great strides in doing this. And when the share price collapsed Kirsh bailed out other shareholders.

Therefore not only is AA Mutual's portfolio attractive to him as a means of enlarging Constantia, but its computerisation and other management systems would be useful finally to cure the Constantia hangover.

So Kirsh waded in with a bid equal to M & F's, but hopes to be able to trade on yet another advantage. This is what many insurance men perceive as a feud between two lawyers turned businessmen making plans for their old age.

They are the chairman of AA Mutual, Philip Sceales, well-known as a professional boardroom [illegible], and the company's MD Warren Plummer, believed to be one of the best short-term insurance men in the country. He set up and is chairman of Sasria (the government-backed political riot underwriter) and is well-known as an independent minded manager. Plummer categorically denies that there is any ill feeling between himself and his chairman.

Market sources say that despite his impending retirement he failed to train a successor, notwithstanding the constant inflow of senior managers from numerous companies absorbed over the years by AA Mutual. These include New Zealand, Netherlands, Provincial, Dominion, Century and Adriatic. Not few, if any, of the managers from these companies are today with the AA Mutual. Plummer states the correct position is that in every case these managers were retained by parent companies.

Plummer's believed split with Sceales came a few months ago when Sceales appears to insurance men to have decided that the mutually-owned AA Mutual should become the vehicle for the executive ambitions of his retirement. He turned 70 in May and since his retirement as chairman of Dorbyl in 1976 has had no executive directorship. He is, however, well known as chairman of the UBS and vice chairman of Barclays.

At that time Sceales began to demutualise the AA Mutual. [illegible] shares were issued of which about 11.5m ended up with the Automobile Association itself. With the process began the erosion of Plummer's absolute power, which he claims he never in fact had. The object was eventually to go for a JSE listing.

Almost simultaneously, while Plummer was abroad, Sceales appointed Plummer's successor — George Murphy, the regional manager of SA Eagle in the Cape. He was appointed deputy MD of AA Mutual with effect from July 1, on the understanding that he would take over as MD when Plummer retired next March.

However, the split up of AA Mutual, which acceptance of M & F's bid implied, would have left Plummer without his top position in AA Mutual. According to M & F's plan he would be joint MD with M & F's Mike Levett.

So while Sceales stands to gain a place on the Sage board, M & F board and remain chairman of AA Mutual if M & F's bid is successful, Plummer, insurance sources believe, has reason to be against it. He must be fertile ground, therefore, for Kirsh who, in return for guaranteeing him a job if his bid is successful, expects Plummer to swing the committee members of the Automobile Association in his (Kirsh's) favour. Plummer says, however, he has no special influence in the AA and is entirely neutral in the matter.

Kirsh's bid was sent directly to the AA

Ubiquitous Sceales . . . even more directorships in the offing?

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

	Internal	External
(1)	(2)	(3)

All answer books must be numbered

When the *FM* spoke to Sceales this week he said he had not received a bid from Kirsh and was not prepared to discuss the matter at all.

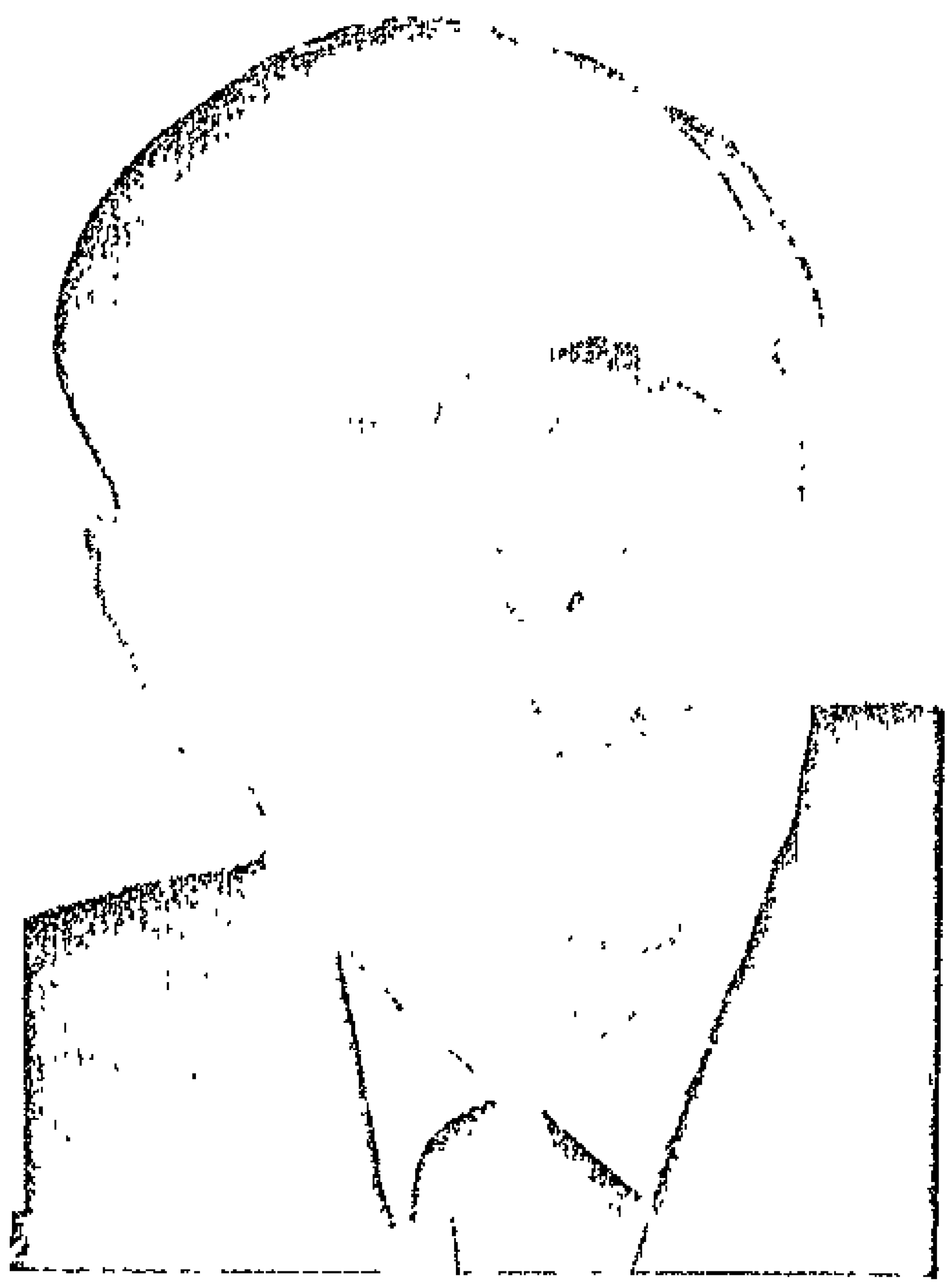
In the Kirsh camp, however, plain sailing was not expected. A revised bid was anticipated, before Kirsh's offer expires next week, from M & F and its MD Mike Levett has been closeted in meetings for days. He declined to speak to the *FM*.

One possibility was that Sage's Louis Shill would intervene, offering to buy AA Mutual as an entity. He could then reverse it into M & F later, splitting off the bits as originally planned. More than anything this would indicate a desire to allay the AA directors' fears for the AA Mutual's staff's jobs.

Shill's office would say only "no comment," but such a move could be a logical reaction to an AA rebuff.

Reaction was not long in coming. On Wednesday morning SA Eagle's Fred Hazlett was believed to be on the verge of making a rival bid. This company, probably the best managed short-term underwriter in the country, is sitting on the R36m proceeds of the recent sale of its 25% interest in African Eagle Life to Anglo American interests.

Hazlett is a phenomenon in the SA short-term industry. He rose to fame by retiring from an old-fashioned tariff agreement and introducing new marketing techniques. Having thus ensured a substantial market share his company has not subsequently been averse to an understanding to keep an orderly market.



SA Eagle's Hazlett . . . on the verge of a bid

According to industry sources, AA Mutual would complement [illegible] far more than either M & F or SA Eagle. They have similar motor portfolios and management systems.

In contrast, both M & F and SA Eagle are heavily into the corporate market whereas about [illegible]% of AA Mutual's business is personal. Moreover, SA Eagle has a similar management problem to AA Mutual — both Hazlett and his deputy Ken [illegible] are within range of retirement.

In the final analysis it may well be that price is not the deciding factor. AA committee members may well decide that the interests of policyholders, who are their members, and staff may be more important.

Nevertheless, no one connected with insurance (and certainly not the *FM*) believes that Kirsh and Van der Horst will give up easily. And the presence of Hazlett as a third party could add fuel to personal animosities, especially if he brings in Anglo American interests. He is not popular with many insurance men. The weeks ahead could be full of surprises.

(to be copied from the heading on the Examination Paper)

NOTE CAREFULLY

1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
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EAGLE STAR FM [illegible]

[illegible]

Allianz [illegible] Germany, Europe's [illegible] group has successfully [illegible] of Britain's Eagle Star in a London Stock Exchange operation which this week sent [illegible] rippling through the other quoted UK insurers.

While Eagle Star has reacted with [illegible] hostility to Allianz's unwelcome [illegible] as its major shareholder, the deal has clear long-term implications for both companies in the UK and SA.

SA, which generated premium income of £36,2m last year, is Eagle Star's largest overseas operation (UK and Ireland account for 79% of its business). And Allianz's last foreign foray in 1980 was to buy the Shield life and non-life insurance operation in SA.

Allianz, with gross premiums of DM11,6 billion and controlling 20% of the German market, made its historic two-stage acquisition of Eagle Star at a cost of £110m, because it wants to expand outside the continent. Talks on co-operation with Eagle Star broke down because, as the UK group's chairman and grandson of its founder, Sir Denis Mountain put it, the deal would have been a one-way street in favour of Allianz.

So Allianz opted for a frontal assault. Using dawn raid specialists Rowe & Pitman (who served Anglo and De Beers so well in snatching the Consolidated Gold Fields stake last year), Allianz picked up 14,9% of Eagle Star by bidding 26% over the market price Under the new London rules — prompted by the Consgold raid — it could go no further without showing its hand and making an open tender (to give all shareholders an even chance) for another 15%.

Any acquisitions over the 30% mark would automatically oblige Allianz to bid for the whole of the equity.

The operation caught Eagle Star on the hop and forced it into a feisty defence which can only have delighted shareholders. Sir Denis, who derided Allianz's price of £2,90 a share, valuing the group at £400m, suddenly disclosed to shareholders that net assets were worth at least £620m. For example, Eagle's life business, which last year generated £12m pre-tax, was in the consolidated balance sheet at a mere £100 000. He also showed Eagle to be in distinctly better shape than suspected by upping the dividend by 42%.

This largesse did save Eagle Star from the humiliation of seeing shareholders queueing to accept Allianz's money. But the German group still got another 13% this week in an orderly partial bid which satisfied everyone apart from the Eagle Star board.

It will take some time for Allianz to derive positive benefits (apart from a good investment bought at a 35% discount to net worth and on a prospective yield of 8%) from the operation. A resentful Antony Ratcliff, Eagle Star's chief GM, avowing the company's total independence, said: "We will not show Allianz any special favours. They will be treated in exactly the same way as any other shareholder."

And rumours have been quick to surface about Eagle's possible counter-attack, such as using its paper to make an acquisition and so dilute the Allianz stake.

Equally, any full bid from Allianz will have to wait for another 12 months under the London Stock Exchange regulations.

But the knock-on impact of the Allianz intrusion is likely to be seen long before then. Other UK insurers now realise they, too, are vulnerable to predators and the London market, which has lifted the insurance sector index by 13% in the wake of the Eagle Star affair, is waiting for disclosures of hidden balance sheet wealth, higher dividends and possibly a series of defensive mergers.

S = Saving
I = investment.

which in turn depends on the natural income to

(58)

FM 12/6/81

BUILDING SOCIETIES

Why the rates must rise

The latest set of building society results provides ample evidence of why they will be seeking another mortgage rate increase before the year is out. But Pretoria, which has already appointed a commission of inquiry into the 2,25% increase this year, will no doubt be equally reluctant to grant it.

Analysis of their results for the year ended March 31 (see table) shows that all but one (the NBS) of the big seven societies are showing a reduced reserve ratio — reserves to total assets. Despite the societies' misguided frenzy for balance sheet growth, total assets for the movement grew by a relatively unspectacular 20,3% while reserves rose by only 11,1% despite an increase of 28,5% in funds advanced as mortgages.

Leading building society sources stress the outlook for the current financial year is even more dismal as societies face a 3% or 4% hike in the cost of fixed deposits, currently running at a paltry 7%-8%.

This easing in the reserve ratio has occurred over the last three years because the profitability to the societies of mortgage loans is dropping. Because reserves are a function of profits, societies were able to pour ever smaller amounts into their reserve funds during this period, despite being flush with fairly cheap deposits. If this trend continues, some of the least profitable societies could become "ripe" for takeover.

In the past they managed because they paid investors low interest rates to enable them to keep mortgage rates down. Society sources reckon that they, in effect, gave the SA home-owning public a gift last year and not surprisingly it has affected their surpluses. For 11 months of the financial year under review, the mortgage rate was below a realistic level. In April 1980 they brought the bond rate down by 0,5% without a corresponding drop in deposit rates.

To put this into perspective, this alone cost the United Building Society in the region of R13m. It put those societies with smaller reserves under enormous pressure. The Southern Trident showed the biggest drop (38 points) in its reserve ratio but the Allied, with a 28 point drop, also failed to keep profit and assets growing at the same rate. The third biggest decline was shown by the United with a 23 point drop.

The importance of reserves to a building society is that they serve as free money. At present they could earn about 13% on their invested reserves almost all of which is profit. Many of the societies would show no profit at all but for this interest turn.

Reserves also represent the stability of a society. In reality, however, it is the market value of gilt and semi-gilt holdings over and above the required levels of prescribed holdings that would probably be used to bail out a society in trouble.

However the reserve ratio is not the only factor indicating the societies' solvency. The percentage of funds tied up in bonds and more specifically new bonds (the most profitable period in a bond's life) is crucial to a society's viability.

Societies' measure their own profitability or efficiency in various ways but for comparisons the *FM* believes that profit per R100 mean assets is as good as any. It is the pre-tax surplus (after dividends and special appropriations and provisions for computer equipment, pensions and so on) as a percentage of half the sum of the year's opening and closing assets, i.e. cents per R100.

On this basis, top scorer, NBS made 0,4% profit for every R100 of mean assets while the lowest performer, the Southern

SOCIETIES PERFORM

Society		Total asset Rm	% change	Share capital Rm	% change	Deposits Rm	% change	Mortgages Rm	% change	Reserves Rm	% change
UBS	1981	3 769,7	20,3	1 692,7	14,6	1 897,6	26,1	3 047,0	31,4	102,3	10,8
	'80	3 131,1	18,7	1 476,9	22,0	1 504,5	16,0	2 317 6	14 7	92,3	9,3
SA Perm	'81	2 961,4	21,7	1 468,3	16,8	1 396,1	27,6	2 374,5	30,6	49,5	10,9
	'80	2 433,2	22,8	1 256,8	23,2	1 093,8	22,9	1 817,0	18,7	44,6	5,1
Allied	'81	2 189,5	18,8	1 053,9	14,3	1 079,6	24,6	1 768,3	22,5	39,6	3,4
	'80	1 842,4	15,5	921,4	17,2	866,1	14,2	1 443,5	13,5	38,3	3,3
NBS	'81	1 189,2	14,9	604,7	13,1	536,7	16,4	978,2	23,7	27,9	16,7
	'80	1 034,4	15,3	534,2	20,0	460,8	10,2	790,3	13,9	23,9	14 9
Saambou	'81	967,2	17,6	549,4	15,7	394,0	20,5	735,4	21,1	15,3	15,0
	'80	822,1	15,3	474,6	21,2	326,7	7,9	606,7	11,1	13,3	9,0
Southern Trident	'81	449,9	27,5	186,8	14,3	253,5	39,8	362,8	41,3	6,8	3,0
	'80	352,8	21,2	163,4	31,5	181,3	13,2	256,6	20,6	6 6	8,1
Standard	'81	440,1	45,6	239,4	43,3	192,4	47,6	356,5	69,6	2 5	56,2
	'80	302,2	71,0	167,0	92,8	130,3	51,0	210,2	70,2	1,6	1,9
Trust	'81	219,4	16,2	174,1	16,1	29,4	−1,0	184,8	23,4	4,1	36,0
	'80	188,7	16,7	147,9	26,6	29,7	−17,0	149,7	21,5	3,0	20,0
Eastern Province	'81	212,1	13,5	111,5	17,4	94,4	9 6	166,7	15,6	3,5	25,0
	'80	186,8	19,3	94,9	37 7	86,1	3,6	144,2	21,0	2,8	12,5
Provincial	'81	67,8	7,2	26,4	7,7	38,0	6,4	50,8	5,3	2,7	12,5
	'80	63,2	15,7	24,5	65,9	35,7	−3,7	48,2	9,7	2,4	50,0
Grahamstown	'81	55,9	10,2	26,7	12,6	26,3	7,7	46,8	14,7	2,4	14,2
	'80	50,7	16,2	23,7	14,4	24,4	19,0	40,8	16,9	2,1	5,0

situation which ~~leads~~ to a increase or decrease in income as mentioned above.

THE VITAL STATISTICS

Society	*Pre-tax profit Rm	Profit per R100 mean assets cents	Reserve ratio 1981	Reserve ratio 1980
UBS	13,8	40,2	2,71	2,94
SA Perm	5,0	18,8	1,67	1,84
Allied	2,1	10,4	1,80	2,08
NBS	4,8	42,5	2,34	2,32
Saambou	2,7	30,5	1,58	1,62
Southern Trident	0,173	4,30	1,51	1,83
Standard	0,858	23,1	0,56	0,67

* Pre-tax surplus after dividends and special appropriations or provisions

Trident made only 0,04%.

NBS MD John Bennett attributes his relative success to a set of factors which include some profitable property sales as well as improved efficiency with controlled growth.

Because of the varying accounting policies, particularly with regard to writing off the cost of stocks, the *FM* considers profit or surplus before tax to be a more realistic figure than the after-tax figure.

The slowdown in share capital growth is indicative of the tax and rate differences between paid-up shares and fixed deposits. Another supporting cause is that paid up building society shares do not qualify as statutory assets for insurance companies and pension funds, whereas fixed deposits do. Total deposits for the movement grew 25,2% to R5,9 billion while share capital grew by 16% from R5,3 billion to R6,1 billion.

A possible explanation for Provincial's stabilising share capital and deposits growth could be that last year it experienced huge transfers from fixed deposits to shares by a single large depositor. This demonstrates the vulnerability of the smaller building societies who court big depositors.

Suggestions on possible ways to enable building societies to hold onto the forces pushing up the mortgage rate are numerous. The societies seem to favour tax concessions for themselves although mortgage rate rises are the obvious short-term solution. But a Western Cape source points out that the building societies' problems cannot be solved by simply putting up the mortgage rate.

He suggests that the societies could mollify a future bond rate increase if they rationalise the sourcing of their funds, for instance, by developing a secondary market in mortgage bonds similar to that in the US.

They could also investigate issuing five-year building society debentures which at about 12,75% would be very much cheaper than the 15%-plus they are now paying for wholesale money.

But the writing is clearly on the wall — the building societies must push up mortgage rates again this year if they are to survive on their traditional method of finance and in their current form.

HEALTH EDUCATION

IN THE PREVENTION OF

ACUTE GASTROENTERITIS

S.B. Shochet, (Dip., Pharm.) M.B., Ch.B., M.P.H.
Government Health Centre, Tira
Department of Family Medicine
Tel Aviv University Medical School.

S. Rabie, B.A., M.P.H.
Health Educator,
Ministry of Health, Jerusalem

SUMMARY

Gastroenteritis remains one of the major public health problems in Israel, as well as in Asia, Africa and Latin America. In 1967 an investigation into the persistently high infant mortality rate in the "Little Triangle" (an Arab-Moslem area with a population of 25,000), revealed that as many as 50% of the deaths in infancy, were due to gastroenteritis. A study directed at determining the beliefs, knowledge and practices in regard to health matters was undertaken. The results confirmed our belief that the best way of dealing with the problem was through ... 29 in 1970 and to 21 ... en ... 6 and in 1977 the infant mortality dropped ... be ... the first time ever. A marked decrease in th... apparent. It is considered that this approach to ... enteritis is worthy of general application in ... y other countries of the world.

"To narrow the gap between the application of what is known and what is acceptable to the general public ...

357 deaths of gastroenteritis in 1963. (4) In 1973 there were still 255 deaths in England due to gastroenteritis. (31) In Israel, gastroenteritis has always been and still remains a major public health problem; this despite the tremendous advances in medical care and considerable socio-economic advances.

The problem has been the concern of all engaged in the care of the infant, as evidenced by the enormous literature on the subject. Since 1955 published works have dealt mostly with etiology (5,6,7,8,9,10); more recently Steinhoff (32) has reviewed the important association of viruses in the etiology of gastroenteritis. There have also been publication on epidemiology (11,12,13) and therapy (14,15,16) and although most of these authors stress the importance of prevention, only a few concern themselves specifically with prevention. (17,18,19.20) This paper is concerned with a description of the use of health education as a tool in the prevention of gastroenteritis and the results obtained by the application of this inexpensive and effective method.

MATERIAL AND METHODS

The investigation was carried out within the framework of the Government Health Centre in Tira and since then (1971) the program has been an on-going part of the preventive service of this centre and its sub-centres.

con'd/..2

Mr W F de la H Beck
... Chairman of The Board & Fidelity Bank

Mr T N Chapman ...
managing director

R30m 12/4/81

R300m Cape funds merger

58

Financial Reporter

THE Cape Town-based Board of Executors and Port Elizabeth's Fidelity Bank & Trust have merged to form The Board & Fidelity Bank, which will administer funds of R300-million.

The new group says it will be one of the largest independent financial institutions in SA. It will have offices in Cape Town, Durban, Johannesburg and Port Elizabeth.

The Board of Executors is 142 years old and is mainly engaged in portfolio investment, estate and trust administration, participation mortgage bond investments and property investment. It is also active in the money market.

Fidelity Bank is a general bank tracing its history to the formation of the Guardian Trust and Investment Company in Port Elizabeth in 1853. Its other parent was the Aegis Investment and Trust Company.

In addition to general banking, Fidelity Bank is active in property administration, participation mortgage bonds, estate and trust administration, corporate instalment credit and leasing.

The chairman of the merged company is Mr W F de la H Beck and the managing director is Mr T N Chapman.

SA industrials still in world's top five

55 S. Times 14/6/81

1580

BUT GOLD SHARES HAVE DROPPED TO MIDDLE OF THE LEAGUE

By Elizabeth Rouse

SOUTH African industrial shares are holding their own among the top five best investments among world stock markets, but gold shares are slipping to the middle ranks.

Industrials stayed in fifth place in May, showing a relatively attractive yield of 5,7% among the world market high flyers whose yields have sunk as low as 1,4%.

At the end of May the Financial Times index for South African industrials was up 40,8% on January 1980 and the decline on April 1981 was a marginal 0,8%, whereas other major markets such as the UK, Switzerland and France, in particular, were off considerably on the month.

According to the Investors Chronicle monthly review of world equity markets, £1 000 invested in South African industrials in January 1980 was worth £1 476 at the end of May.

On other hand, in May gold shares sank to No 11 from ninth place in the previous month in international investment ranks, and £1 000 invested at the beginning of 1980 was showing a slim capital profit at £239.

The FT all gold index was up 18,2% on January 1980 and 4,1% down on April 1981.

Italy stayed at the top of the league, in spite of a temporary setback of a political crisis resulting from the Masonic scandal, plus the arrests of seven important financiers, including leading banker Roberto Calvi.

Milan closed down one day because of a run on the market, but by the end of May, with help from state-controlled banks and speculative professional buying, was back within 1% of its peak and 6% up on a month ago.

An investment of £1 000 in Milan at the beginning of 1980 was worth £2 574 by the end of May, but investors were getting the smallest return on world markets of 1,4% on their Italian shares.

Hong Hong reclaimed third place (fourth in April) as concern over interest rates faded and property shares were boosted by the easing of residential rent controls.

The result was that money was sucked in from Singapore, which, although retaining second place in investment ranks, has retreated from its peak.

Australia slipped to fourth place because of diminishing interest in its mining shares, ranking just above South African industrials. The Australian scene was dominated for most of the month by takeover activity in the banking business.

Japan was in sixth place, but capital growth has been well below that of SA industrials. The Japanese were concerned about the exchange rate earlier in the month, but by the end of the month the yen had fallen almost as far behind the US dollar as sterling, and shares in some of the leading exporters regained part of the ground they had lost.

Five gold mines named as safe five-year investments

BULLION BEAR TREND LIKELY TO REMAIN UNTIL 1983

By Elizabeth Rouse

TAKE a five-year investment view of the gold-share market and accumulate, at suitable prices, shares in quality mines East Driefontein, Southvaal, Kloof, Hartebeestfontein and Western Deep Levels.

Gold bullion is in a bear trend in relation to other investments and is likely to remain so until 1983. Hence the next five years will be the critical period from an investment point of view, so gear your investment strategy accordingly.

This is the conclusion reached in an extensive, in-depth study of the gold-price and gold-share market trend by a leading Johannesburg investment institution.

The recommended five mines, according to a detailed analysis by the institution's mining experts, meet all the criteria as safe and rewarding investments over five years.

Taking a short-term view of the market, best values are estimated to be Bracken, Leslie, President Brand, Randfontein, Stilfontein and Vaal Reefs, relative to current share prices.

Again, relative to current share prices, worst short-term values are claimed to be Deelkraal, East Driefontein (gold output will fall substantially in the next two years until new shafts come into production), Elandsrand and Free State Geduld.

Best long-term values at current prices are estimated to be Randfontein, Southvaal, Vaal Reefs and Western Areas. On the same basis worst long-term values are Blyvooruitzicht, East Driefontein, Free State Geduld, Venterspost and Western Holdings.

A summary of the analysts' assessment is given in the accompanying table. The ranking of the shares on fundamental technical strength, with no regard to the current share price, is under the heading "Mine quality".

The table indicates undervalued and overvalued shares relative to current prices, on both a short-term and long-term view, in the columns "short-term potential" and "long-term potential".

The study reveals that gold shares are currently expensive relative to the present gold price. Present value (PV) calculations show that share prices are discounting an immediate gold price of about \$545 on a five-year view and a price of about \$530 on a 20-year view.

Based on dividend projections for the next 12 months, shares are discounting a gold price of around \$535.

The analysts take the view that, although political events can add substantially to the gold price, the underlying trend is determined by economic factors. This trend is substantiated by correlating world economic trends with the gold price. On this basis the bear market is in its second leg.

A lower inflation rate produces a lower gold price. The major economic trend at present is disinflation and most economic forecasters point to lower inflation rates over the next two years. (Charts show a close connection between the direction of inflation [illegible] the gold price since 1971.)

A further disincentive to holding gold is the real returns which investors can earn on short-term money instruments. The analysts predict that current monetary policies will continue to produce real returns for the foreseeable future.

This factor will encourage investors and speculators in gold to switch into other investments.

RELATIVELY RATING SUMMARY

Mine	Short-term potential	Long-term potential	Mine quality	Gearing to gold price
Blyvooruitzicht	[illegible]	Poor	[illegible]	– Average
Bracken	[illegible]	Average	[illegible]	– Average
Buffelsfontein	[illegible]	+ Average	[illegible]	+ Average
Deelkraal	[illegible]	Average	[illegible]	Poor
Doornfontein	[illegible]	– Average	[illegible]	Good
East Driefontein	[illegible]	Poor	[illegible]	Poor
Elandsrand	[illegible]	Average	[illegible]	Poor
Free State Geduld	[illegible]	Poor	[illegible]	– Average
Harmony	[illegible]	– Average	[illegible]	– Average
Hartebeestfontein	[illegible]	Average	[illegible]	Average
Kinross	[illegible]	– Average	[illegible]	– Average
Kloof	[illegible]	+ Average	[illegible]	Average
Leslie	[illegible]	Average	[illegible]	+ Average
Libanon	[illegible]	+ Average	[illegible]	Poor
President Brand	[illegible]	Average	[illegible]	Poor
President Steyn	[illegible]	+ Average	[illegible]	Poor
Randfontein	[illegible]	Good	[illegible]	+ Average
St Helena	[illegible]	Average	[illegible]	Poor
Southvaal	[illegible]	Good	[illegible]	– Average
Stilfontein	[illegible]	+ Average	[illegible]	Average
Unisel	[illegible]	Average	[illegible]	Average
Vaal Reefs	[illegible]	Good	[illegible]	Average
Venterspost	[illegible]	Poor	[illegible]	Good
Western Areas	[illegible]	Good	[illegible]	Good
Western Deep Levels	[illegible]	Average	[illegible]	Average
Western Holdings	[illegible]	Poor	[illegible]	Poor
Winkelhaak	[illegible]	Average	[illegible]	– Average

NOTES:

1. The short-term and long-term potential relates the PV to the current share price.
2. Mine quality was established by using a points system to rate the mines according to size, life, costs, grade and expansion of production.
3. Gearing to gold price applies only for the next five years.

Kimet's turnover heads for R1 000m

By John Spira

KIMET's per-share earnings are expected to soar by 50% in the current financial year to February next — a forecast based purely on the acquisitions and reorganisation that has taken place in recent months.

Chairman Natie Kirsh tells shareholders in the annual report issued today that to this figure must be added the growth that will take place in the trading subsidiaries and associates such as the Metro Cash & Carry wholesale chain (where Kimet has an attributable 50% stake), Dion Discount Centres (an attributable 15.5%), Russells (an attributable 25.4%) and Union Wine, which is now a partnership between the Kirsh and Picard groups.

He adds: "Given reasonable economic conditions, group turnover is expected to reach R1 000 million in the current financial year (R581 million during 1980/81), and in view of the foundations laid in the past and the anticipated earnings growth from each of our investments the forthcoming year should be a rewarding one."

Mr Kirsh points out that Metro, which last year provided 81% of Kimet's profit, has grown at 39% a year compound over the past 10 years through rapid geographical expansion of its wholesale operations.

Its currently more diversified product range, coupled with price inflation and increased buying power "will ensure Metro's continued growth".

Referring to Kimet's other interests, Mr Kirsh says that Dion should be "a very substantial growth area for the group", King Food (50% owned) "is projecting increased profits for the coming year" and for Dee Bee Supermarkets (50% owned) "a most satisfactory year is anticipated".

Since Kimet's shares were listed on the Johannesburg Stock Exchange in November 1978, earnings have grown at a compound rate averaging 27.8% a year.

Dividends have more than doubled from the maiden 6c paid in 1979 to 13c a share in the year just ended.

2. cont.........

(1) Plot this demand curve as accurately as possible, preferably using graph paper.

(2) Now suppose that over a period of ten successive years the annual "crop" amounted to outputs of 80, 60, 70, 40, 50, 80, 60, 50, 40, and 70 million bushels respectively. Calculate and tabulate the gross value of the crop in each of these years, if the demand curve scheduled above was the demand curve of each of the ten years.

(3) Calculate the average annual gross value of the crop over the ten years, and the output and price which would yield this value.

(4) Construct a schedule showing what price would have to be received for each of the outputs in the demand schedule in order to make the gross value of the crop in each year equal to the average annual gross value. Plot this schedule on the same paper as the demand curve. (It will be a curve of unit elasticity).

(5) From the demand curve find the total amount which must be offered on the market in order to fetch the prices discovered in part (4). From these amounts make a schedule showing how much the government would have to buy or sell for each total output.

(6) Draw up a schedule showing how much the government would have to buy or sell in each of the ten successive years of part (2). Would the government have to sell a total greater than the amount it would have to buy over the ten years? Does the answer mean that stabilization of the gross value of a crop is impossible?

Fugit nets over R7-million

Star 15/6/81 (52)

First Union General Investment Trust recorded unaudited estimated net profit after taxation of more than R7 million for the six months ending June 30 compared to the actual R5,5 million for the corresponding six months last year — an increase of 28 percent.

For the period under review, the R7 million is also the net profit attributable to ordinary shareholders, compared to the previous R5,4-million.

Earnings an ordinary share increased from 7,30c to 9,46c and the board has declared an interim dividend of 5,5c compared to 15c.

The net asset value of 274c a share was calculated at the close of business on June 10 after deducting the ordinary dividend of 5,5c a share — Sapa

Finance firms in merger

Sta 15/6/81

58

By Ann ' 'otty

The newly formed Board and Fidelity Bank will be one of the largest independent financial institutions, administering assets of more than R300-million.

The new group was formed by the merger of the Board of Executors and the Fidelity Bank Trust Company and will have offices in Cape Town, Durban, Johannesburg and Port Elizabeth.

The Board of Executors was established 142 years ago and its main activities are in portfolio investment, administration of estates and trusts, participation mortgage bond investments and property administration.

Fidelity is also active in property administration, participation mortgage, administration of estates and trusts and corporate instalment credit.

Mr W F de la H Beck has been appointed chairman of the new group and Mr T N Chapman managing director.

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PLEASE CIRCLE ITEMS REQUIRED

Kirsh Industries wins fight for AA Mutual

58

Star 16/6/81

~~232~~

By Ann Crotty

Kirsh Industries has won the fight for AA Mutual, the insurance arm of the AA.

At a meeting of the AA Board yesterday it was decided that earlier plans to sell the insurance company to Mutual & Federal should be reversed and that Kirsh Industries should take over the company.

The decision, which was taken early in the day, was relayed to Kirsh Industries chairman, Mr Mervyn King, late last night.

BATTLE

So far neither AA Mutual nor Kirsh Industries have been able to make a public statement as the earlier bidders — Mutual & Federal — were not notified of the decision until this morning.

It is widely believed that price was not the deciding factor in a battle which probably saw both bidders increase original offers.

There is general consensus that the deciding factors in Kirsh's favour were firstly that he undertook not to fragment the company and secondly an

Mr Natie Kirsh

offer to the AA to remain with the new AA Mutual.

The first point was possibly the more sensitive as the Mutual & Federal's plans for AA Mutual would have resulted in the company being split three ways with Mutual & Federal taking its short-term side, Ned Equity taking the life section and Sage Holdings acquiring the international activities.

On the second point it does seem likely that the AA, having built up a good insurance arm over the past months, was anxious to remain in the industry but were worried about management aspects.

PREMIUM INCOME

The Kirsh offer allows them to remain in the industry, as minority shareholders in the new AA Mutural but without management responsibilities.

Kirsh Industries' victory will see the AA Mutual linking with Constantia Insurance to form possibly the second biggest short-term insurance company in the country with a premium income of about R130m a year.

Mr Kirsh has said that within 5 years it will be the biggest short-term insurance company in the country.

2.

2. cont.........

(1) Plot this demand curve as accurately as possible, preferably using graph paper.

(2) Now suppose that over a period of ten successive years the annual "crop" amounted to outputs of 80, 60, 70, 40, 50, 80, 60, 50, 40, and 70 million bushels respectively. Calculate and tabulate the gross value of the crop in each of these years, if the demand curve scheduled above was the demand curve of each of the ten years.

(3) Calculate the average annual gross value of the crop over the ten years, and the output and price which would yield this value.

(4) Construct a schedule showing what price would have to be received for each of the outputs in the demand schedule in order to make the gross value of the crop in each year equal to the average annual gross value. Plot this schedule on the same paper as the demand curve. (It will be a curve of unit elasticity).

(5) From the dema[...] on the market [...] From these am[...]

[...] offered [...] part (4). [...] government [...] have to [...] (2). Would [...] unt it would [...] iat [...] ?

Federale Volk doubles profits

CT 17/6/81

JOHANNESBURG. — Soaring food, chemical, agricultural and industrial profits helped Federale Volksbeleggings to double earnings and lifted turnover to more than R1 000 million for the first time in the year ended March.

A final dividend of 21c has been declared making 23c for the year, a 50% improvement on last year [illegible].

Turnover [illegible] to R1 029 million, pre-tax profit 61% to R81 570 000 and [illegible] attributable profit 99% to R31 910 000.

Earnings a share were 78% better at 117,5c (1980: 66c).

Total assets rose 21% to R716 million and net asset value 5% to 854c a share. Taxed return on shareholders' funds rose to 21,[illegible]% (14,5%).

At the interim, earnings were 108% ahead at [illegible] (19,4c) but the company was up against more difficult numbers in the second half and the directors warned that second half earnings could not continue growing at that rate.

They said the final dividend would [illegible] in line with the interim dividend, which also rose [illegible] and so it has turned out.

The directors say that whereas the company was once largely dependent on food and related income, now [illegible] in a balanced manner from the [illegible] divisions.

The larger stake in Sentrachem following the [illegible] reconstruction, as well as that company's good performance, was important to the overall result [illegible] second half [illegible] would have helped.

SA [illegible] performed disappointingly but the unlisted companies all performed well.

[illegible] reports from its [illegible] FoodMech, [illegible] equipment, will have had an excellent year. [illegible] Electronics, [illegible], the furniture chain, and [illegible], the rental firm, all performed exceptionally.

Federale recently acquired [illegible] of [illegible] for [illegible] and said this would be positive to earnings. The transaction took place only in March [illegible] will become a significant contributor only from this year.

The directors forecast "greater uncertainties" in the current year but are confident of further growth.

Allied's assets up by R347-m

Star 17/6/81

58

Mr Jim Dodds, managing director of the Allied Building Society, has announced that during the financial year ended March 31, the Society's assets increased by a record R347-million (18,8 percent) to R2 190-million.

During the year, deposits increased by 24,7 percent to R1 080-million. Share capital grew to R1 054-million and the number of shareholders and depositors now stands at 194 207.

Capital and deposits total R2 133-million an increase of R346-million on last year's figure (19,4 percent.)

An amount of R616-million was granted in mortgage advances and readvances which represents over R2-million each working day. As a result, mortgage advances increased by a net R325-million to R1 768-million, a growth of 22,5 percent.

"It will thus be seen that 80,8 percent of the funds available to the Allied was employed in mortgage advances, mostly to finance the purchase or erection of homes," Mr Dodds said.

TABLE NO. 3 : SEASONAL EMPLOYMENT IN ELGIN

	THINNING				PICKING			PACKI	
Farm	Women on Farms	Outside Women	Short Term Migrants	Total	Short Term Migrants	Other	Total	Women on Farms	Ou W
A.	-	-	-	0*	5	-	5	-	
B.	4	-	-	4	-	6	6	4	
C.	9	-	-	9	10	-	10*	9	
D.	-	20	-	20	-	-	0	-	
E.	-	30	-	30	12	-	12	-	
F.	10	-	-	10	10	-	10	-	
G.	10	10	-	20	13	-	13	10	
H.	14	-	-	14	56	-	56	14	
I.	25	-	-	25	20	-	20	25	
J.	15	5	-	20	30	-	30	15	
K.	25	-	-	25	18	-	18	25	
L.	11	19	-	30	20	20	40	11	
M.	24	-	35	59	35	-	35	24	
N.	50	-	-	50	105	-	105	150	
O.	60	-	-	60	100	-	100	65	
	TOTAL 257	84	35	376	434	26	460	352	

* = No Seasonal Thinners or Pickers   - = 0(ZERO)

BUSINESS

Policy income doubled

Sta 17/6/81

58

By Frank Jeans

It has been a boom year for the Southern Life Association with individual policy premium income nearly double that of 1980.

Policy income flooded in to the tune of R20,4m — 99,7 percent higher than the previous figure and a real birthday bouquet for the Southern which is celebrating its 90th year.

Commenting on the results, Mr Willem Prinsloo, general manager of Southern Life, says that even if single premium income is ignored, the group's new recurring premium individual life business of R12,4m for the year shows a healthy increase of 46 percent over the 1979-80 figure.

DETERMINED

"The results are a reflection of the more determined marketing approach we adopted during the year, leading to a healthy growth in income from broker sources where there has been increased recognition of Southern Life's competitive stance," he says.

Rate adjustment in the annuity field has also given the Southern a boost.

Mr Prinsloo gave the example of an investment of R10 000 payable annually in arrears for 10 years to give a guaranteed income of R1 632 and only R631, or 39 percent, is taxable.

"By using this vehicle," says Mr Prinsloo, "the recipient can obtain the security of a guaranteed income which may otherwise be dependent upon fluctuating financial fortunes."

A bonus system too, has been a winner for the group. This area has been restructured so that profits made on investments can be distributed more equitably.

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specific change in t ... of resident packers in
Elgin, and develop ... drawing a few
examples from the H ... the direction of past and
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scarce and expensi ... sary to reorganize the process.
Change was facili ... al advance which introduced
new methods of pa ... fferent skills, less complex
than those previc ... costs of training unskilled
'Coloured' women ... were thus substantially
reduced. Furthe ... e had to be trained including
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that in fact a ... ated, making the introduction
of 'Coloured' w ... g operation politically less
hazardous (the ... White workers but performing
different work

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possible. S ... d demand for female White labour
elsewhere in ... made this source of supply more
expensive t ... ntrepeneurs to bring about the
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November ... ers interviewed were using this

CDM budgets R27m this year for SWA prospecting

By JOHN MULCAHY

DE BEERS Consolidated Mines, through its wholly-owned subsidiary CDM (Pty), is spending R27-million on prospecting throughout South West Africa this year compared with a total of R51-million spent over the past three years.

CDM's resident director in Windhoek Mr Douglas Hoffe, in a recent address to the Namibian Chamber of Commerce and Industries, said the tempo and scope of CDM's prospecting activities reached record levels.

The London Mining Journal notes that CDM is the world's largest individual producer of gem diamonds, with output of 1 600 000 carats in 1980, of which 98% were gem quality.

While CDM's current mining lease expires only in 2021, present reserves of alluvial stones along the coastal strip north of Oranjemund have an expected life of ten to fifteen years.

Mr Hoffe said exploration activities included a major search for further diamond reserves in the area south of the present workings and along the Orange River, as well as northwards along the Atlantic coast in Diamond Areas Nos 1 and 2.

Outside the diamond areas, CDM Prospecting (Pty) is conducting a diamond survey of the whole country north of the Tropic of Capricorn, which bisects SWA about 100km south of Windhoek.

In the coastal waters, CDM's marine division has three vessels operating at an annual cost of R4 600 000, engaged in reconnaissance prospecting.

Elsewhere in SWA, says the Journal, CDM, together with Anglo American Corporation, is searching for base metals and other minerals, over an area of about 28 000km, including the eastern part of Diamond Area No 1.

CDM is also conducting a five-year geological and economic mineral survey, which was intitiated in 1977, at a total cost of R5-million. The survey covers 100 000km² in lesser-known parts of the country, including the remote Kaokoveld in the north-west, which is thought to contain significant iron ore deposits.

These areas have been considered prime prospecting regions because of the nature of the surface geology and the expense involved — as results come to hand they are being placed on open file by CDM at the regional office of the Geological Survey Department in Windhoek.

A major discovery already made as a result of the CDM survey is the location of a coal deposit near Aranos in the south-east, between the Nossob River and the border with Botswana — CDM has acquired a concession area covering 9 000km².

Although much drilling work remains to be done to ascertain whether the deposit will be economically viable, it is already known that the coal, present in two-metre-wide seams at an average depth of 300m, is of power station quality.

It is believed that exploitation of the deposit could transform SWA's prospects for industrial development.

At the moment no coal is mined in SWA and all its power needs are provided by coal and oil imported from South Africa, and the limited amount of power available from the Ruacana Falls station on the Kunene River.

To meet the demand for power, particularly from the mining industry, a link to the SA grid at Aggeneys is now under construction.

The journal says CDM is the biggest taxpayer in SWA, accounting for about 40% of the direct taxation in 1980, although the Rio Tinto's Rossing uranium mine will soon become another top payer, as a large proportion of its development costs have been paid off.

CDM is the biggest source of income for De Beers, accounting for 17% of taxed profit last year, while contributing about 11% of group output.

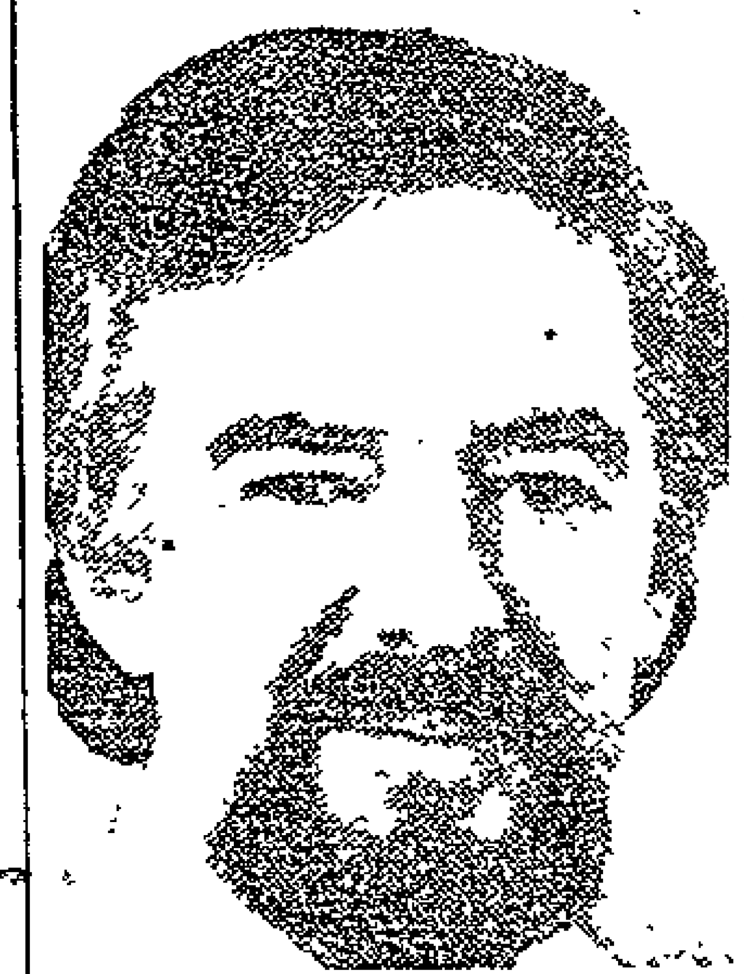
In spite of political uncertainties existing mining operations are generally expanding investment in plant and equipment. Gross domestic fixed investment in the mining sector rose by 114% to R118-million in 1980, reversing the previous year's declining trend.

However, growth in mining's GDP contribution was sluggish, reflecting weak prices for most of the base metals exported from SWA. Mining's contribution to GDP increased by 8% to R627-million last year, about 52% of the total GDP of R1 200-million.

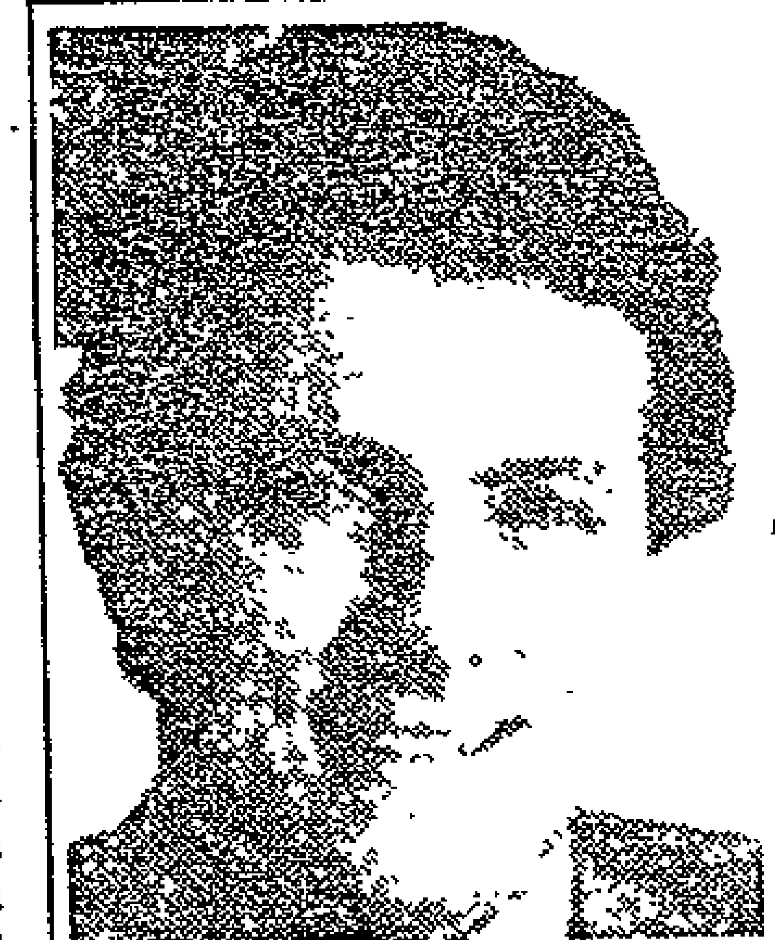
● De Beers chairman Mr Harry Oppenheimer told shareholders at the annual meeting in Kimberley last month that the company had decided to put into effect plans to reduce diamond production in view of the depressed state of the diamond industry.

Mr Oppenheimer said the weakness in demand for diamonds at the cutting centres had intensified, with sales at a low level, and De Beers was accumulating stocks.

In his annual report in April the chairman confirmed that the Central Selling Organisation was substantially reducing its rough diamond offerings to the market.



Mr Robin Alexander has joined the advertising agency, Mortimer Tiley, to head up its promotions department.



Mr Jacey Strauss has been appointed market planning manager for General Tire and Rubber (South Africa) at its head office in Johannesburg.

2 ED 17/4/81

Kirsh

takes control of AA Mutual

17/4/81

58

By DAVID CARTE
Deputy Financial Editor

IN ITS fourth takeover coup in a year, Mr Natie Kirsh's Kirsh Industries has snatched control of AA Mutual from Mutual & Federal, Ned-Equity and Sage Holdings.

The general committee of the 700 000-member AA announced yesterday it had accepted Mr Kirsh's bid of R13 300 000 cash for 58% of AA Mutual ahead of an undisclosed offer from the three Old Mutual associates.

The M & F, Ned-Equity and Sage Holdings offer was significantly higher than the Kirsh offer but it was for 100% of AA Mutual and entailed splitting the short term, life and overseas interests of AA Mutual.

The AA said it was primarily because the Kirsh offer enabled the AA to retain a 42% interest in AA Mutual that it was accepted

It felt this was more in the "general interests of the motoring public"

The transaction is subject to ratification by members of the AA in general meeting and certain Government consents

Undoubtedly, an important factor in Kirsh Industries' favour was that the AA Mutual staff felt less threatened by the Kirsh offer, for the staff of a victim company in a takeover generally fares worse than that of the predator company

Now, effectively, AA Mutual will become a predator, for Kirsh Industries' listed insurance arm, Constantia Insurance is to be merged with AA Mutual

The Kirsh offer, unlike the alternative, also did not entail splitting the short term, life and overseas interests of AA Mutual.

A spokesman for the defeated trio said they were "bitterly disappointed"

He said Mutual & Federal had a better solvency margin than either AA Mutual, since it took over New Zealand Insurance, or Constantia

This and the fact that their bid was higher, convinced them that theirs was the better offer He said the AA had not wanted to negotiate. It wished only to consider offers. For this reason, the Mutual trio had not been able to improve their offer

● COMMENT: For Kirsh Industries and for Constantia, which has been too small to compete in a viciously competitive short term market, the acquisition is a coup.

Size is the name of the game in short term insurance and, with premium income of R130-million, the merged AA Mutual and Constantia will be a force to be reckoned with.

It was hardly surprising that the Constantia share price gained 30c hours after the deal was clinched yesterday.

Fedvolk doubles earnings — sales R1 000m

KOM (58)
XXIV (24)

By DAVID CARTE
Deputy Financial Editor

SOARING food, chemical, agricultural and industrial profits helped Federale Volksbeleggings to double earnings and lifted turnover to more than R1 000-million for the first time in the year ended March.

A final dividend of 21c has been declared making 33c for the year, a 50% improvement on last year's 22c

Turnover surged 41% to R1 028 million, pre-tax profit 61% to R81 570 000 and taxed attributable profit 99% to R31 916 000.

Earnings a share were 78% better at 117,5c (1980: 66c).

Total assets rose 24% to R716-million and net asset value 5% to 854c a share. Taxed return on shareholders' funds rose to 21,5% (14,5%).

At the interim, earnings were 108% ahead at 40,5c (19,4c) but the company was up against more difficult numbers in the second half and the directors warned that second half earnings could not continue growing at that rate.

They said the final dividend would rise in line with the interim dividend, which also rose 50%. And so it has turned out.

The bigger stake in Sentrachem following the Fedmis reconstruction, as well as that company's good performance was important to the overall result. Fedfood's impressive second half surge would have helped

SA Druggists performed disappointingly but the unlisted companies all performed well.

Judging by reports from competitors in its industry, FedMech, distributors of Massey Ferguson agricultural equipment, will have had an excellent year. Federale Electronics, Morkels and Avis all performed exceptionally.

Fedvolks recently acquired 75% of Firestone for an undisclosed sum and said this would be positive to earnings. The transaction took place only in March, so Firestone will become a significant contributor only from this year.

● COMMENT: The group is a microcosm of the SA economy and its profits are highly geared to economic activity. Though Fedfood and Sentrachem look good for further growth and new acquisitions will provide a spur, a cooling of the economy could see a slowdown in earnings growth in the next two years.

At 515c, the group yields 6,4%, which, given current interest rates, fully discounts medium term growth.

PAS. (12gm/day) 16,8c.

Z (2gm/day) 13,44c.

References.

(1) Report of the Secretary for Health, 1977, Chapt. 2, P.7. "For the first time the Department is now in possession of reliable expenditure figures in connection with specific services .... .'

(2) Report of the Secretary for Health 1977, Ch.3, P.13, "The number of beds has gradually been decreased over the past few years and now stands at 12057." (See also annexure 12, P.66.)

(3) Report of the Secretary for Health 1977, Annexure 6, P.55 Tuberculosis, Expenditure 1976/77 R20 842 521; 1977/78, R19 547 960.

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(5) I.U.A.T. Bulletin Vol. 52, Oct. 1977, P.41. Tuberculosis: Too many Hospital Beds. (Abstract from Press Release WHO/20 2-6-77 & World Health Statistics Report, Vol 30, No. 1, 1977).

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(7) S.A. Medical Post, July 1974, P.11. McMaster University Medical Centre, Professor David Sackett & Dr. R. Brian Haynes.

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Allied grows 19%

Financial Reporter

MR JIM Dodds, managing director of the Allied Building Society, has announced that during the financial year ended 31 March 1981, the society's assets had increased by a record amount of R347-million (18,8%) to R2 190 million.

During the year deposits increased by 24,7% to R1 080-million. Share capital grew to R1 054-million.

Capital and deposits totalled R2 133-million, an increase of R346-million on last year.

An amount of R616-million was granted in mortgage advances and readvances, representing over R2-million a working day. Mortgage advances increased by a net amount of R325 million to R1 768-million, a growth of 22,5%.

Is any change necessary?

Apart from the fact that two new drugs are on the market, is there any need for change?

Points worth considering are:

(i) the escalating costs of hospitalisation;

(ii) shortage and cost of highly trained staff, together with their employment at their highest potential;

(iii) the high cost of disability awards, pensions and unemployment payments (Table 3);

(iv) the high cost of re-treatment usuall[illegible]

Slower growth for Amrel

Financial Reporter

AMREL, SA Breweries furniture and shoe retailing group, is confident that earnings per share will increase in the current year, although not at the same rate as over the past three years, says chairman David Lubner in his annual report.

He said leases have been signed for 20 new furniture stores, the majority of which are being built and will be opened by September.

Prospects for continued positive growth over the next three to five years are promising for the furniture industry because of the high level of housing needed and the introduction of a second television channel. Electrification of major black residential areas also enhance longer term prospects, he said.

But among factors which could inhibit this growth are the change in the Government's attitude to no-deposit selling in the furniture industry, he said.

duties necessary to a clinic service, unlike a hospital, can receive better attention.

Variables.

When assessing the value of intensive, short-course therapies it would be foolish to be dogmatic at this juncture. All that one can assess is the merit of the I.S-C.Ts as against the older, standard regimens.

Here again it must be emphasised that a comparison of drug, purchase price is a minor factor in the overall picture. (Tables I & 3).

Far more expensive are the salaries and pension contributions of the staff employed, whether by a hospital or a clinic (Table I).

From this it follows that any regimen that cuts down the time and numbers of patients being handled is of inestimable value, but it is difficult to put a figure on this item (Table 2).

Sufficient is it to say that, to date, patients are only under daily supervision of all therapy for 100 days, formerly 130. This means that the numbers being attended to, in any one month, for daily supervised therapy has dropped by one half, 50% (Table 2).

As a result of this, patients can now receive, if necessary, supervised therapy in their homes or at work, and the relapse, re-treatment rate has fallen to the order of around 1%.

Radiographs need be far fewer and in one area they have dropped from 50 000 per annum to 23 000. This, alone, at a cost of, say, R1,00 per film pays for the Rifampicin of 337 patients, 42% of the annual need.

The Financial Status of Tb. patients

As indices could not be obtained from the Labour

200% payment rise

Deputy Financial Editor

SOARING motorcycle and timber profits lifted Bonuskor, Volkskas's listed industrial arm, to 133% earnings growth in the year to March.

Pre-tax profit of the rationalised, reorganised company soared 127% to R24 114 000, taxed attributable profit 133% to R18 649 000. Earnings a share rose in line to 68,2c (29,2c).

The dividend has been hoisted 200% to a 4,5 times covered 15c (5c).

COMMENT: At 182c, the share yields 8,2%. Volkskas warns that the company is cyclical. But new acquisition Contronics should add to earnings next year and the Honda franchise looks a long-term winner. In addition, the substantial dividend cover should ensure a continuing upward trend in dividends.

2. cont.........

(1) Plot this demand curve as accurately as possible, preferably using graph paper.

(2) Now suppose that over a period of ten successive years the annual "crop" amounted to outputs of 80, 60, 70, 40, 50, 80, 60, 50, 40, and 70 million bushels respectively. Calculate and tabulate the gross value of the crop in each of these years, if the demand curve scheduled above was the demand curve of each of the ten years.

(3) Calculate the average annual gross value of the crop over the ten years, and the output and price which would yield this value.

(4) Construct a schedule showing what price would have to be received for each of the d … schedule in order to make the gross value d … ar equal to the average annual gross value. Plo … e same paper as the demand curve. (It will … asticity).

(5) From the demand c… …nount which must be offered on the market in … .ces discovered in part (4). From these amount… …ing how much the government would have to buy… …l output.

(6) Draw up a schedul… government would have to buy or sell in ea… …ve years of part (2). Would the government ha… …ater than the amount it would have to buy over t… the answer mean that stabilization of t… …rop is impossible?

Federale boosts dividend

INDUSTRIAL conglomerate Federale Volksbeleggings is paying a 21c final dividend to lift the year's total by 50 percent to 33c.

Net profit almost doubled to R32-million after a 41 percent increase in turnover to R1 028-million in the 12 months to March.

Describing the results as outstanding, the chairman, Dr P E Rousseau, says all the group's interests made a satisfactory and balanced contribution.

The recent rights issue strengthened Federale's share capital by R30-million and he looks forward to further growth in the current year.

● **Otis Elevator** has cut its interim dividend to 12c from 20c. Taxed profit was almost static at R2.2-million for the half-year and the chairman, Mr P W Sceales, says profit for the full year will probably be below the 1980 level.

'Competition remains keen and at times seems quite irrational,' he says. But Otis is succeeding in retaining its market share.

● With the high level of housing needed, the furniture industry has good prospects for continued growth over the next five years, the chairman of **Amalgamated Retail**, Mr David Lubner, says in his annual review.

He expects Amrel's earnings to rise again in the current year.

● **Kirsh Industries** has acquired 58 percent of AA Mutual Insurance Association for R13-million cash.

Tom Hood

THE men who built Ovcon into a major construction company in seven years are (from left) Mr J M Thomas, Mr J W S Kaminski and Mr D W Mace.

Construction subsidiary is star performer

FINANCE

OVENSTONE Investments is considering changing its listing on the Johannesburg Stock Exchange from the fishing section to the industrial holding section.

The reason is that its other interests, especially construction, property and house building, are now more important to it than its fishing interests.

Earnings from fishing, before interest, were R3 513 000 in 1980/81, while earnings from other interests were R4 896 000.

This strength in earnings from non-fishing interests partly reflects the exceptional growth of its construction subsidiary, Ovcon, in which it has a 70 percent stake.

PROFITABLE

In a short time Ovcon has proved to be a highly profitable organisation with a number of outstanding contracts to its credit.

One of its latest contracts to be profitably completed was the R50-million Pretoria State Opera theatre, where the first full performance took place on May 23.

Ovcon was formed in 1974 when Mr J M Thomas, Mr D W Mace and Mr J W S Kaminsky, all with extensive experience of the construction industry, decided to form their own company.

The Ovenstone group was approached for financial backing and this resulted in it becoming a major shareholder.

HOSPITAL

With the support of the Ovenstone group, Ovcon was awarded the contract for the new Kimberley hospital. This was followed by other contracts, including the new students' union building at the University of Cape Town.

Ovcon, while not yet in the Murray and Roberts or LTA league, today ranks as one of the Cape's major construction companies, employing 1 400 people.

What has been the secret of its growth and success especially at a time with other construction companies have been floundering?

Mr J M Thomas, financial director, said: 'We've always concentrated on management. If you haven't got the management the money goes down the drain'.

Managers were scarce but this had not stopped Ovcon finding them.

Construction was also a people business. Getting the right people and holding them was extremely important.

The company was recruiting extensively in Britain.

As for the future, Ovcon was not going after growth for growth's sake. The company was big enough to handle any job in this country.

It had its eye on the Groote Schuur Hospital extension, which was expected to cost about R150-million, and was going out to tender soon.

This is one of the few large projects planned for the Western Cape in the near future.

Ovcon will thus have to continue looking further afield for much of its business and especially to the Transvaal, where the construction industry is having boom conditions.

Ovcon now also embraces two other Ovenstone companies, HSK Contracting and Ovbou. It is expected to have a turnover this year of about R40-million. This compares with a R62 million turnover for the whole Ovenstone group last year.

[4b]

The demand for labour depends on production cost.

Wages

Example:

No. of

KAAP-KUNENE (58)

Spreading risk

FM 19/6/81

Activities: *Inshore fishing (SA and SWA/Namibia); building and property; farming and investment. Investments include 36,3% of Suiderland which, in turn, owns 35% of Kaap-Kunene.*

Chairman and managing director: *A P du Preez*

Capital structure: *13,7m ordinaries of 50c, and 1,8m 10% prefs of R1. Market capitalisation: R19,2m.*

Financial: *Year to December 31 1980 Borrowings: long- and medium-term, R273 000. Net cash: R4,9m Debt: equity ratio: 1,6%. Current ratio: 2,9. Group cash flow. R3,9m. Capital commitments: R625 000.*

Share market: *Price: 140c (1980-81: high, 146c; low, 95c; trading volume last quarter, 676 000 shares) Yields: 14,3% on earnings; 10,7% on dividend. Cover: 1,3. PE ratio: 7,0.*

	'77	'78	'79	'80
Return on cap (%)	18,5	15,2	15,7	9,7
Turnover (Rm)	25,1	19,1	22,3	21,9
Pre-tax profit (Rm)	5,2	5,3	6,4	4,3
Gross margin (%)	22,3	28,8	28,7	19,8
Earnings (c)	27,5	24,9	28,7	20,0
Dividends (c)	12,5	12,5	15	15
Net asset value (c)	209	238	275	301

Indications are that this year's results will follow much the same pattern as in 1980, although it is unlikely that fishing division earnings will repeat their steep fall.

Last year, net profit attributable to fishing declined 64% from R2,9m to just over R1m. Although this was offset to some extent by improved contributions from building/property and farming, group earnings were down 30%.

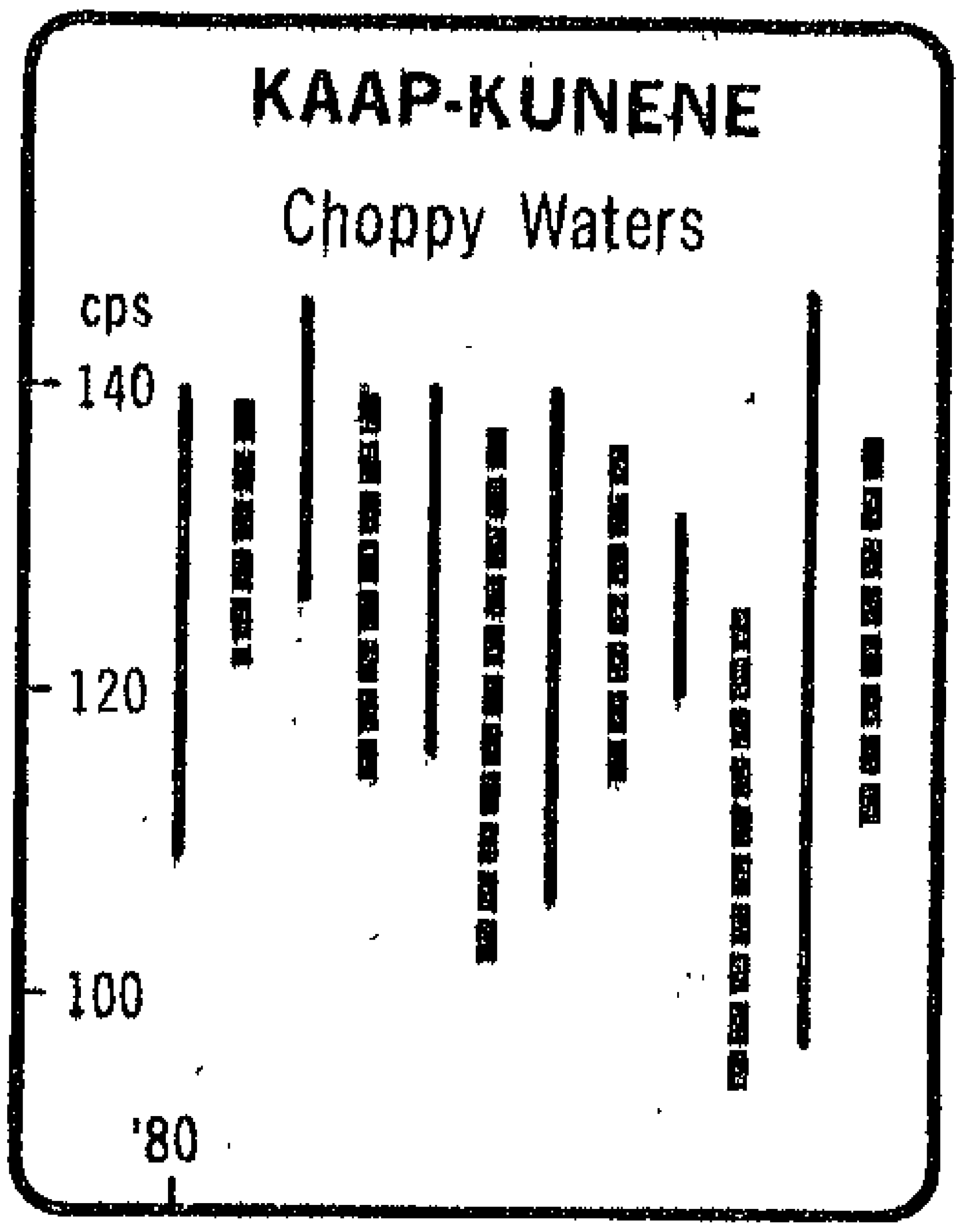
The collapse in the fishing division was due largely to conditions in SWA/Namibia, including a loss incurred by the Luderitz rock lobster operation. Results here were hit by poor catches, lower prices in the US and Japan, increased costs and the appreciation of the rand. Crab fishing at this centre has been suspended and the directors are investigating alternative activities in an effort to return the Luderitz facility to profitability.

Elsewhere, however, the picture was different. The fish meal and oil operation at St Helena yielded good results despite a minimal contribution to revenue from the new canning line in its first year of operation. The directors comment that initial results prove that, in conjunction with freezing operations, canning is a potential contributor to increased earnings for this division.

The current fishing season at St Helena is said to be favourable and indications are that profits will be higher. No improvement in SWA/Namibia seems likely, although prospects are brighter for 1982 when canning may be resumed.

The main cause for optimism on the fishing front, however, is the joint Kaap-Kunene/Fedfood participation in a Chilean venture.

Fish canning and fish meal plants will be built at Iquique and Caldera respectively, using plant and equipment supplied from Kaap-Kunene's SWA/Namibian factories. The company's R2,6m commitment for its share of this venture can comfortably be met from existing cash resources.



Production is expected to start in August this year, so there could be a contribution to 1982 results.

The main saving graces for the group last year were its interests in building and property, where taxed profit increased from R21 000 to R312 000 and farming, with a similarly large profit improvement from R80 000 to R407 000. Both divisions are expected to increase profit again this year.

Investment income, currently the largest single profit source, was little changed. The contribution was about R1,3m against R1,2m previously and no material increase is foreseen.

As to the share, at 140c the historic dividend yield is 10,7%. This is also probably the prospective yield as, by maintaining the payout in the face of last year's earnings fall, cover has been cut to its lowest level in at least a decade. In the absence of a significant turnaround, the directors would probably want cover restored before increasing distribution.

Although it operates in SWA/Namibia Kaap-Kunene's SA registration gives the group a lower political risk profile than SWA Fish, Sea Products or Willem Barendsz. The lower yield — compared with, for example, 14,5% for Sea Products and 14,1% for SWA Fish — is consequently justified.

Brian Thompson

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FM 19/6/81

58

HILL SAMUEL

Downturn coming?

Activities: *Merchant banking. 71,5%-owned subsidiary of the UK-based Hill Samuel group.*
Chairman: *W G L Bateman*
Capital structure: *6,7m ordinaries of 50c; R4m of 9,25% red prefs. Market capitalisation: R21,8.*
Financial: *Year to March 31 1981. Total assets: R290m.*
Share market: *Price: 325c (1980-81: high, 410c; low, 250c; trading volume last quarter, 81 000 shares). Yields: 12,8% on earnings; 8,5% on dividend. Cover: 1,5. PE ratio: 7,8.*

	'78	'79	'80	'81
Pre-tax profit (Rm)	2,2	2,3	2,4	2,8
Total assets (Rm)	142	163	289	290
Earnings (c)	10,4	*30,9	39,9	41,7
Dividends (c)	7,5	*17,8	27,5	27,5
Net asset value (c)	104	*226	239	257

* On reduction of shares in issue to 5,8m (14,5m)

Events appear to have conspired against Hill Samuel, at least in the near term. The year before last was the first in which management was able to concentrate on the firm's merchant banking operations without the drag of the previous property exposure. This resulted in higher earnings last year, but it was accompanied by increasingly difficult trading conditions.

Last year, high corporate liquidity resulted in greater competition in the banking sector which, in Hill Samuel's case at least, resulted in an erosion of margins. This has spilled over into the current year, and management cautions that this could have an unfavourable impact on the year's earnings

This, management says, will be particularly so if interest rates continue to rise. The prospect of this is good, to say the least.

This points to difficult conditions for the credit operations, but it need not be true of the company's fee-earning activities Management of a couple of large rights issues could well tilt earnings from this activity in a favourable direction. There is, however, little point in looking for compensation from this side. The consensus is that the stock market will fall substantially before the end of the year. If so, such things as corporate rights issues could be at a much slower rate than in the recent past.

Management does not provide an estimate of the current year's likely earnings, but the chairman does not bubble with enthusiasm. By end-March, though the company's loans had risen from R31,3m to R48,9m, bills accepted and rediscounted had fallen from R162,8m to R125,5m. An improvement of one part of the business appears to be offsetting a decline in another.

Last year, the capital — and therefore the lending — base was expanded by a R2,8m rights issue of ordinary shares and a R4m issue of 9,25% prefs by the merchant banking subsidiary Full exploitation of these, however, will presumably depend on a downturn in interest rate trends

For the current year there is little point expecting a major earnings advance or, for that matter, any significant improvement in dividends. Even if earnings do improve, management is unlikely to decide on anything more than a token dividend increase. That will be particularly so if the capital base needs to be enlarged further in anticipation of greater future loan advances. And it is probably safest to count on nothing better than a repeat of last year's 27,5c total. At 325c the share thus yields a prospective 8,5% and is fully priced.

Jim Jones

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KIMET 58

Growth ahead

FM 19|6|81

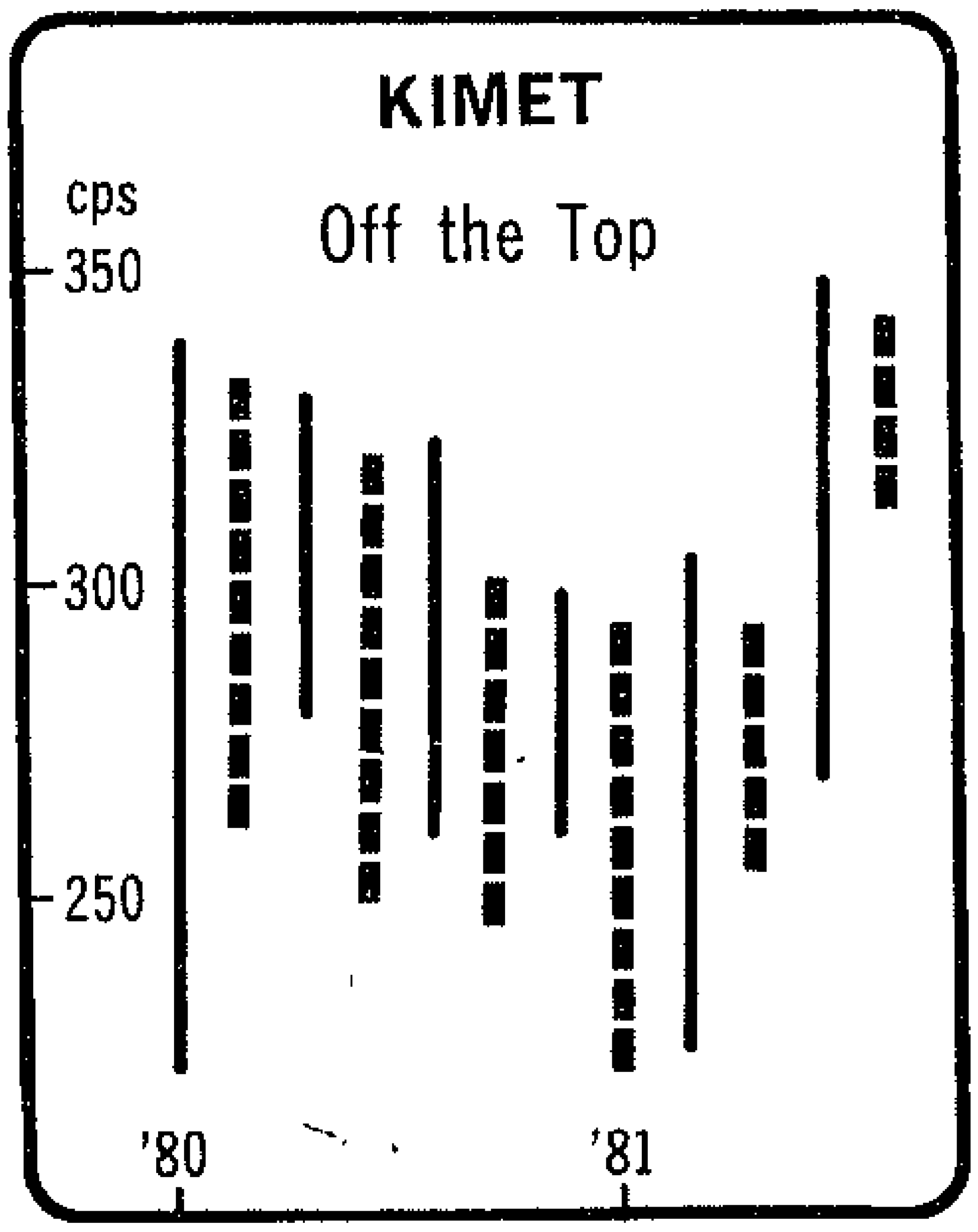
Activities: *Investment company in Kirsh stable. Holds 50% each of Metro Corp, King Food and Dee Bee Supermarket. Kirsh Real Estate is wholly-owned.*
Chairman: *N Kirsh.*
Capital structure: *21m ordinaries of no par value; and 9m variable rate prefs of R1. Market capitalisation: R66,2m.*
Financial: *Year to February 28 1981 Borrowings: long- and medium-term, R426 000; net short-term, R257 000. Debt/equity ratio: 1,2%. Current ratio: 1,0. Group cash flow: R6,4m Capital commitments: Nil.*
Share market: *Price: 315c (1980-81: high, 345c; low, 178c; trading volume last quarter, 340 200 shares). Yields: 10,4% on earnings, 4,1% on dividend. Cover. 2,5. PE ratio 9,6.*

	'78	'79	'80	'81
Return on cap (%) ...	23,2	20,7	20,3	19,8
Turnover (Rm) .	270	362	439	581
Pre-tax profit (Rm) .	4,5	6,6	8,0	10,9
Gross margin (%) .	1,7	1,9	1,9	1,9
Earnings (c)	12,1	19,3	22,2	32,8
Dividends (c)	—	6	9	13
Net asset value (c)	65	151	184	286

At a time when most industrial companies are looking to a slowdown in growth, Kimet appears to be heading for its best year since it came to the market in 1978.

Indications are that this year's payout improvement could top both the 44% of 1981 and 1980's 50%, based on growth expectations at Metro Corp — the company's main source of income — and first-time benefits from the reconstruction of the pref share capital.

To take Metro first, this company is expected to at least maintain last year's 38% distribution growth. With the increased number of shares which Kimet now holds, and assuming a proportionate improvement in income from other investments, total receipts should therefore improve by at least 40%.



This would take last year's unconsolidated earnings of 13c — which is fully distributable — to over 18c. And then there is still a further 3.4c, representing pref dividend savings after last year's cancellation of pref participation rights and the more recent replacement of the old series of prefs with a variable rate issue.

In all, therefore, Kimet should have the potential to pay out about 21.5c, nearly two-thirds more than last year's 13c total.

This could still prove conservative as, at this stage, forecasts for Metro does not take into account possible benefits of the tie-up with Pickard in control of Union Wine and Picotel. Chairman Natie Kirsh comments that the retailing and wholesaling of liquor are fields which he considers to have large potential.

However, plans here still seem to be in a state of flux after Cape Wine's attempt to block this merger. The report goes no further than to say that the group "will endeavour to implement the original scheme in a modified manner."

The share, at 315c, is trading at an historical dividend yield of 4,1%, which makes it somewhat more expensive than Metro where the yield is 4,6%. The premium, however, is justified by this year's exceptional dividend prospects which could take the prospective yield to around 6,8% against perhaps 6,6% (based on a 205c payout) for Metro. *Brian Thompson*

UNIVERSITY OF
EXAMINATION

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RETCO (58) FM 19/6/81

A new image?

Activities: *Property investment and development. 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 R48,9m*

Financial: *Year to February 28 1981 Borrowings long- and medium-term, R49,5m, Net cash R11m. Debt.equity ratio 69,5%. Current ratio. 2,5 Net cash flow: R468 000. Capital commitments: R140 000*

Share market: *Price 75c (1980-81 high, 90c, low, 46c, trading volume last quarter, 4m shares) Yields: 6,8% on earnings; 6,7% on dividend. Cover: 1,0. PE ratio. 14,7*

	'78	'79	'80	'81
Return on cap (%)	6,5	6,6	6,6	8,4
Rental income (Rm)	11,3	11,9	13,1	14,0
Pre-tax profit (Rm)	3,8	3,7	2,9	4,8
Earnings (c)	3,5	3,5	2,5	5,1
Dividends (c)	3	3	2	5
Net asset value (c)	109	109	106	106

In view of Retco's recently approved plan to go ahead with the formation of a unit trust to include certain of its property investments, analysis of the company's results for financial 1981 has become

Retco's Ward . . . another property trust on the way

largely academic But the exercise does serve to underline some of the company's fundamental problems.

Despite a reduction in borrowings to a net R38,5m (R48m), Retco continued to feel the effects of negative gearing. Return on capital employed rose to 8,4% after remaining static at 6,6% for several years But one reason for this improvement was the surplus on the sale of 26 properties — 10 of which were income-earning — for a net R1,3m, equivalent to 15% of net income before interest

Net income from properties increased only 5,2% to R8,6m — surprising in view of the strong property market during the year Operating expenditure rose 10,7% to R5,4m

This return is inadequate when weighed against the R5m interest paid last year. Interest, in fact, declined slightly as a result of the reduction in borrowings, but the average interest rate rose from 9,9% to 10,4%.

More to the point, however, the poor rental returns are probably a direct result of short-sighted policies, particularly with regard to building maintenance. Last year, total expenditure on maintenance amounted to R614 000 — a mere 0,5% of the total value of the R110m portfolio

Retco has, for a number of years, attempted to upgrade the quality of its portfolio by selling undeveloped land and low-yielding properties in favour of purchasing new assets But this led to further funding problems.

Despite high borrowings, the company continued its liberal dividend policy last year and cut cover to 1,0 times (1,25) — the lowest in several years Ploughbacks have been severely restrained and minority shareholders could argue that earnings should have been used to improve the portfolio

As it now stands, Retco's huge debt will have to be repaid before the company can be reconstituted as a unit trust. Under current legislation no trust is permitted to gear itself

But the tax advantages of a reconstitution are considerable. The company is currently taxed on its income and the substantial dividends are again taxable in the hands of shareholders. This is clearly a situation controlling shareholder, SA Breweries, wants to avoid. Unit trusts pay no tax on earnings and while dividends are taxable in the hands of unit holders a portion of the dividend is tax-free.

Nevertheless, though the reconstitution may not immediately improve Retco's dismal performance, shareholders could benefit soon by being allocated units which will probably contain most of the better properties.

The mechanics of the allocation of units to existing shareholders are not yet known, but the market must have expected an attractive offer — the share price rose marginally to 77c last Friday in anticipation of this Until further details are known shareholders should sit tight

Chris Wilson

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Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO-RAND/S.P.C.T. PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid-Afrika

ii) RRAWP[35]

In the early days of the National Health Service a crude measure of control was exercised over the regional allocation of resources by forbidding GP's to take up practices in 'overdoctored areas' (those with less than a certain patient doctor ratio) and giving incentives to practice in under-doctored areas. Direct control was, however removed after a few years. Both the presence and removal of the control had its impact on the availability of doctors by region[36]. Only recently (shortly following the introduction of economists to the Department of Health and Social Security) has there been a major discussion of [illegible]

Surprise JSE merger

By JOHN MULCAHY

HARD on the heels of the collapse of Saunders and Taylor on Monday came the Johannesburg Stock Exchange's second surprise of the week yesterday with the merger of two other stockbroking companies, Mathison & Hollidge and Cliffe, Neale & Co.

Agreement in principle has been reached between the directors of the two firms and the merger will take effect on September 1 this year.

Mr Kevin Kilroe, one of the three partners in Cliffe, Neale said yesterday there would be obvious inferences drawn that the problems which brought Saunders and Taylor down would have a ripple effect on his company.

Mr Alan Tucker, senior partner of Mathison & Hollidge, said his company is not bailing Cliffe Neale out of any problems, and the merger will have benefits for both parties.

● See Page 14

for each region, [illegible] the number of deaths actually occurring in a region with those which would be expected if the national mortality ratios by age and sex were to obtain. Thus factors affecting mortality uniquely in that region are separated from the normal effects of age and sex structure of the population. This is done for each condition or group of conditions. The use of hospital facilities for each condition is then assessed for the country as a whole for age and sex groups.

35. Report of the Resources Allocation Working Party, 'Sharing Resources for Health in England', HMSO, 1976.

36. 'The Inverse Care Law', J. Hart, The Lancet, Feb. 27 1971, pp 405 - 412.

These national rates are then applied to the region's population to obtain for each condition, the expected hospital utilization rates for each area. (This will then be independent of regional differences in the availability of hospital beds.) The utilization rate by condition for each area is then weighted by the SMR. Thus 'the population, weighted for age and sex by national bed utilization for each condition should be adjusted to take account of condition-specific SMR's for each region. SMR's for conditions unlikely to lead to death, e.g. skin diseases should not be used. For conditions of pregnancy, childbirth and puerperium, SMR's should be replaced by an index of fertility rates standardized by age.

iii) Mukerjee's index

This is discussed elsewhere[37].

B. PERSONAL

In order that such personal health services as exist should have a maximum impact on health status, allocation of these services should be related to 'need'. The ideal rationing criterion for services likely to be scarce (such as specialist consultation and hospital admission) is the one most closely related to 'need'. Price rationing has some claims in this respect since people are willing to pay more the more desperate they are; but unfortunately the patient is not always best placed to know the urgency of his need; and even differences in felt urgency are obscured in a situation

37. See paper by Dr. J. Nattrass 'Decision making and optimality in the provision of health care.

Nommer en jaar van Wet	Titel of onderwerp van Wet	In hoeveel…
Wet 46 van 1975	Wysigingswet op Spoorweg- en Hawewette	Artikels 1… 4, 6, 8 en 9
Wet 65 van 1975	Begrotingswet	Die ge…
Wet 9 van 1976	Addisionele Spoorweg- en Hawebegrotingswet	Die ge…
Wet 10 van 1976	Addisionele Begrotingswet	Die ge…
Wet 11 van 1976	Addisionele Poskantoorbegrotingswet	Die ge…
Wet 12 van 1976	Gedeeltelike Begrotingswet	Die ge…
Wet 49 van 1976	Spoorweg- en Hawebegrotingswet	Die ge…
Wet 55 van 1976	Poskantoorbegrotingswet	Die ge…
Wet 117 van 1976	Begrotingswet	Die ge…
Wet 6 van 1977	Gedeeltelike Begrotingswet	Die ge…
Wet 7 van 1977	Addisionele Spoorweg- en Hawebegrotingswet	Die ge…
Wet 8 van 1977	Addisionele Poskantoorbegrotingswet	Die ge…
Wet 10 van 1977	Addisionele Begrotingswet	Die ge…
Wet 45 van 1977	Spoorweg- en Hawebegrotingswet	Die ge…
Wet 49 van 1977	Poskantoorbegrotingswet	Die ge…
Wet 110 van 1977	Begrotingswet	Die geb…
Wet 7 van 1978	Addisionele Spoorweg- en Hawebegrotingswet	Die geb…
Wet 26 van 1978	Addisionele Begrotingswet	Die geb…
Wet 35 van 1978	Gedeeltelike Begrotingswet	Die geb…
Wet 39 van 1978	Poskantoorbegrotingswet	Die geb…
Wet 54 van 1978	Wysigingswet op Winsbetrekkings onder die Republiek	Die geb…
Wet 89 van 1978	Begrotingswet	Die geb…
Wet 5 van 1979	Senaatwet	Die geb…

(19 June 1981)/(19 June 1981)

NOTICE 437 OF 1981/KENNISGEWING 437 VAN 1981

STATEMENT OF ASSETS AND LIABILITIES OF BANKING INSTITUTIONS AS AT 31 MARCH 1981

[Published in terms of section 13 (5) of the Banks Act, 1965]

STAAT VAN BATES EN LASTE VAN BANKINSTELLINGS SOOS OP 31 MAART 1981

[Gepubliseer ingevolge artikel 13 (5) van die Bankwet, 1965]

	Commercial banks Handelsbanke	Discount houses Diskontohuise	Merchant banks Aksepbanke	General banks Algemene banke	Total Totaal
LIABILITIES/LASTE	(R1 000)	(R1 000)	(R1 000)	(R1 000)	(R1 000)
Liabilities to the public / *Verpligtings teenoor die publiek*					
1 Deposits by the public/Deposito's deur die publiek	(13 826 311)	—	(1 190 586)	(7 270 808)	(22 287 …)
Short-term/Korttermyn	6 689 120	—	367 092	1 123 816	8 180 …
Medium-term/Middeltermyn	5 649 710	--	471 194	2 614 601	8 735 …
Long-term/Langtermyn	1 487 481	--	352 300	3 532 391	5 372 …
2 Loans received by discount houses against pledge of assets/Lenings deur diskontohuise ontvang teen verpanding van bates	—	1 297 384	—	--	1 297 …
3 Loans and advances from/Lenings en voorskotte van	(204 687)	(1 846)	(16 490)	(14 637)	(237 …)
S.A. Reserve Bank/S.A. Reserwebank	3 037	-	-		3 0…
S.A. commercial banks/S.A. handelsbanke	—	--	60	5 067	5 1…
Others/Andere	201 650	1 846	16 430	9 570	229 4…
4 Acceptances on behalf of customers, *per contra*/Aksepte ten behoewe van kliente, *per kontra*	843 219		885 930	318 446	2 047 5…
5. Other bills payable/Ander te betale wissels	—	—	-	--	—
6 Fifty per cent of credits in transit, and other liabilities to the public/Vyftig persent van kredite in transito, en ander verpligtings teenoor die publiek	353 443	3 690	13 155	99 014	469 3…
7. Total liabilities to the public/Totale verpligtings teenoor die publiek	15 227 660	1 302 920	2 106 161	7 702 905	26 339 6…
Capital, reserves and liabilities other than to the public / *Kapitaal, reserwes en verpligtings behalwe teenoor die publiek*					
8 Paid-up share capital/Gestorte aandelekapitaal	154 255	6 150	77 079	124 878	362 36…
9 Net unimpaired reserve funds/Netto onaangetaste reserwefondse	666 094	20 087	116 041	311 377	1 113 59…
10. Net total paid-up capital and unimpaired reserve funds/Netto totale gestorte kapitaal en onaangetaste reserwefondse	(820 349)	(26 237)	(193 120)	(436 255)	(1 475 96…)
11 Balance due to South African head office and local branches/Saldo verskuldig aan Suid-Afrikaanse hoofkantoor en binnelandse takke	113 116		38 387	11 424	162 92…
12 Unearned finance charges/Onverdiende finansieringskoste	95 943	9 271	11 586	860 903	977 703
13 Liabilities other than the foregoing/Ander verpligtings as bovermelde	639 663	8 976	103 476	145 274	897 389
14 Total capital, reserves and liabilities other than to the public/Totaal van kapitaal, reserwes en verpligtings behalwe teenoor die publiek	1 669 071	44 484	346 569	1 453 856	3 513 980
15 Grand total of liabilities/Groottotaal van verpligtings	16 896 731	1 347 404	2 452 730	9 156 761	29 853 626
16 Total liabilities to non-residents (included in grand total of liabilities)/Totale verpligtings teenoor nie-inwoners (ingesluit by groot-totaal van verpligtings)	1 182 122	30	107 874	215 716	1 505 742
17 Total deposits withdrawable by cheque by clients (included in short-term deposits by the public)/Totale deposito's per tjek opeisbaar deur kliente (ingesluit by korttermyndeposito's deur die publiek)	4 278 246	—	-	216 276	4 494 522

ASSETS/BATES	Commercial banks Handelsbanke (R1 000)	Discount houses Diskontohuise (R1 000)	Merchant banks Aksepbanke (R1 000)	General banks Algemene banke (R1 000)	Total Totaal (R1 000)
1. Subsidiary coin, gold coin, bullion and bank notes/Pasmunt, goudmunt, staafgoud en banknote	307 342	—	166	28 841	336 319
2. Deposits with/Deposito's by	(1 561 757)	(264)	(110 083)	(360 004)	(2 032 108)
S.A. Reserve Bank/S.A. Reserwebank	1 087 703	193	63 301	200 376	1 351 573
S.A. commercial banks/S.A. handelsbanke	60 164	71	3 229	55 120	118 584
National Finance Corporation/Nasionale Finansiekorporasie	111 450	—	14 658	64 986	191 094
Other S.A. banking institutions/Ander S.A. bankinstellings	250 034	—	503	7 036	257 573
Foreign banking institutions/Buitelandse bankinstellings	38 110	—	10 943	9 325	58 378
Building societies/Bouverenigings	14 296	—	17 119	23 076	54 821
Local authorities/Plaaslike besture	—	—	—	85	85
3. Negotiable certificates of deposit/Verhandelbare depositosertifikate	24 068	52 677	3 326	3 737	83 808
4. Loans and advances to banking institutions/Lenings en voorskotte aan bankinstellings	(953 507)	(—)	(157 518)	(394 331)	(1 505 356)
Discount houses in S.A./Diskontohuise in S.A.	810 314	—	154 746	355 286	1 320 346
Other banking institutions/Ander bankinstellings	143 193	—	2 772	39 045	185 010
5. Bills of and advances to the Land Bank/Wissels van en voorskotte aan die Landbank	900 375	—	—	60 072	960 447
6. Treasury bills/Skatkisbiljette	—	51 600	—	4 914	56 514
7. Investments/Beleggings	(2 514 806)	(647 956)	(491 023)	(1 278 806)	(4 932 591)
Government stock/Staatseffekte	1 075 886	516 512	148 687	737 979	2 479 064
Government loan levies/Leningsheffings deur die Regering	20 237	2 761	2 184	2 953	28 135
Land Bank debentures/Obligasies van die Landbank	400 441	98 376	33 217	136 441	668 475
Stocks of administration boards/Effekte van administrasierade	100	—	—	1 080	1 180
Stocks of local authorities/Effekte van plaaslike besture	9 616	8 938	18 847	42 877	80 278
Debentures or stock guaranteed by the Government/Obligasies of effekte deur die Regering gewaarborg	15 300	—	2 545	3 375	21 220
Debentures and notes issued by the Industrial Development Corporation/Obligasies en notas uitgereik deur die Nywerheidontwikkelingskorporasie	222 240	—	23 873	25 879	271 992
Securities of the S.A. Reserve Bank/Effekte van die S.A. Reserwebank	—	—	—		—
Bills of and loans and advances to public corporations/Wissels van en lenings en voorskotte aan openbare korporasies	235 157	—	1 000	7 517	243 674
Stocks and debentures of public corporations/Effekte en obligasies van openbare korporasies	76 397	21 369	13 798	134 487	246 051
Other debentures/Ander obligasies	20 339	—	26 142	8 023	54 504
Building societies shares/Aandele van bouverenigings	13 894	—	2 786	5 175	21 855
Shares of S.A. banking institutions, S.A. Reserve Bank and National Finance Corporation/Aandele van S.A. bankinstellings, S.A. Reserwebank en Nasionale Finansiekorporasie	41 347	—	1 222	27 408	69 977
Other shares/Ander aandele	383 852	0	216 722	145 612	746 186
8. Bills discounted or purchased/Gediskonteerde of gekoopte wissels	(772 062)	(562 665)	(155 475)	(271 483)	(1 761 685)
Drawn by residents of S.A.—current/Deur inwoners van S.A. getrek—lopend					
Bankers' acceptances/Bankaksepte	520 232	535 761	83 558	166 616	1 306 167
Trade and agricultural bills/Handels- en landbouwissels	113 674	14 334	24 200	53 559	205 767
Other bills/Ander wissels	42 601	12 570	37 647	50 530	143 351
Drawn by non-residents—current/Deur nie-inwoners getrek—lopend	95 552	—	10 070	778	106 400
Overdue/Agterstallig	—	—		—	—
9. Hire-purchase discounts and advances (current and overdue)/Huurkoopdiskonterings en -voorskotte (lopend en agterstallig)	189 618	—	41 392	3 189 684	3 420 694
10. Deeds of sale discounted or entered into (current and overdue)/Koopaktes gediskonteer of aangegaan (lopend en agterstallig)	—	—	—	270	270
11. Loans and advances to Governments/Lenings en voorskotte aan Regerings	107 157	—	16 165	40 581	163 903
12. Other loans and advances/Ander lenings en voorskotte	(5 790 277)	(1 565)	(433 863)	(1 155 097)	(7 380 802)
Unsecured/Ongedek					
Current/Lopend	2 098 408	—	235 016	378 026	2 711 450
Overdue/Agterstallig	1 460	—	3 200	2 044	6 704
Secured—current/Gedek—lopend.					
By stocks, shares or debentures/Deur effekte, aandele of obligasies	212 668	869	39 452	10 805	263 794
By mortgages over town property/Deur verbande op stedelike eiendom	462 403	696	52 154	209 915	725 168
By mortgages over farm property/Deur verbande op plaaseiendom	566 678	—	6 394	157 119	730 191
By pledge of bills for collection/Deur verpanding van inkassowissels	66 039	—	12	795	66 846
By sureties and co-principal debtors/Deur borge en medehoofskuldenare—					
Personal loans/Persoonlike lenings	139 941	—	—	105 765	245 706
Other/Ander	1 472 462	—	64 910	95 606	1 632 978
By other means/Op 'n ander wyse	730 583	—	31 790	189 272	951 645
Secured—overdue/Gedek—agterstallig	4 330	—	935	5 750	11 015
Factoring/Faktorering					
Current/Lopend	35 305	—	—	—	35 305
Overdue/Agterstallig	—	—	—	—	—

	Commercial banks Handelsbanke	Discount houses Diskontohuise	Merchant banks Aksepbanke	General banks Algemene banke	Total Totaal
	(R1 000)	(R1 000)	(R1 000)	(R1 000)	(R1 000)
13. Merchandise leases (current and overdue)/Handelsware huurkontrakte (lopend en agterstallig)	539 199	—	36 329	1 760 672	2 336 200
14. Balances due by branches and S.A. head office/Saldo's verskuldig deur takke en S.A. hoofkantoor	1 330 385	—	—	61 583	1 391 968
15. Clients' liability on acceptances outstanding, *per contra*/Verpligtings van kliente uit hoofde van uitstaande aksepte, *per kontra*	843 219	—	885 930	318 446	2 047 595
16. Furniture, fittings and equipment/Ameublement, toebehore en uitrusting	106 800	27	4 629	38 355	149 811
17. Bank premises/Bankpersele	396 163	100	—	26 087	422 350
18. Fixed property other than bank premises/Vaste eiendom behalwe bankpersele	108 275	—	23 440	54 713	186 428
19. Assets other than the foregoing/Ander bates as bovermelde	451 721	30 550	93 391	109 085	684 707
20. Total assets/Totale bates	16 896 731	1 347 404	2 452 730	9 156 761	29 853 626
21. Total foreign assets (included in total assets)/Totale buitelandse bates (ingesluit by totale bates)	252 144	—	22 674	24 274	299 092

(a) Where [illegible] the total shown does not necessarily equal the sum of its constituent items/Waar [illegible] die som van samestellende bedrae [illegible] bedrae tot 'n bepaalde graad van benadering [illegible] nie.

(b) "0" indicates an amount less than R500 and "—" no amount whatever/"0" dui 'n bedrag minder as R500 aan en "—" geen bedrag [illegible].

(19 June 1981)/(19 Junie 1981)

NOTICE 438 OF 1981

In terms of section 34 (2) of the Building Societies Act, 1965 (Act 24 of 1965), the following composite return is published for general information.

KENNISGEWING 438 VAN 1981

Ingevolge artikel 34 (2) van die Bouverenigingswet, 1965 (Wet 24 van 1965), word onderstaande saamgestelde opgawe vir algemene inligting gepubliseer:

SUMMARY OF MONTHLY RETURNS BY PERMANENT BUILDING SOCIETIES FOR THE MONTH ENDED 30 APRIL 1981

SAMEVATTING VAN MAANDELIKSE OPGAWES DEUR PERMANENTE BOUVERENIGINGS VIR DIE MAAND GEëINDIG 30 APRIL 1981

	Number/Getal	Amount/Bedrag	Amount/Bedrag
		R	R
Number of societies/Getal verenigings	12		
Share capital/Aandelekapitaal:			
Indefinite/Onbepaalde		4 178 293 969	
Fixed period/Vaste termyn		1 982 129 003	
Total/Totaal			6 160 422 972
General reserve/Algemene reserwe			235 302 530
Deposits/Deposito's			
Transmission/Transmissie		89 295 116	
Savings/Spaar		2 641 637 996	
Fixed/Vaste		3 426 824 468	
Total/Totaal			6 157 757 580
Accrued interest/Opgelope rente			58 547 578
Collateral cash deposits/Kollaterale kontantdeposito's			50 732 691
Accrued interest/Opgelope rente			611 724
Loans and overdrafts/Lenings en oortrekkings			8 574 206
Mortgage advances/Voorskotte teen verband			
All advances/Alle voorskotte			10 282 806 315
Granted but not paid out/Toegestaan maar nie uitbetaal nie			1 145 517 973
Liquid assets/Likwiede bates			
Cash and deposits withdrawable on demand/Kontant en deposito's onmiddellik opvraagbaar		615 482 814	
Loans to discount houses and bills/Lenings aan diskontohuise en wissels		60 291 525	
Unencumbered securities/Onbeswaarde effekte		316 832 725	
Accrued interest/Opgelope rente		5 810 873	
Total/Totaal			998 417 937
Statutory minimum amount/Statutêre minimum bedrag			796 772 077
Prescribed investments/Voorgeskrewe beleggings			
Liquid assets/Likwiede bates		998 417 937	
Deposits (other than those ranking as liquid assets)/Deposito's (behalwe die wat as likwiede bates geld)		140 677 393	
Loans to discount houses (other than those ranking as liquid assets)/Lenings aan diskontohuise (behalwe die wat as likwiede bates geld)		31 671 812	
Loan levies of the Government of the Republic/Leningsheffings van die Regering van die Republiek		9 286 506	
Unencumbered securities (other than those ranking as liquid assets)/Onbeswaarde effekte (behalwe die wat as likwiede bates geld)		492 073 259	
Accrued interest/Opgelope rente		13 441 654	
Total/Totaal			1 685 568 561
Statutory minimum amount/Statutêre minimum bedrag			1 219 629 926

(19 June 1981)/(19 Junie 1981)

clinics at Enon, a mission settlement 12,5 km from Kirkwood, and at Dunbrody on a large estate (see map). The same services are provided. The white sister at the Kirkwood D.C. clinic also makes two fortnightly trips to roadside stops in areas more distant from the clinic, and a monthly visit to Bluecliff area, incorporating TB follow-up and casefinding.

3.1.4. Emergencies

A taxi service is run at D.C. expense from Kirkwood for the transport of emergency cases to the point of treatment, normally Kirkwood, Uitenhage or Livingstone hospitals. It can be commissioned on the authority of a doctor, which means that in many cases patients have to reach the doctor first. A special ambulance is available from Uitenhage to transport infectious TB cases to hospital there or in

3.3. Services in Surrounding areas

These are described in some detail in Appendices I and III. Services in the Valley provide an interesting contrast with the mobile clinic system in the rest of the Uitenhage D.C. area, and with the private clinic supported by Albany D.C.

./...

4. Utilization of Health Facilities

4.1. Analysis of clinic attenders

A study of 'minor ailment' patients' cards was made at Addo and Kirkwood Divisional Council clinics to discover the areas served by them and the age/sex distribution of their clientele. The results are given below:

Table 1: Distance travelled to clinic

km	0-1,9	2-3,9	4-5,9	6-7,9	8-
Addo	38	33	30	1	
Kirkwood	16	13	26	5	

Graph 1: Distribution of clinic patie

From the graph it can be seen that Kirkwood has relatively fewer patients from close by; this is because residents of the municipal area must use the municipal clinics. Only those living on farms can use the D.C. clinics. There are fewer patients from distant locations because, paradoxically, Kirkwood clinic is reckoned to serve a larger area than Addo and the sister makes fortnightly visits in her car to a number of stopping places,

./...

Crucial role of non-whites in banks, societies

By Elizabeth Rouse

BLACKS, coloureds and Indians are now becoming a crucial part of the workforce of banks and building societies.

This is clearly reflected in a spurt in their numbers and the size of their total pay packet in the past year.

Now constituting 21% of the total workforce at banking institutions and building societies, the increases in numbers and earnings were dramatic under last year's boom conditions.

According to latest Department of Statistics figures, the number of coloureds employed by building societies jumped by 43.7% to 752 at the end of March 1981 from 523 a year ago, while their total salaries soared by 75.7% to R845 000 in the March quarter compared with R481 000 in the March 1980 quarter.

The Indian work complement rose by almost 40% to 509 from 364 and its total pay packet increased by 74.7% to R809 000 from R463 000.

At banking institutions the increases in coloured and Indian staff have not been as dramatic. The number of coloured workers rose by 14.5% to 4 740 from the March 1980 quarter's 4 138 while their total earnings increased by 68% to R4.991 million from R2.970 million in the same quarter in 1980.

The number of Indian employees rose by 25.8% to 2 593 from 2 065 and their total earnings advanced by 44.3% to R3,340 million for the quarter from R2 314-million.

Blacks obviously make up the greater number of non-white employees at all institutions, but the expansion in black staff complements has not been as marked, although much greater than that of the white sector.

Here banking institutions led the field in increasing their black staff over the past year. The number of workers rose by 12.6% to 8 936 from 7 921 in the first quarter of 1980, while their total pay packet increased by 34% to R7,688-million from R5 740-million.

The relevant increases for blacks in the building society sector were 4.3% to 2 459 from 2 357 workers and 25.7% to R1,750-million from R1.392 million in salaries.

The total non-white staff has for some time formed a larger proportion of the total work complement of insurance companies — namely, 20%.

The quarter-on-quarter rise in coloured workers is almost 14% to 4 773 from 4 195, while their total pay packet increased by 33.8% to R5 665 million.

The relevant figures for Indians at insurance companies are workers up 19.8% to 1 293 from 1 079 and pay packets up 31.2% to R2 392 million.

The insurance sector's black worker increase is 3.7% to 5 706 from 5 503 and the earnings rise is 25.3% to R5,489 million.

White staff increases at banks, building societies and insurance companies ranged from 6.2% to just over 10% over the year, while salary advances ranged from just over 25% to 34.4%. Again workers did best at banks, with insurance companies appearing a slightly less buoyant labour sector.

These cold figures reflect th

Sage to establish giant trust

(58) S. Times 21/6/81

IN one of the largest single property transactions in South Africa, Sage Property Trust (SPTM) will establish a new R60-million property unit trust.

Called CBD Property Fund (CBD Fund), the trust's initial portfolio will comprise 15 Retco properties situated primarily in the central business districts of Johannesburg and Pretoria, plus R10-million in cash which Retco will transfer to the trust.

Application will be made to the Johannesburg Stock Exchange to list the CBD Fund units, probably in October or November.

SPTM, leader in the property-trust sector, will now manage three separate trusts with a combined market capitalisation of around R220-million. SPTM also manages Federated Property Trust and Pioneer Property Fund.

According to Union Acceptances Limited, in exchange for the assets Retco is transferring to CBD Fund, Retco will receive about 59,6-million units of 100c each in the trust.

Retco shareholders will be entitled to 91 units in CBD Fund for every 100 Retco shares they hold.

Retco shareholders are also being given the option of receiving cash instead of units. Sage Holdings, parent company of SPTM, is making an underpin cash offer of 100c a unit.

The projected dividend yield of the units is not less than 10,8 percent for the 1982 calendar year. The property-trust sector is currently yielding a historic 9,3 percent.

South African Breweries, which holds 32 percent of Retco's equity, has given its support to the proposals. Because dividends from a property trust are taxable in SAB's hands, it is obviously not in its interests to retain its holding.

SAB will therefore place its units, worth about R19-million, in the hands of a consortium headed by Sage.

The properties forming CBD Fund are African City, Bosman Building, Castle Mansions, Marlborough House, Medical City, Annan House, Noswal Hall, 76 Juta Street, Annuity House, all in central Johannesburg, President Place in Rosebank, Hallmark Building, Robert Kock, Steyns Building and Zanza Building in Pretoria, and Retco Parow in Parow, in the Cape.

Rembrandt deal on the cards

By John Spira

THE mighty Rembrandt Group (Remgro), which is currently sitting on cash totalling $850-million, is believed to be on the verge of announcing a substantial international deal.

South African sources close to the company comment that the mooted deal could absorb a large slice of the group's liquidity — $350 million of which has been recently generated via the sale of half of Rembrandt's 44% interest in Rothmans International to the US Philip Morris empire.

Johan Rupert, a Remgro director, was reported to be abroad when comment was sought from him yesterday.

Business Times sources reveal that a possible target for Rembrandt is the giant UK based mining house Rio Tinto Zinc (RTZ) — a major producer of copper, uranium, iron ore, tin, aluminium, gold and other metals.

It has interests in the US, Canada, Britain, Papua New Guinea, Zimbabwe and South Africa. Its main South African interest is a 39% stake in Palamin. It also has a 47% interest in Rossing Uranium in South West Africa.

A bid for 20% of RTZ would, it is estimated, require funds in the region of $800 million.

Rembrandt would probably not wish to acquire a stake much larger than 20%, because of its policy of building up only strategic investment interests (and not management control) in companies involved in areas other than Rembrandt's traditional spheres of activity (tobacco and liquor).

It already has 20% to 25% holdings in several other companies, including Federale Mynbou — a stake which was recently increased from 25% to 30%, and which dovetails with Rembrandt's stated policy of acquiring investments in mining.

It is this quest for investments in mining which has spotlighted RTZ as a likely candidate for Rembrandt's next investment move.

Early last month, RTZ shares firmed on rumours that it was about to be taken over. This was denied by the company's chairman, but London brokers believed that, in spite of the chairman's denial, a US oil company was interested in acquiring RTZ.

Sage to form R60-m property unit trust

23/6/82

56

By Ann Crotty

In one of the largest single property transactions in South Africa, Sage Property Trust Managers (SPTM) is to establish a R60-million property unit trust out of 15 of Retco's properties situated primarily in the Central Business Districts of Johannesburg and Pretoria.

The trust will also include R10 million in cash, transferred from Retco.

As a result of the proposals involved in the deal the value placed on a Retco share is 91c and after the transfer of certain of its assets to the trust, Retco will have a residual realisable asset value of about 15c a share bringing its total value to 106c a share.

When the move was first announced in March Retco was trading at 57c a share and at the time of its suspension on June 13 it was 73c. Retco is to retain its JSE listing.

APPLICATION

The new trust will be called CBD Property Fund — CBD Fund. Application is to be made to the JSE to list the units of the CBD Fund and this is expected in October or November.

SPTM will now manage three separate trusts with a combined market capitalisation of about R320-million. SPTM also manages Federated Property Fund (Fedfund) and Pioneer Property Fund (Pioneer).

Merchant bankers UAL, say that in exchange for the assets that Retco is transferring to CBD Fund it will receive about 59.6-million units of 100c each in the trust, after providing for charges.

Retco shareholders will be entitled to 91 units in CBD Fund for every 100 Retco shares they hold.

UAL says that Retco proposes to distribute the units in CBD Fund in this ratio, after a reduction in Retco's share capital.

Retco shareholders also have the option of receiving cash instead of units in the new trust. Sage Holdings, the parent company of SPTM, is making an underpin cash offer of 100c a unit.

Based on this underpin price the projected dividend yield of the units is not less than 10.8 percent for the 1982 calendar year. Currently the property sector is yielding an historic 12.3 percent.

The basis of allocation is 91 units in CBD Fund for 100 Retco shares. Shareholders who will become entitled to less than 500 units will receive cash of 100c a unit in place of their entitlements. However, those shareholders who want units in the fund will have the right to subscribe for 500 units at 100c a unit.

Those entitled to 500 units or more will receive allocations of units in round hundreds only. For odd lot allocations holders will receive cash with the opportunity to round up their odd lots to a multiple of 100 units by subscribing for units at 100c a unit.

PROPOSALS

South African Breweries, which holds 32 percent of Retco, has given its support to the proposals.

Because dividends from a property trust are taxable in SAB's hands it has made arrangements to place its units, worth about R19-m, in the hands of a consortium headed by Sage, which will provide the backing for the trust.

The first financial period of CBD Fund will be from the day following the formation of the trust, around October or November, to December 31, 1982 and the total net distributable income will be declared as a dividend. The dividend will not be less than 10.8c a unit for the period to December 1982.

PROPERTIES

CBD Fund anticipates paying an interim dividend for the period to June 1983.

The properties forming CBD Fund are African City, Bosman Building, Castle Mansions, Marlborough House Medical City, Annan House, Noswal Hall, 76 Juta St, Annuity House — all in central Johannesburg; President Place in Rosebank; Hallmark Building, Robert Kock, Steyn Building and Zanza Building in Pretoria; Retco Parow in Parow, Cape.

Norwich assets in excess of R180-m

24/6/81 (58)

The total market values of Norwich Union Life Insurance Society's net assets at December 31 were R180,3-million.

The society's comprehensive report for 1980, the first of its kind, shows equities at R71,4-million making up almost 40 percent of the R180,3-million.

The remainder is made up of fixed interest securities at R51,9-million, fixed property at R30-million, and other assets, such as office equipment, premiums receivable, accrued investment income and bank balances at R26,9-million.

Mr J Garlick, the chairman, says a detailed report on the society's South African operations — as distinct from a consolidated report of activities worldwide — has in part been prompted by the "domestication" of Norwich Union's business.

"Furthermore it seems proper and in accordance with standard practice of South African companies, to provide details of local operations," he says.

During the latter half of the past decade, results have been most satisfactory, Mr Garlick said.

Assets at book values have grown 16 percent a year compound, from R68,2-million in 1975 to R144,2-million in 1980.

Over the same period, net premium income rose by 21 percent compound, from R12,8-million to R34-million.

Investment income growth was 18 percent compound a year over the period — R5,5-million to R12,8 million last year.

Total income was up 20 percent — from R18,3-million in 1975 to R46,8-million last year.

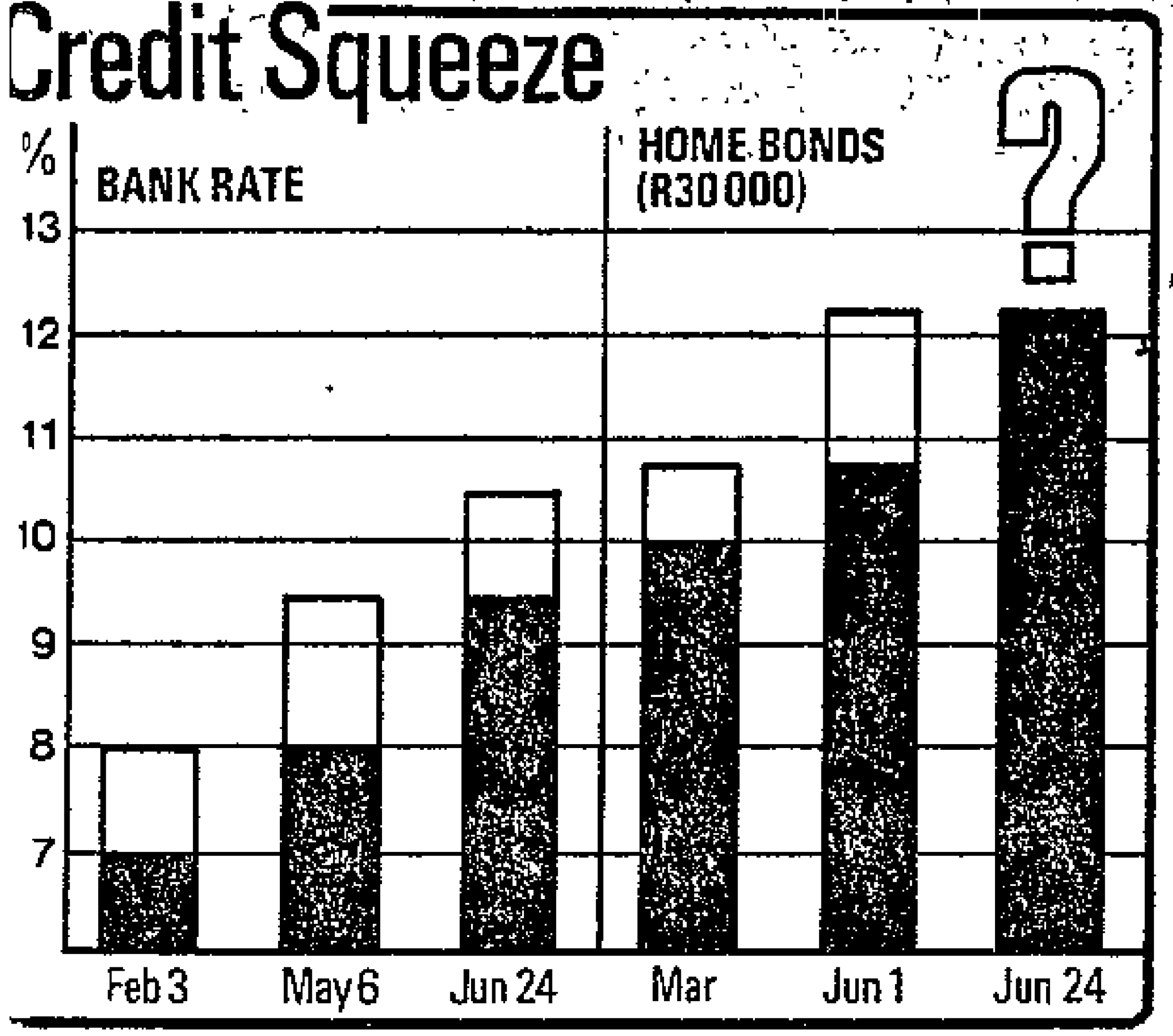
BOOK VALUE

Mr Garlick says 1980 showed an increase of 17 percent in the book value of assets, 30 percent in net premium income, 21 percent in investment income, and 27 percent in total income.

He notes that the growth of assets, and particularly premium income, would not have been possible without excellent supporting new business.

In 1980, new regular premium income at R10,1-million a year, showed a 58 percent increase over 1979.

Credit Squeeze



A bar chart shows the upward march of key interest rates in recent months as the credit squeeze begins.

Reserve Bank raises bank rate to record level

Credit squeeze pinches harder

(58) Star 24/6/81

By Michael Chester, Financial Editor

The credit squeeze was poised to pinch harder today with the bank rate being raised from 9,5 percent to a record 10,5 percent.

The announcement from the Reserve Bank was confirmation that the Government is swinging its priorities to cool down an inflation rate which still bounds higher by 15 percent or more at the moment.

A jump in interest rates charged by the banks on overdrafts is virtually certain — from 13 to 14 percent at least for business bluechip borrowers and most likely from 17 to 18 percent, perhaps, for average family borrowers.

Dr Conrad Strauss, managing director of Standard Bank, said today the major banks would meet executives of the Reserve Bank in Pretoria tomorrow before announcing new bank charges.

He declined to comment on the meeting but it is believed the commercial banks will press for an even higher bank rate to try to iron out anomalies in the market.

One banker pointed out that if prime overdraft charges went up from 13 to 14 percent it would still be possible for bluechip customers to borrow yet more — and sell the cash on the money market to make a profit from borrowers willing to pay interest.

And a chain reaction is likely on dearer costs for all forms of credit to put a damper on the spending spree triggered off by the 1980 boom.

Also being considered by leading banks today was the possibility of higher charges on hire purchase deals, now running at around 21 percent but with technical clearance to go as high as 24 percent.

Interest rates on most credit cards are already perched at the 18 percent maximum allowed by law.

The increase in the bank rate is the third in five months — up from seven to eight percent in February, from eight to 9,5 percent in May and now up to 10,5 percent.

The bank rate is the official platform of the entire pattern of interest rates, so upward pressures

To Page 3, Col 1

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administrative staff would be under close control of the people. The people would have the power in their district councils, to discuss and modify any plan coming from the central health authority.

As we have already mentioned in the introduction, the Health-Centre was designed to be the basic unit and foundation of the proposed NHS. In the preview section of the Report we find a very clear summary of what was envisaged:

"...the National Health Service in being should not be merely the mechanical projection upon a passive public of some scheme worked out to the last detail by a central bureaucracy, but that it should be rather the sum total of the activities of the Health-Centres throughout the country, each of them autonomous to the utmost extent possible, and each allowing for and expressing in its local arrangements, the almost infinite variety of the needs, and best methods of meeting those needs, in different areas.

The Health-Centre is the practical expression of two of the most important, and universally accepted, conclusions of modern medical thinkers. The first is that the day of individual-isolationism in medical practice is past, and that medical practitioners and their auxiliaries can make

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within a clearly defined there be supplied with equipment and will be as laboratory technicians

The foundation of the p the periodic medical ex process of health educat will play the leading p prescriptions. But wher member of the family, th treatment will lie with at his command the entir resources of the Nationa

As has been stated above, Centre model offered was a the promotion of health an of the people on an extra- level. In Part IV of the NHS, the Commission unfolde in further detail.

(See table 3).

Of the 40 468 Africans who have medical benefit coverage, 30 274 are in the clothing and knitting trade.[8]

Generally medical benefit schemes are predominately in industries where industrial unions (rather than craft unions) operate.

All medical benefit schemes operate on the basis of contracting doctors on a panel basis.

Medical benefit societies on the whole cater for lower paid workers (hence the low contribution rates) and have less extensive benefits than medical aid societies. There are circumstances in which the member can consult a non-panel doctor. These circumstances include when a worker is away from the centre in which he usually receives treatment from the panel doctors and takes ill. In some small centres where few workers began schemes, and the panel of doctors is not appointed, this is also waived.

Industrial Council medical benefit schemes operate in the following industries: Baking and Confectionery (P.E. and Uitenhage); Bespoke tailoring (Witwatersrand); Bedding Manufacturing (TvL); Canvas Gords (Witwatersrand and Pretoria); Chemicals (Witwatersrand and Pretoria); Clothing (Cape, George, N. Cape and O.F.S., TvL, E. Province, Natal); Cotton Textile, Retail Meat (Witwatersrand); Millinery (Cape); Tobacco (TvL); Worsted Textile (Cape); Laundry, Diamond cutting and Leather industries.

The average contribution rate of these medical benefit schemes is 28½c per week. (The average is worked out on the basis of Industries listed above in which medical benefit schemes were studied). This average amount is considerably lower than for medical aid funds. The Diamond Cutting Medical Benefit Fund (average contribution of R1,65) and that of the retail trade (R2,31 on average) have been excluded in these calculations as these are schemes which cater for skilled categories of workers and exceptions to the general rule that skilled workers are covered by medical aid schemes.

In all except one (Bespoke tailoring) of the industries listed above in which medical benefit schemes exist, the contributions are raised according to earnings, thus a true average could not be worked out as the number of worker in each category is not known.

In all except two (Bespoke tailoring and Bedding manufacturing) the employers paid in an equal amount on behalf of the workers. The difference in contributions in the two exceptions amounted to a few cents.

In four of the twelve industries examined, the average contribution rate was less than 20c.

These contributions appear to be low, but it must be remembered that workers usually contribute to other funds as well (pension, provident and so forth). This is apart from trade unions subscriptions, Unemployment Insurance deductions and so forth. Of the twelve industries with medical benefit funds examined, the following benefits were extended. (See table 7)

The average was worked out on the basis of the industries listed above in which medical benefit and schemes were studied: Baking and Confectionery, Bedding Manufacturing, Bespoke tailoring, Canvas Chemical Manufacturing, Clothing, Cotton Textile, Tobacco, Worsted Textile, Laundry, Weaving and Dyeing, Millinery Industry, Leather industry.

Bank rate goes up

Star 24/6/81

from page 1

can be expected to be universal, at least on short-term rates.

Dr Gerhard de Kock, Governor of the Reserve Bank, is using higher rates to curb all non-essential spending on credit and so put the brakes on an enormous surge in the money supply in recent months that has been blamed for fuelling inflation.

The dilemma for the Government is to find the mix of mechanisms that can haul down inflation while not choking an economic growth rate.

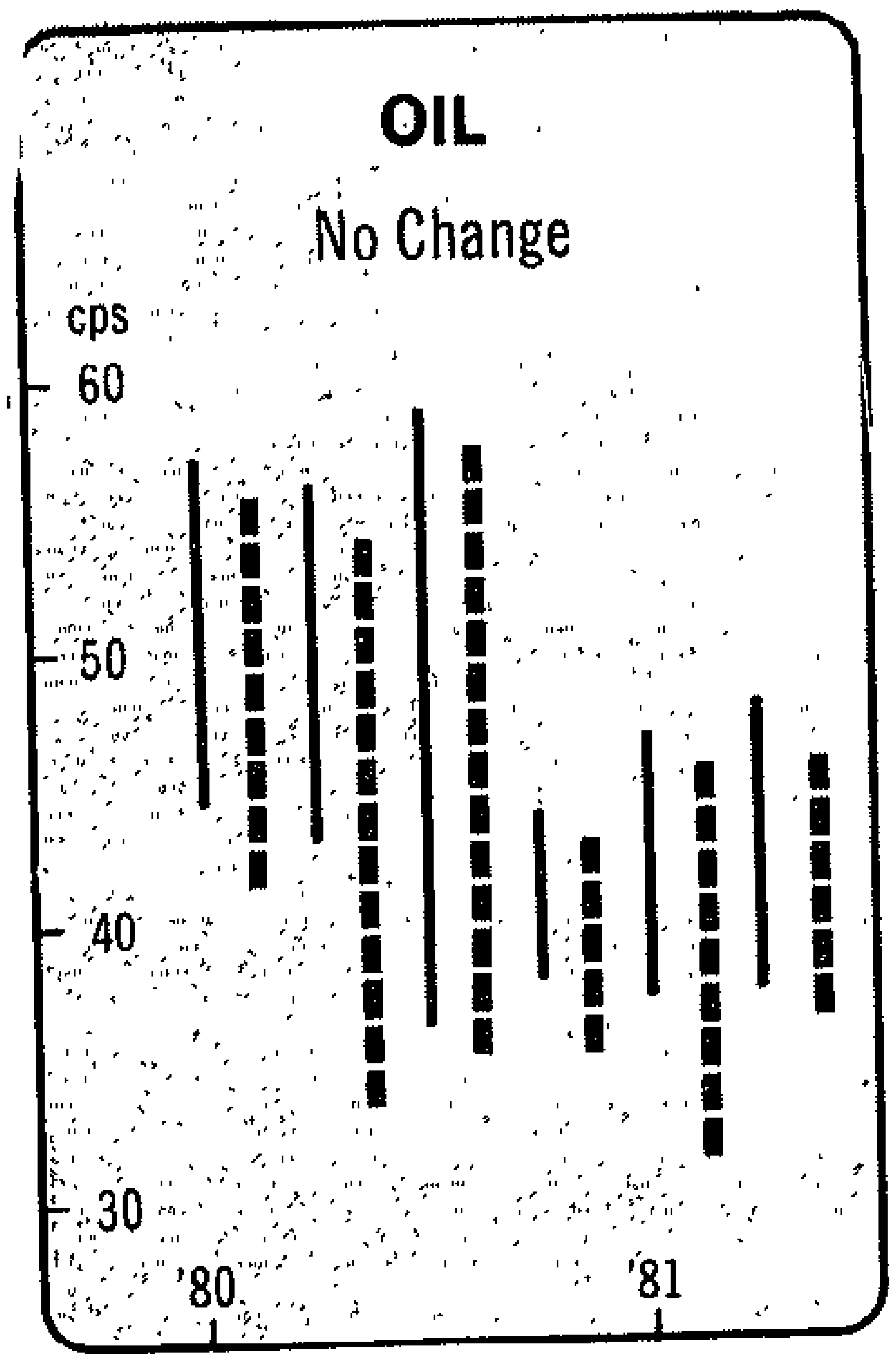
Next to come under pressure for increases are most likely home mortgage rates.

"Perhaps the Reserve Bank should have gone even further," said Dr Johan Cloete, economic consultant for Barclays National Bank.

Curbs urged on prices and wages

The increase in the bank rate must be [illegible] a further attempt [illegible] to curb the [illegible]

"It is, however, [illegible] necessary that [illegible] look at a much [illegible] [illegible] tion [illegible] are not [illegible] essential economic growth and run the risk of heavy unemployment with all its conse- [illegible]



first time that non-fishing interests contributed more than half the group total. Fishing interests contributed R3,5m (down 13%), while investment income amounted to R219 000 (up 58%) for a total operating profit of R8,6m (R6,4m) before corporate office expenses and external interest charges.

Ovenstone expects basically the same pattern for the current year. Further growth is forecast for the property division now that low-margin contracts are being worked out, although the current shortage of mortgage finance is a cause for concern in the home building sector.

On the fishing side, he is looking to an unchanged contribution. In particular, income from Chile is expected to improve after consolidation of group interests in the country. These now consist of an "important" holding in one public company.

Financially, the group ended the year more heavily borrowed than in 1980, with a debt:equity ratio of almost 80% (68%). This was consistent with the increased activity in property, and Ovenstone says borrowings should reduce as development expenditure levels off and further properties reach a marketable stage.

In any event, judging by property sector standards, the group is not over-borrowed, although the position would be more comfortable if gross returns were higher. Last year's 10,7% return was only one percentage point more than the average cost of borrowings, and gross interest cover was 2,6 times. Still, this was better than in 1980 when the 8,5% gross return did not cover the average interest rate, and interest cover was an even more slender 2,4.

Ovenstone, obviously conscious of this, says that despite improved profit prospects overall dividend policy will remain conservative. This does not preclude the possibility of a higher payout but the increase will probably be small.

At this stage I would not look for a dividend of more than 3.5c (3c), giving the share a prospective yield of 9,2%.

Brian Thompson

OIL (58) FM 24/6/81

Property gains

Activities: *Holding company with interests in fishing, property and township development. Jointly controlled by Ovenstone family and Premier Group.*

Executive chairman: *A D P Ovenstone.*

Capital structure: *49,4m ordinaries of 12,5c, 204 502 8% prefs; 940 736 8 1% red prefs, 2,6m partly convertible 8,5% prefs; 2,1m 10% prefs; and 4,7m 11% red prefs, all of R1. Market capitalisation R18,8m*

Financial: *Year to March, 31 1981. Borrowings: long- and medium-term, R19,7m, net short-term, R12,1m Debt:equity ratio: 79,6%. Current ratio 1,7 Group cash flow R5,1m.*

Share market: *Price 38c (1980-81 high, 57c, low, 36c, trading volume last quarter, 2m shares) Yields 17,9% on earnings, 7,9% on dividend Cover 2,3 PE ratio: 5,6.*

	'78	'79	'80	'81
Return on cap (%)	12,8	10,0	8 5	10 7
Turnover (Rm)	38 5	39,6	26 8	61 9
Pre-tax profit (Rm)	4,8	2 7	3,3	5,0
Gross margin (%)	19,0	14,6	21,6	13,1
Earnings (c)	20 3	8,7	6,1	6 8
Dividends (c)	6	3	3	3
Net asset value (c)	121	112	56	59

The effects of the massive rights issue in 1980 are now out of the way, and chairman Andrew Ovenstone forecasts further profit improvement, so there are reasonable prospects that OIL shareholders will see an increase in distribution this year. If so, it will be the first rise since 1974 when the payout was increased from 7,75c to 14c.

The seven-year period since then has not been a particularly happy one for the group. Hit by general fishing conditions and an expensive diversification into property, earnings tumbled from a peak of 31,7c to a low of 6,1c (on the FM's calculation) in 1980.

Last year saw some improvement, to 6,8c, even after having to service the full 49,4m ordinary shares now in issue. This negated much of the 47% gain achieved in attributable profits.

Last year's gain came almost entirely from the property division where operating profit was 116% up to R4,9m — the

DE KOCK'S JOB GETS TOUGHER

Argus 27/6/81

(58)

THE governor of the Reserve Bank, Dr Gerhard de Kock, is completing his first six months in office in the middle of a controversy over his policies.

By Derek Tommey, Financial Editor

DR GERHARD DE KOCK, governor of the Reserve Bank.

Top officials at banks and building societies are upset about his refusal to allow them to increase their borrowing rates to equal the record high money market rates.

And somewhat unusually, even his predecessor at the Reserve Bank, Dr T W de Jongh, has been sniping at him.

However, the general feeling among economists questioned is that Dr de Kock has been doing a reasonable job.

Right tack

While it is felt that the experience of the past six months may have forced him to revise some of his ideas about the removals of exchange controls or the abolition of the financial rand, overall he is thought to have been on the right tack.

Although he has been criticised for not curbing growth sooner and thus running the risk of the economy overheating, it is pointed out that the inflation rate has been declining recently.

As for the current tight money conditions, these are not just a result of Reserve Bank policy but also of the fall in the gold price and the development of a record trade deficit of R350-million last month.

Gradual

Mr Brian Kantor, senior lecturer at the School of Economics at the University of Cape Town, says the main aim of the Reserve Bank must be to ensure a gradual reduction in the money supply.

If it achieves this the economy will maintain its momentum.

But if the Reserve Bank crash-landed the money supply, the country could run into a recession.

Damaging

The current high interest rates reflect the buoyant state of the economy. As soon as the economy slows down, interest rates will decline.

He warns against steps to curb consumer spending by imposing direct controls on consumer credit. Such a policy could have an extremely damaging effect on the motor and furniture industry.

The effects of more expensive money on consumer credit are more gradual, he says.

More drastic

In a speech this week Dr de Jongh suggested that in his day the Government would have taken far more drastic action to curb the increase in bank credit.

Dr de Jongh was also critical of recent proposals to allow market forces to determine economic conditions instead of using controls as in the past.

He posed the question: 'Whether we in South Africa are ready to apply a free market system successfully in all respects.'

Controls

He asked whether South Africa, in its present situation, could afford to abolish exchange control and whether it could afford to wait until a full free market system could solve the country's problems.

De Jongh said the combating of inflation was not just a matter of controlling the money supply.

Other factors included the training of labour, the need for greater productivity and the need to curb the current spending spree which was being facilitated by favourable hire-purchase conditions.

over the extent of the earnings decline in certain subsidiaries.

The economic outlook for the current year is considerably less optimistic than last year. Combine that with the above scenario and it seems best to leave the share alone until there is evidence of a turnaround.

Chris Wilson

DUNDEE (SB) FM 26/6/81

Losing ground?

Activities: *Investment holding company with subsidiaries in the engineering sector including Tabak (office furniture) and Raco (high precision metal pressings). The group also has property and coal interests.*

Chairman: *A C Heber-Percy; managing director: G C H Gard.*

Capital structure: *1,5m ordinaries of 50c, and 1m participating prefs of 10c. Market capitalisation: R3,2m*

Financial: *Year to February 28 1981 Borrowings: long- and medium-term, R426 000; net short-term, R2,2m. Debt:equity ratio: 65,3%. Current ratio: 1,3. Net cash flow: R698 000.*

Share market: *Price: 210c (1980-81: high, 405c; low, 205c; trading volume last quarter, 87 000 shares). Yields: 23,5% on earnings; 6,0% on dividend. Cover: 4,0. PE ratio: 4,3.*

Despite a sound first-half performance, Dundee failed to benefit from last year's economic upswing, showing a disappointing 21% decline in taxed attributable profit to R728 000. At the interim stage taxed profit was 54% up to R502 000. Subsidiary company losses during the second half whittled away this good growth.

Turnover rose 77% to R21,8m, but this advance was accompanied by a drop in pre-tax profit to R982 000 (R1,15m). Gross margin was slashed from 10,6% to 5,5%.

	'78	'79	'80	'81
Turnover (Rm)	2,3	8,6	12,3	21,8
Pre-tax profit (R'000)	173	763	1 151	982
Gross margin (%)	8,2	10,1	10,6	5,5
Earnings (c)	11,0	50,4	66,3	49,4
Dividends (c)	5	20	27,5	12,5*
Net asset value (c)	90	166	197	219

* Interim only

The major problems were in the motor car accessories and spares market, in which the group has three operating subsidiaries. It is surprising that the difficulties should have arisen in this area in view of the buoyant conditions in the motor industry last year. According to the directors, wholly-owned subsidiary Jaqmar — involved in a major reorganisation last year — suffered a loss as a result of "overtrading."

Figures for Jaqmar are not disclosed, but the aggregate operating deficit from the group's subsidiaries rose sharply from R33 740 to R235 000.

This indicates the problem may not be confined to Jaqmar. Hi-Fi Car Radio & TV incurred a trading loss in the year, but the directors say the company indirectly contributes to group profits by providing an outlet for the products of another subsidiary, Dunair.

Raco, indirectly 100%-owned, failed to achieve its expected performance. The company manufactures high-precision metal pressings. "Technical problems" delayed the completion of certain large contracts, which resulted in their becoming only "marginally profitable." This is an unfortunate reversal as there were high hopes for Raco following plant extensions the previous year.

Despite heavy borrowings and weak cash flow, All Steel Holdings, manufacturers of steel office furniture, was acquired during the year for R700 000 cash. The deal was financed by a R1m issue of participating preference shares.

The directors say the activities of All Steel are complementary to subsidiary Tabak and will provide "surplus" production capacity in addition to enabling the rationalisation of certain product lines.

But the acquisition may severely restrict further expansion possibilities. Net borrowings now total R2,6m and the debt:equity ratio has increased to 65,3%, against 52,1% previously. Return on capital employed is low at 16,6% and suggests the company will have to concentrate on making the existing operations more profitable rather than expanding or diversifying.

An interim dividend of 12,5c has been paid and the directors anticipate paying a final in July. The final has, however, been delayed as the directors are uncertain

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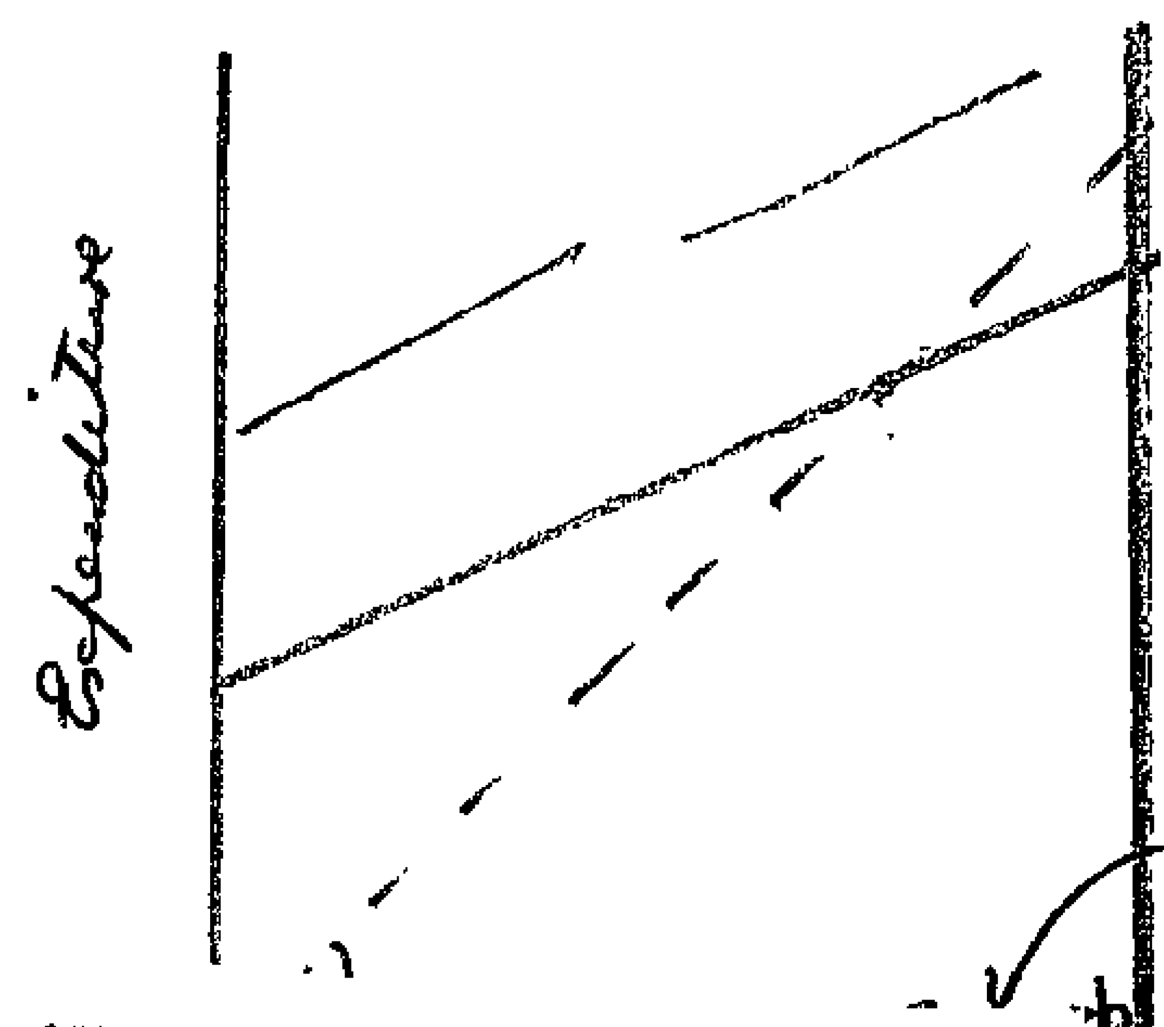
NOTE A deflationary gap ... ceeds AD, measured on the ...



FE

SUIDERLAND (58)

More from wood

FM 26/6/81

Activities: *Investment company with interests in timber and fishing*
Chairman: *P G S Neethling; managing director: A P du Preez.*
Capital structure: *23m ordinaries of 50c. Market capitalisation: R16,1m.*
Financial: *Year to December 31 1980. Borrowings: long- and medium-term, R3,1m. Net cash. R22 000. Debt: equity ratio: 24,1%. Current ratio: 1,0. Group cash flow: R2,9m. Capital commitments: R351 000.*
Share market: *Price: 70c (1980-81: high, 99c; low, 45c; trading volume last quarter, 1,5m shares). Yields: 15% on earnings; 8,6% on dividend. Cover: 1,8. PE ratio: 6,7.*

	'77	'78	'79	'80
Return on cap (%)	16,8	14,2	15,0	19,6
Turnover (Rm)	8,9	11,3	12,7	15,5
Pre-tax profit (Rm)	1,7	1,7	2,4	3,2
Gross margin (%)	23,6	18,6	21,6	21,9
Earnings (c)	5,6	5,8	7,9	10,5
Dividends (c)	3	3	3,5	6
Net asset value (c)	36	40	58	57

There was a time not so long ago that Suiderland's fortunes were closely linked to the fishing industry. But with the development of its timber interests, this has completely changed. Last year, for example, the 33% improvement in earnings came almost entirely from timber, and the contribution from this source increased ten percentage points to a dominant 68%.

By the same token, the proportion of income attributable to fishing — mainly a 35% stake in Kaap-Kunene — fell a similar amount to 25%. Six years ago fishing accounted for 65%.

Chairman Piet Neethling says demand for timber is still strong. Soaring mortgage rates, and the impact this could have on the building industry, could slow demand from this source somewhat. But these negative effects could be offset by expansion of the company's charcoal production facilities. Negotiations have reached an advanced stage for the installation of a new production unit on a joint-venture basis with a foreign company. Neethling says this will provide a substantial outlet for hardwoods as well as offcuts. At the same time, the company's charcoal briquette operation will benefit from the availability of additional raw material.

Financial structure continued to strengthen last year with the repayment of virtually all short-term borrowings. The result was that the company ended the year with a net cash balance of R22 000 against net short-term borrowings in 1979 of R363 000.

This is probably why dividend policy was relaxed. Cover fell from 2,3 to 1,8, the lowest level since 1974. Shareholders benefited by way of a 6c dividend — 71% more than the 3,5c distributed in 1979. The growth rate was thus double the improvement in earnings.

While profits hold up, and unless management decides to embark on some expensive expansion, the more liberal dividend policy seems likely to be maintained. On a 7,9% historic dividend yield, and a prospective yield probably approaching 10%, the share is worth holding — at least for the smaller investor.

There has been speculation that the company could be taken over. But, unless the buyer is prepared to pay substantially above net worth, this prospect does not seem very promising.

The directors' report notes that an asset revaluation last year, including plantations, revealed a surplus over book value of R15,6m. This has not been taken into account in the balance sheet. If it was, net worth would increase from 57c to about 125c.

Brian Thompson

output gap. ~~But be generated by this G only say 0,7Y is spe~~ of 2; RY is genera... what was necessary. amount of G need be increasing demand to ... If tax cuts were intr... Income would be great... Prope... But ... as ... gener... greater for government spending than for cutting taxes.

ceeds ... y is FE ... G) can ... (R1m) ... ultiplier ... than ... smaller ... ap, by ... the ... ical ... e) ... ed ... nd is same blood pressure. Yet age bore no relationship to 'decisions to treat' at NCPD, pointing to the randomness of such decisions.

3. 70% of patients who were started on antihypertensive therapy in May 1975 had ceased to return for what should be lifelong medication after 12 months. Moreover the attendance behaviour of the group continuing to attend at one year had been quite erratic.

Little impact was thus being made on the problem of hypertension, not only in the community but as it presented to the outpatient department of the hospital. Considerably less than 30% of new hypertensive outpatients could be gaining any real benefit from therapy and this was attributable in the first instance to poor outpatient compliance with (or, more crudely, attendance for) ongoing therapy.

Although numerous suggestions have been made for improving patient attendance and pill taking compliance, few of these have been evaluated rigorously. Such studies as have been done have occasionally yielded surprising results. Teaching programmes among hypertensive Canadian industrial workers significantly improved patients' knowledge of their disease but did not alter their pill taking compliance or drop-out rates.[8] Dropouts from inner city hypertensive clinics in America cited waiting time and poor doctor-patient relationships as the major reasons for their non-compliance. In contrast to the average of 7½ minutes they spent with the doctor, they waited an average of 2½ hours prior to examination and almost 2 hours at the pharmacy, an experience probably akin to that of patients in this study.[9]

What emerges clearly from the literature is that the quality of practitioner-patient interaction (most often nurse-patient and pharmacist-patient interaction) is the most important determinant of subsequent compliance.[10] It is precisely this sort of interaction that the overworked clinical doctor is most ill-equipped and unable to provide. Several North American chronic disease programmes are consequently using nurses in the routine management of hypertension - with considerable success.

Two clear conclusions emerge from our study and from the literature cited above.

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1. Chronic disease is numerically the most important category of sickness among Black outpatients in Johannesburg. Hypertension accounts for much of this but 3 other relatively unremitting sicknesses - epilepsy, asthma and diabetes - accounted with hypertension for 66% of all recorded at first outpatient visits and for approximately 90% of all outpatient visits.

2. The prevention of stroke, hypertensive heart disease and renal failure is much too important to be left in the hands of doctors alone. Their poor clinical performance is shown by the deficiencies in blood pressure recordings and by the randomness of treatment decisions in our study. The compliance rate they achieved was quite unacceptable. More fundamentally, the prevalence of chronic disease is such that it cannot logistically be dealt with by doctors of less qualified but specially trained personnel

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R3 000-m assets at Perm

Star 30/6/81

58

By Frank Jeans

The South African Permanent Building Society has hoisted assets to R3 000-million — with R1 000-million of this amount flowing in over the past two years.

Referring to this "outstanding performance" at the society's general meeting, the chairman, Dr Frans Cronje, said the Perm was now not only among the top national financial institutions but one of the leading building societies world-wide.

Dr Cronje said: "This assets record is particularly significant when one considers that in July, 1979 the R2 000-million assets achievement was celebrated."

42 400 LOANS

The Perm has grown in shares and deposits by a record R513-million in the past year and has granted loans of R1 174-million.

During the period it granted 42 400 home loans and Dr Cronje said that the national return for all societies show that the Perm has helped more people to build or buy homes than any other society.

QUANTITY SURVEYING

(Continued)

Bell-John Prize

For the best all-round student in any year of study.

P C Key

The Committee of the Western Cape Chapter of Quantity Surveyors' Prize

For the student obtaining the highest marks in Professional Practice.

P R Swift

LTA Prizes

For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

I : N D G Sessions

II : A R Low Keen

III: No award

S A Brick Association Prizes

For the best student in the subject of Building Construction.

C W von During

For the second best student in the subject of Building Construction.

K Strong

URBAN & REGIONAL PLANNING

Student Planners Award

~~For~~ the student who has shown
[...]t the end

RDM 2/2/81

Metboard buys 10% of bank

58

Financial Reporter

METBOARD, the financial services arm of the Unisec Group, has bought 10% of Investors Technical and Executors Bank for an undisclosed amount.

Investec Bank, formerly Cape Trustees and Executors, is a general bank specialising in instalment credit. Hosken Consolidated Investments, with 70% of the equity, controls it.

Metboard's managing director, Mr Perry Oertel, says the investment represents a breakthrough for Metboard into leasing and banking.

Sta. 2/7/81

58

'Exciting future' for Burad

By Mervyn Harris

The takeover of Panafic Holdings by Burad Securities should enable the company to enjoy an exciting future, says the chairman, Mr A Blumenthal, in his annual review.

He devotes more than half the review to a statement from Mr R E T James, managing director of Burad, who says it will be unwise to speculate about the new group's revenue potential until conditions of the sale are completed.

Mr James says discussions are taking place with a view to forming a close, equity-based relationship with a big financial institution.

He is, however, confident that through the injection of present Burad contracts the company should be revenue generating from the start.

"We are continually investigating potential new development or acquisition opportunities to expand our base of activities.

"New proposals are assessed against stringent criteria embracing our traditionally non-speculative and unusually conservative investment philosophy.

He says the name of the company will be changed from Panafic to Burad Securities.

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute of Architects' Prize

For the best student in :-

Sixth Year

P F Dunckley

Helen Gardner Travel Prize

For a student who has satisfactorily completed 1st, 2nd and 3rd major courses.

P A Rappoport

Molly Gohl Memorial Prize

For the best woman student

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Picbel gets 9,6% of Boland Bank

CT 31/7/87

By ALEX PETERSEN
Finance Reporter

PICARDI INVESTMENTS (Picbel) have acquired a 9,6% share in Boland Bank, the group's chairman, Mr Jan Pickard said yesterday.

The move makes Picbel the largest single shareholder in Boland Bank.

Mr Pickard said the acquisition of the shares had been made "over the last year". Recent market prices of the share would put the value of the Picardi holding in excess of R2,5 m.

Part of his reasoning for the move, Mr Pickard said, was that he himself grew up in Paarl, the bank's headquarters, and he had received his first bond from Boland, and had always had a close association with the bank.

In September last year Mr Pickard was co-opted as a director of the bank.

Other major reasons for the move, he said, were his group's cash situation, and the desire to safeguard the independence of Boland Bank.

"We have lots of cash at the moment and we must invest it."

In Boland's annual report, which was released last week, the chairman, Mr P B Hugo emphasized the bank's independence, and pointed out that there was a wide distribution of shareholders, and that no single shareholder, or even a group of shareholders holds enough shares to prescribe policy to the bank.

In terms of the Banking

Mr Jan Pickard

Act no individual, company or group of companies may hold more than ten percent of a bank's issued shares unless permission is received from the Registrar of Banks.

The Picbel acquisition may be part of the explanation for the strong performance of Boland Bank shares since January this year. The share has been one of the few in the banking sector whose price in recent weeks has been ahead of its January 2 level. Earlier this week the share was 19% up for the year

Metboard takes 10% stake in Investec Bank

CT 2/7/81

58

METBOARD, the financial services arm of the Unisec group, has taken a 10 percent stake in Investors Technical and Executors Bank (Investec Bank).

The acquisition has been facilitated by the issue by Investec Bank of 146 680 new shares to Metboard.

Hosken Consolidated Investments remains the biggest shareholder in Investec Bank with 30 percent of the company.

Mr Michael Lewis, chairman of Investec Bank, says the association with Metboard will provide the bank with exciting new opportunities for expansion.

HCI acquired its stake in Investec Bank — formerly Cape Trustees and Executors — a year ago at which stage the leasing activities of Investec were injected into the bank.

Investec has been active in instalment credit since 1974. "The parentage of a small bank counts for a lot", says Mr Lewis, "and we are delighted to have this association with Metboard and a group the size of Unisec". "

It will mean that we can expand the range of our general banking activities and broaden, through Metboard's prominent position in the financial community, our client base".

Metboard's managing director, Mr Perry Oertel, who together with Mr John Perkins and Unisec's Mr Peter Thomas will join the board of Investec Bank, says the investment represents a breakthrough for Metboard into leasing and banking. "It is our policy to limit our strategic investments to companies which are liquid and well managed. Investec Bank is singularly well qualified in both respects," Mr Oertel says.

"The bank operates at the professional end of the market which is the one with which we are most familiar and there will be many opportunities for Metboard and Investec Bank to help each other in the market place".

RDM 3/7/81

Pichel buys 9,6% of Boland

Own Correspondent

CAPE TOWN — Picardi Investments (Pichel) has acquired a 9,6% share in Boland Bank, the group's chairman, Mr Jan Picard said.

The move makes Pichel the largest single shareholder in Boland Bank.

Mr Picard said the acquisition of the shares had been made "over the last year". Recent market prices of the share would put the value of the Picards' holding in excess of R9 500 000.

Part of his reasoning for the move, Mr Picard said, was that he grew up in Paarl, the bank's headquarters, and he had received his first bond from Boland, and had always had a close association with the bank.

In September last year Mr Picard was co-opted as a director of the bank.

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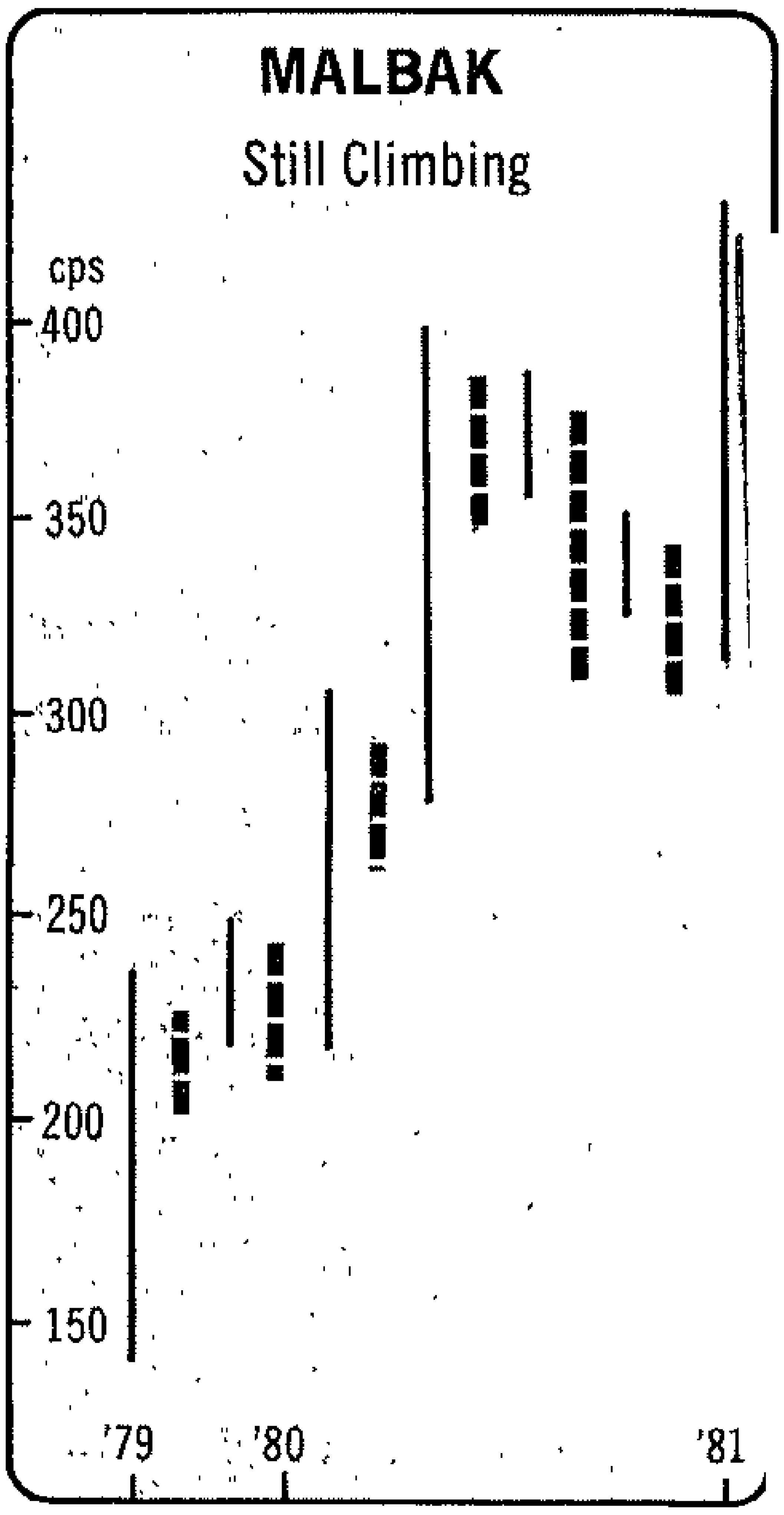
"We have lots of cash at the moment, we must invest it."

In Boland's annual report, which was released last week, the chairman, Mr P B Hugo, stressed the bank's independence, and pointed out that there was a wide distribution of shareholders and that no single shareholder or even a group of shareholders held a sufficient number of shares to prescribe policy to the bank.

In terms of the Banking Act no individual, company or group of companies may hold more than 10% of a bank's issued shares unless permission is received from the Registrar of Banks.

Mr Picard said that his group had not applied for such permission, although the matter had been discussed. An application would not be made unless it had the approval of the bank's board.



MALBAK

FM 3/7/81

58

Fair value

Activities: *Investment holding company with interests in packaging, motors, farm implements and light engineering.*
Chairman: *D L Keys; managing director. G S Thomas.*
Capital structure: *10,6m ordinaries of 50c; and 800 000 6% cum red prefs of R1. Market capitalisation: R43,5m.*
Financial: *Year to March 31 1981. Borrowings. long- and medium-term, R9,6m; Net cash: R11,1m. Debt: equity ratio: 41,1%. Current ratio: 2,1. Net cash flow: R10,1m. Capital commitments: R4,6m.*
Share market: *Price: 410c (1980-81: high, 425c; low, 210c; trading volume last quarter, 186 000 shares). Yields: 22,2% on earnings; 6,6% on dividend Cover: 3,4. PE ratio: 4;5*

Malbak's aggressive acquisition growth over the past 18 months widened the spread of interests and enabled the conglomerate to take full advantage of last year's economic upswing. All divisions now look well-placed for above-average growth in the current year.

	'78	'79	'80	'81
Return on cap (%)	23,3	17,1	24,4	27,4
Turnover (Rm)	90,1	100,6	129	186
Gross profit (Rm)	7,3	7,6	11,4	18,3
Gross margin (%)	8,1	7,6	8,8	9,9
Earnings (c)	32,3	32,4	48,1	91,1
Dividends (c)	12,2	13,5	18	27
Net asset value (c)	192	208	230	297

Taxed attributable profit rose 82% to R9,6m (R5m) and outstripped the performance of all previous years. The earnings advance was more than double the company's four-year average compound growth rate of 41,3%. In addition, last year's payout was raised 50% from 18c to 27c, compared with a compound dividend growth of 30,3%.

Return on capital employed rose to 27,4% from 24,4% and chairman Derek Keys says that since the company had no idle resources, "real resources had to be marshalled and mobilised for every gain made." The result was that operating margins widened significantly from 8,8% in fiscal 1980 to 9,9%. The automotive division was particularly strong with Malbak Motor Holdings recording the highest return on assets in its history.

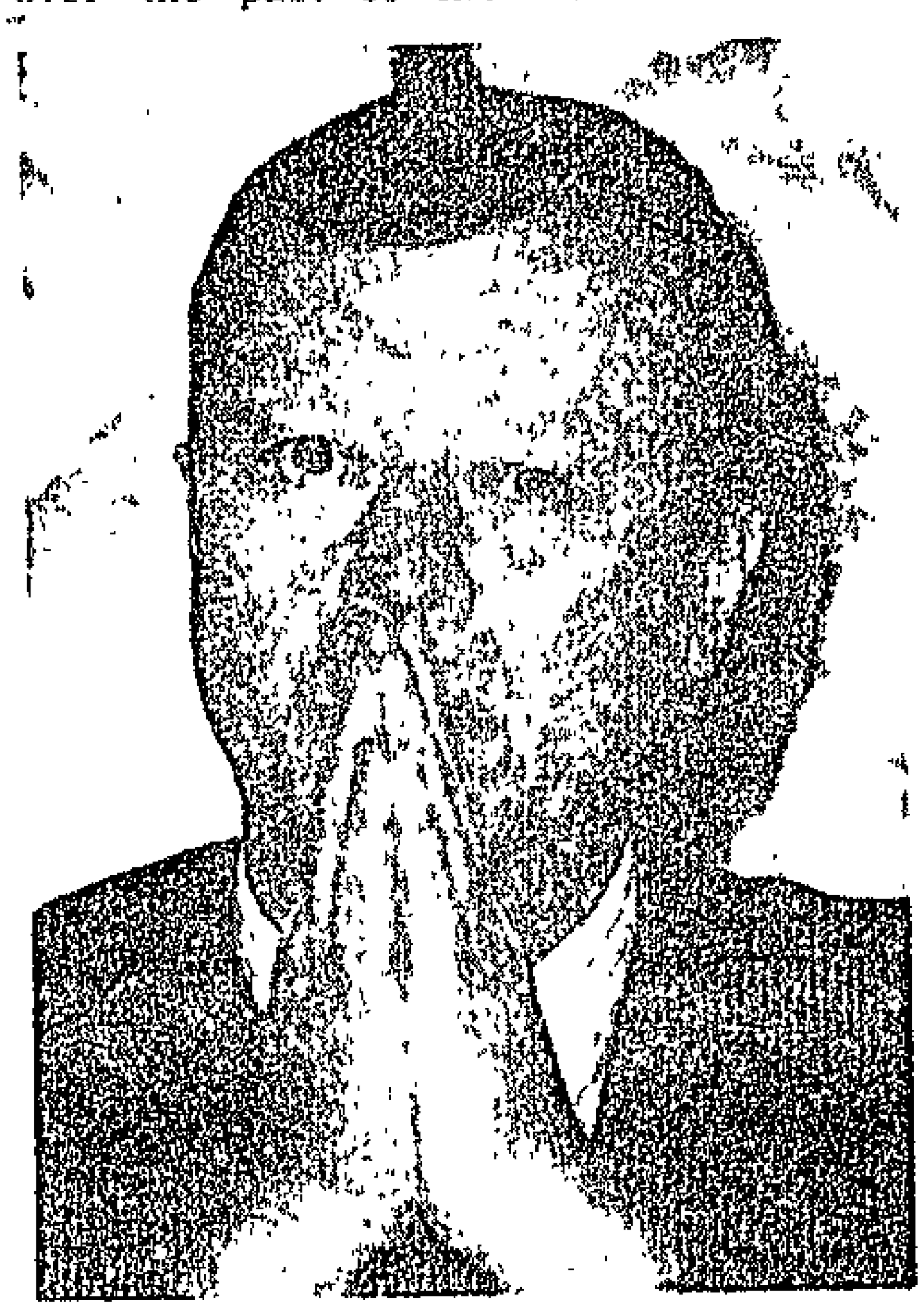
Maccabee contributed 25% of overall profit and was expanded during the year, through the acquisition of Don International, manufacturer of brake linings, for R2m cash. In addition, two relatively small pump manufacturers were added to Maccabee's existing pump division. MD Grant Thomas says this is a "significant development" which will enable the company to "provide full coverage to both the agricultural and industrial small pump market."

Perhaps more important is Malbak's acquisition of Castor & Ladder Holdings since the year-end. This acquisition is expected to boost earnings by 3c a share, but it is not likely to affect net worth.

Despite recent takeovers, group finances were strengthened during the year. Net borrowings were reduced from R11,9m to R9,6m, while cash resources increased by a net R11,1m. The debt: equity ratio dropped sharply from almost 70% to 41,1%.

The December issue of 12,25% compulsorily convertible debentures raised R10,5m which, according to Thomas, has not yet been put to use. Borrowings are becoming increasingly expensive so the debenture issue was either a far-sighted move to bolster capital comparatively cheaply or management has actually defined a takeover target.

During the year, the valuation method for 90% of subsidiaries' stock was switched to lifo, the effect of which was to reduce taxed profit by R1,1m. But subsidiaries enjoyed tax benefits because of the reduced lifo earnings. The lifo adjustment of R1,1m was transferred to non-distributable reserves while the consolidated accounts remain fifo-based.


Malbaks Keys . . . marshalling resources

Despite the less favourable economic climate this year, Malbak should begin to feel the added benefit of the acquisition of Castor & Ladder. A 25% earnings advance seems attainable. Dividend cover, currently 3,4 times, is likely to be cut to 3,0 times, which appears to be more than adequate in view of the company's strong financial position. Prospective earnings of 114c would generate a total payout for the year of 38c a share.

At 410c, the share is on a 9,3% prospective yield, which compares favourably with prospects for the sector which currently yields 6,2%. Fair value, for my money

Chris Wilson

VOLKSKAS

Slowing down

58

FM 3/7/81

Activities: *Diversified banking group with extensive industrial interests, including Bonuskor (62,2%) and Transvaalse Suikerkorporasie (wholly-owned).*
Chairman: *A J du Toit; managing director: D P S van Huyssteen.*
Capital structure: *28m ordinaries of R1; and 15m 9,5% red cum prefs of R1. Market capitalisation: R155,4m.*
Financial: *Year to March 31 1981. Capital commitments: R26,7m.*
Share market: *Price: 555c (1980-81: high, 755c; low, 505c; trading volume last quarter, 327 000 shares). Yields: 29,2% on earnings; 6,5% on dividend. Cover: 4,5. PE ratio: 3,4.*

	'78	'79	'80	'81
Return on equity (%)	13,2	13,8	15,2	18,5
Total assets (Rm)	2 923	3 080	3 759	4 770
Deposits (Rm)	2 182	2 367	2 615	3 406
Advances (Rm)	959	1 191	1 327	1 894
Net profit (Rm)	16,8	22,8	30,4	46,4
Earnings (c)	78	103	134	162
Dividends (c)	22	26	30	36
Net asset value (c)	592	748	885	1 064

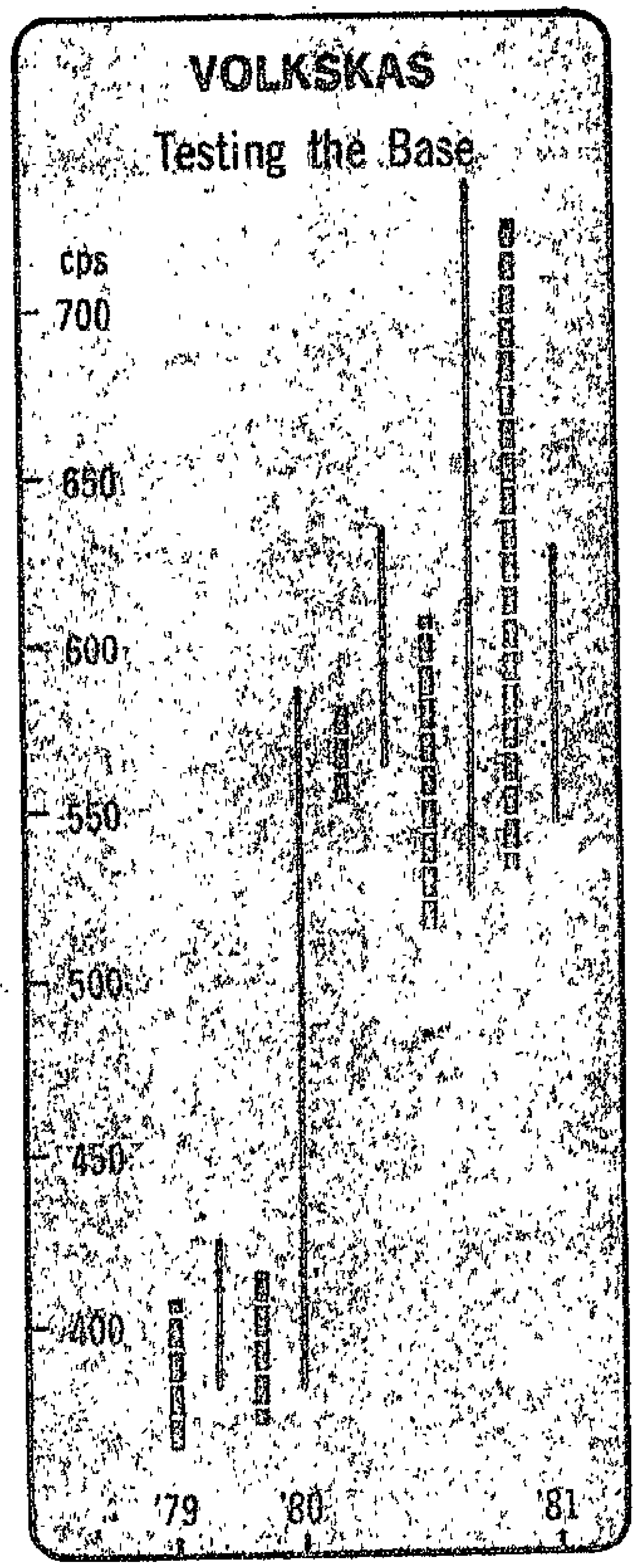
Shareholders could be forgiven some exasperation with Volkskas' persistent incomplete disclosure of transfers to reserves and tax on banking profits. Other majors have voluntarily provided this information or, in one case, made virtue of necessity and told shareholders more. As things are, it is difficult to compare Volkskas' performance with those of the other majors.

When, for most of the year, banking operations were virtually a licence to print money, Volkskas' commercial banking activities appear to have performed below par. Advances rose by 39,2% to R1 509m against a 27,7% increase in deposits to R2 897m, but disclosed after-tax operating income was ahead only 18,2% at R18,5m.

If the country's economic growth continues to slow this year, resulting in a higher percentage of bad debts, there may be limited scope for adjusting transfers to hidden reserves to provide an advance in disclosed profit. Conservative accounting is all very well, but it does little for investor confidence, particularly in a year when banking conditions are likely to become increasingly difficult.

The problem facing management this year is that the period of strong growth in banking activities seems to be over for the time being. Most of last year's growth, based on comparison of interim and final accounts, took place in the first half. And the slower rate of the second half is likely to persist during the current period. That will leave the various industrial interests to provide the bulk of growth.

Last year, ignoring a R1,11m (R1,04m) surplus on realisation of assets, the industrial interests — mainly the 62,2% interest in Bonuskor and wholly-owned Trans-



vaalse Suikerkorporasie — provided R23,7m (R11,6m) of the R46,4m (R30,3m) disclosed taxed profit. That represented a 104% advance in industrial earnings — something which is unlikely to be repeated this year. This does not necessarily imply that industrial earnings are set to decline, but growth rates will be slower and the group will need to rely to a greater extent on its banking activities to provide the bulk of profit advances this year.

These will be affected by generally tighter liquidity in the country, which could limit growth in Volkskas Bank's lending to customers. Last year the capital base — and therefore lending capacity — was increased by a R30m rights issue. This was added to by a R25,8m surplus on realisation of fixed investments and a R12,3m (R9m) transfer to disclosed reserves.

The scope for raising further outside funds seems limited for the time being, so management is likely to adopt an ultra-cautious line on disclosed retentions — and therefore distributions — this year.

Over the past four years dividends have grown at a compound rate of 15,8%. If that rate is maintained this year a payout of 42c would be on the cards. That, however, is probably the outside limit of dividends and if management pulls in its horns a more likely payout is 40c. At 560c the share thus yields a prospective 7,1% which is not altogether attractive at a time of rising interest rates and slowing profit growth.

Jim Jones

LUCEM (58)

On target FM 3/7/81

Activities: *Holding company with investments in steel, bricks and computers. Subsidiaries include Flekser, Eclipse, Clabric and Wardal. Directors own 35% of the equity.*
Chairman: *D A Lurie.*
Capital structure: *12,7m ordinaries of 50c; 1,6m 12,5% red cum prefs of 10c; and 5m variable red cum prefs of 1c. Market capitalisation: R24,4m*.*
Financial: *Year to March 31 1981. Borrowings: long- and medium-term, R14,2m; net short-term, R103 000. Debt:equity ratio: 60,8%. Current ratio: 1,7. Net cash flow: R5,3m. Capital commitments: R1,2m.*
Share market: *Price: 185c (1980-81: high, 250c; low, 120c; trading volume last quarter, 890 000 shares). Yields: 24,3% on earnings; 8,7% on dividend. Cover: 2,8. PE ratio: 4,1.*
* On 13,2m shares in issue in June 1981

	'80	'81
Return on cap (%)	6,2	23,3
Turnover (Rm)	13,4	93,1
Pre-tax profit (Rm)	0,9	8,5
Gross margin (%)	7,2	10,9
Earnings (c)	10,3	45,0
Dividends (c)	4	16
Net asset value (c)	76,6	147,2

Trying to keep track of Lucem's corporate structure is akin to trying to count the number of bees in a hive. The group probably now closely resembles what chairman David Lurie set out to establish though it is evident the shuffling is not yet over. That makes historical analysis somewhat misleading — extrapolating past earnings growth bears no resemblance to what future earnings capacity is

Historical financial information is thus of limited value but a more crucial factor is Lurie's own *modus vivendi*. At the top of the "objectives" list in his chairman's review is the stated desire "to effect a coherent integration of the group's companies without destroying the entrepreneurial spirit existing in each."

Lucem is as close to a conglomerate as one can get and the danger in administering such a diverse nature of companies is that control can easily be lost. Lurie is well aware of this and the structure of Lucem seems to allow for strict financial control, but with enough flexibility to give operating managers an outlet for entrepreneurial skills.

Group information flow and planning has thus been computerised and divisions operate on quarterly budget periods.

During financial 1981, existing operations were strengthened by acquisition and expansion and a new division was added. Lucem bought from Mertons, in the last month of financial 1981, its motor parts wholesale, retail and warehousing subsidiaries for 511 000 Lucem ordinary shares.

Lucem directors and major shareholders have agreed to sell to Mertons a further 5m Lucem shares in exchange for 17m Mertons shares Control is thus retained in Mertons, now renamed Lucor, which in turn controls Lucem with almost 42% of the equity.

The effect of this deal is that it gives the Lurie consortium two quoted companies with Lucor in a strong acquisitive position and control of Lucem safeguarded.

From Lucem's point of view, the acquisition of the motor spares division adds another high-growth area to group interests. The Lucorp motor parts companies now in Lucem will not have a great impact on earnings in financial 1982; in the last trading year net profit was about R200 000.

Is it, then, justifiable to add another high-growth division to Lucem's stable of interests in engineering, brick manufacture, energy, electronics and construction equipment? Lurie's tactics over the past year lend credibility to the latest move. In financial 1981 the share price was trading at a healthy premium to net worth and the comparative cost of equity in financing these paper acquisitions was, for Lucem, low. The group in fact issued over 5m new shares for acquisitions in 1981.

Sooner or later servicing the issued capital of Lucem will become excessively expensive as the share price is likely to reflect a discount to net worth. Thus the formation of Lucor takes the burden off Lucem's need to grow in group terms.

But there is nothing to suggest, at this stage, that Lucem will not be able to provide the earnings growth anticipated. The brick division is being expanded and industry forecasts suggest market demand should be high for at least the next two years. The engineering division was dragged down by poor results from Flekser last year, but Lurie says that margins are now improving in the steel merchandising market. The engineering companies supply the building and mining industries both of which are expected to exceed the national growth rate in the next year.

The division most likely to suffer from the high cost of money this year is also the division which ultimately promises the greatest growth prospects — the electronics division. Taking over CNA's Central Data Systems expanded the product range and distribution capability, but the final benefit will be the clinching of a deal with CNA whereby Wardal, with which Central Data is now merged, has access to CNA outlets. Financing stocks in this division is expensive and buying market share is even more so, but overall group financial structure is healthy enough to see at least this division through the next year.

The results for 1981 were close to market expectations. Lurie is confident that growth in the current year will be greater than the sustainable target growth rate of 21%. The financial structure allows for fast development either way if need be, but is fully supportive of an achievable growth of 30% this year. That would allow a distribution of 20c a share to give a prospective yield of 10,8%. The share is good medium-term growth buy though Lucor could provide more speculative action near-term.

Ian Muil

ANGLO AMERICAN (58) FM 3/7/81

New growth phase

Activities: *Mining finance house with major interests in gold, coal and diamonds as well as important industrial and insurance interests. Apart from its own operating companies, Anglo controls JCI and has an indirect interest in 28,9% of Consolidated Gold Fields.*
Chairman: *H F Oppenheimer.*
Capital structure: *225,7m ordinaries of 10c; R4,8m 6% cumulative preferred stock; and 40m red cum prefs of 2,5c. Market capitalisation: R3 295m.*
Financial: *Year to March 31 1981. Borrowings: long- and medium-term, R1 637m. Net cash: R1 024m. Debt: equity ratio: 21,1%. Current ratio: 4,0. Group cash flow: R589m.*
Share market: *Price: 1 460c (1980-81: high, 2 230c; low, 1 225c; trading volume last quarter, 645 000 shares). Yields: 26,2% on earnings; 7,5% on dividend. Cover: 3,5. PE ratio: 3,8.*

	'78	'79	'80	'81
Investments·				
Book value (Rm)	838	879	1 130	1 953
Market value (Rm)	2 269	3 386	5 423	6 444
Investment income (Rm)	213,2	220,6	321,4	565,8
Earnings (c)	87,6	90,1	136,1	382,9
Dividends (c)	45,25	46	70	110
Net asset value (c) .	1 025	1 543	2 391	2 897

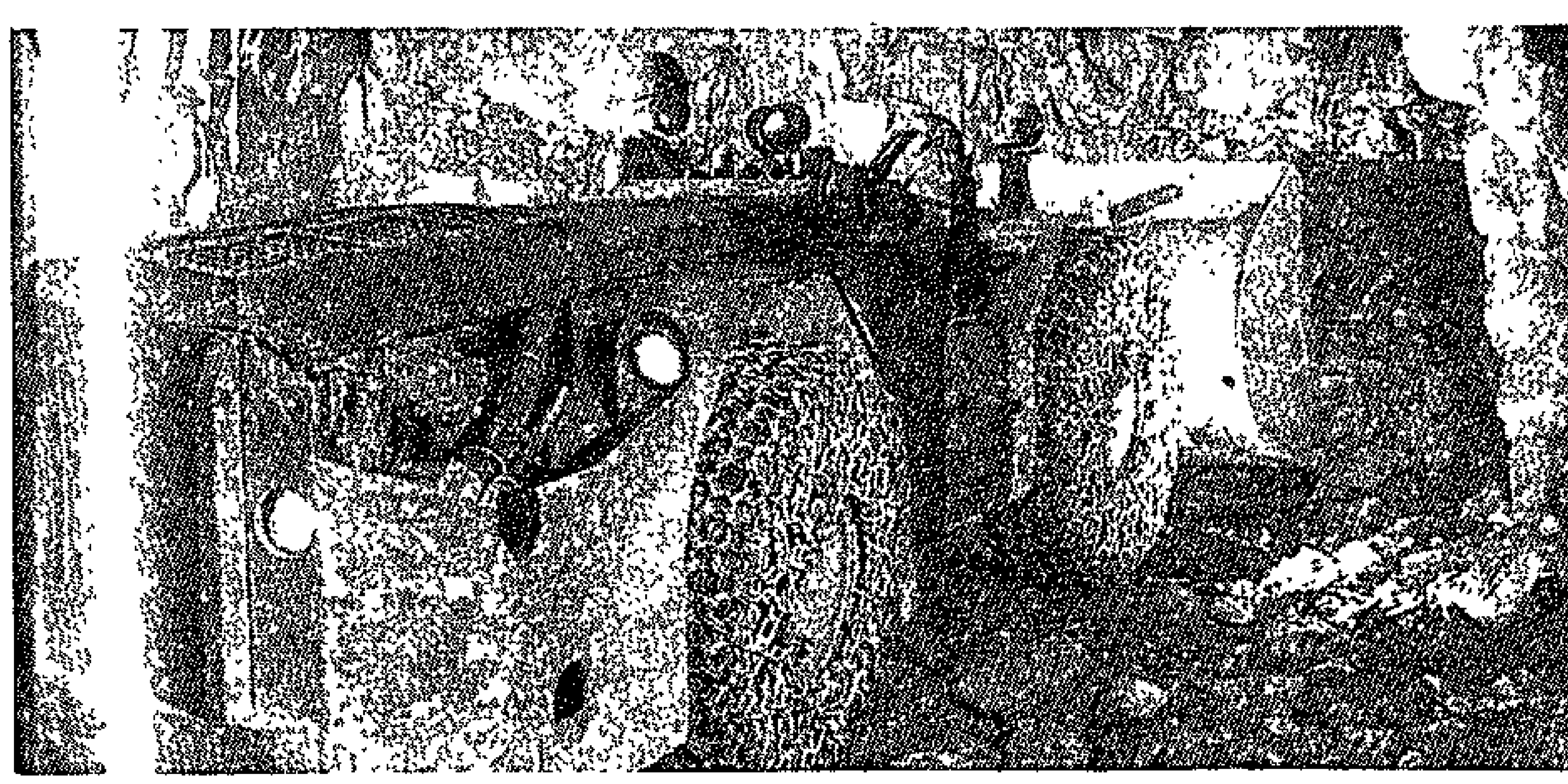
In the wake of gold's collapse, Anglo's share price has shed almost 200c in the past few weeks. And until gold recovers further weakness could be on the cards. But if that has left the bears rubbing their hands with glee, it is providing buying opportunities for investors prepared to look beyond the present, and probably temporary, setback. The latest price weakness has probably been overdone in view of the group's inherent strength.

Now that the reorganisation and rationalisation of the greater group's worldwide interests has been substantially completed, the next phase appears to be a round of organic growth. The Erfdeel gold project has been given the green light by the authorities. And though it may be only marginally attractive at current gold prices, by the time it comes on stream in 1988 the picture should be a lot different. Of course, the loan capital which will have to be provided by 40,4%-owned Eastern Gold to Western Holdings to fund the net cost of Erfdeel will increase as the gold price weakens. But that will not strain the group's resources.

What appears to be building up is an unprecedented burst of capital spending on new ventures over the next few years. Management seems to be taking an increasingly positive view of the copper/lead/zinc prospect in SWA/Namibia's Sperrgebiet, while in Brazil a new small gold mine is being opened and expansion of existing gold mining operations is under consideration

Extending the scope of Latin American interests, a joint venture partnership has been formed with Cominco of Canada to carry out a major exploration programme in Chile and Argentina. Capital expenditure and possible profits from those two countries are several years away. But the fact that Anglo is becoming active in them further underlines the group's determination to expand outside southern Africa.

Not that the home base is being ignored. Coal reserves held by Amcoal, which became a 50,9%-owned subsidiary and was consolidated in February, have been increased to about 10 billion tons, with further additions this year. Amcoal has reserves sufficient for 300 years of operations at current levels and the thrust will be to accelerate exploitation rates to maximise the worth of the coal in the ground.



Anglo . . . digging deeper into new ventures

On the other hand, enthusiasm for uranium has dwindled. While exploration expenditure rose to R28,5m (R17,2m) last year, the effort aimed at uranium targets decreased. There is little point in adding production in a market which will continue to be over-supplied for the rest of this decade and the group has more than adequate reserves to satisfy any conceivable demand improvement.

This year will almost certainly see a slowdown in the rate of growth of industrial earnings and the same will be true of gold (where a reduction is certain) and diamonds unless the rand's fall against the dollar offsets poorer earnings based on foreign currencies.

To a large extent, however, this earnings weakness should be at worst offset by consolidation of Amcoal for the full year. Perhaps more than any other mining group, Anglo has the capacity to incorporate further earnings to offset temporary slowdowns.

It remains to be seen whether gold will fall so far as to lead to a significant cash flow reduction. But even if it does, the group will have no difficulty in funding whatever capital projects it chooses. For a start, net current assets were R1,21 billion at the end of March. To put that in perspective, it is enough, give or take a few million, to finance about three new, medium-sized gold mines.

In addition, with a debt:equity ratio of 21,1% calculated on the end-March figures, the group has considerable capacity for further gearing. Further debt will almost certainly not be needed, but even so the balance sheet would be far from strained if the current R1,64 billion long-term debt was doubled.

Since acquiring its 28,9% stake in Cons Gold, the group has reverted to its characteristic low-key profile on acquisitions. But that has not allayed the fears of temporarily cash-strapped base metals mining groups around the world that a cash-flush Anglo group is hungry for further acquisitions.

All but the shortest-term investors are probably best advised to look beyond the share's present gold-induced travail. The group has been transformed by its restructuring over the past year or so, but it is set for further growth transformation in the medium term. The shares may not be ridiculously cheap at their current 7,5% historic yield, but they are sufficiently attractive for investors who want to accumulate them.

Jim Jones

JULY 5, 1981

STOP MUCKING UP OUR RIVER!

S. Tribune 5/7/81 (S.)

Tribune Reporter

CONTRACTORS canalising Durban's Springfield Flats could face legal action over the silting up of the Umgeni River.

The project has turned the Umgeni River into a mud bath near the Connaught Bridge and has brought a chorus of complaint from conservationists, anglers and others.

This week Mr Geoff Dyer, chairman of the Natal Canoe Union, told the Sunday Tribune he had consulted lawyers to see if there was any way to stop the damage being done to the river.

And City Engineer Mr Don MacLeod said if the current "unacceptable" discharge into the river from the dredging operation was not rectified, steps would be taken.

"The contractor has been aware of our feelings over this matter and we are now waiting to see what steps he will take," said Mr MacLeod.

Others who have expressed concern over the operation, which has seriously silted up a short section of the river near the Connaught Bridge, are anglers, lifesavers on beaches near the Umgeni mouth, and Durban's holiday businesses — worried that further muck in the sea would keep holidaymakers away.

The project is supposed to reduce the risk of flooding on the flats and remove the existing refuse tip there.

It will reclaim land for a planned Railways staging yard, a new works branch depot for the Durban City Engineer's Department and industrial sites.

The operation involves considerable dredging of the river where water from the river is kept in retention ponds. It is when this silt laden water is returned that silt builds up on the river bed.

But the contractors this week assured concerned parties that all would be done to keep the river in a good condition.

MUDDY water pours into the Umgeni River from two outlet pipes used in dredging operations in the canalisation of the Springfield Flats. The area below the pipes, where sandbanks now block the river, was at least a metre deep three months ago

Firm may face legal action over silting

A spokesman for Clifford Harris (Pty) Ltd said that the severe silting up of the river near the dredger outlet pipes would be moved out by a big flood.

He said silt, unlike sandbanks in the river, was so fine that it would be scoured out by a heavy flood.

He said one of the first steps taken to rectify the situation would be the building of an additional retention pond in the [illegible] itself by building a temporary sandbank, which would result in cleaner water being pumped back into the river after dredging.

Another step would be to filter the water more thoroughly so less fine silt is deposited back in the water.

A proposal on which conservationists are pinning their hopes for [illegible] of the river is the recycling of all effluent back into the dredging process.

According to Mr George Begg, co-ordinator of estuarine research for the Oceanic Research Institute, this recycling operation would ultimately lead to the silt being settled out in the retention ponds at the end of the operation — and not in the river as at present.

Mr Begg told the Sunday Tribune that the situation in the river was now near-critical for marine life.

Mr [illegible] Thorpe, the fish records classification officer for Natal, said he had received complaints from fishermen. He was concerned that the damage could be spread to beaches nearing the mouth of the river.

Department of Water Affairs officials have visited the site and this week a spokesman said they were sure the matter would be "put right".

Canoeist Mr Dyer said he had approached a lawyer this week with a view to [illegible] action could be taken if the situation is not rectified.

Canoeists who train regularly on the river pointed out that a deep pool near the Connaught Bridge — at least a metre deep in the past — is now so silted up even at high tide that canoes cannot get through without dragging their hulls in mud.

Water below the dredging operation is discoloured.

All along the bank work has changed previously lush vegetation into churned up earth — and a few dead fish floating in the river were an ominous sign of the possible fate of marine life in this stretch of water.

Volkskas explains offer for Bankovs

Star 8/7/81

58

The Volkskas Group has announced details of its takeover bid for the Bank of the Orange Free State (Bankovs), reports Sapa.

Volkskas said that agreement had been reached in terms of which the ordinary shareholders of Bankovs would receive one ordinary share in Volkskas for eight ordinary shares in Bankovs.

The offer would be made by Volkskas Ltd (the commercial bank) and the consideration shares would be issued by Volkskas Group Ltd subject to the following:

- Acceptances for 90 percent (or such lesser percentage at the discretion of Volkskas) of the ordinary shares of Bankovs be received.
- Consideration shares to be issued by Volkskas would not qualify for any dividend which might be declared by Volkskas for the financial year ended March 31.
- Should the required acceptances be received, the acquisition would become effective from April 1, this year.
- All fractions resulting from the consideration shares would be aggregated and sold on the Johannesburg Stock Exchange on behalf of the Bankovs shareholders.

The directors of Bankovs have recommended that Bankovs accept the offer.

Shareholders holding approximately 38 percent (including the approximately 29 percent held by Rentmeesterbeleggings) of the issued ordinary shares of Bankovs have indicated they will accept the offer and the registrar of banks has indicated he will support the Volkskas offer.

It was not anticipated that the offer would have a material effect on the net issue value of the earnings a share of Volkskas for the financial year ending March 31, 1982.

MOVE IN EURAPE

Volkskas is understood to be testing the European capital markets for a 50-million US dollar five-year loan, reports the London-based Financial Correspondent of The Star.

Capital market sources say the loan will command a floating rate of three-quarters of a percent above Libor.

URBAN & REGIONAL PLANNING

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QUANTITY SURVEYING

(Continued)

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I : N D G Sessions

II : A R Low Keen

BANK TAKEOVER 281 58

Volkskas announces plans to take over the Bank of the Orange Free State (Bankovs), a deal which would lift Volkskas's assets to more than R5 billion. Both banks deny speculation that the move is a rescue operation for Bankovs. FM 10/7/81

BONUSKOR (58) FM 10/7/81

Getting stronger

Activities: *Industrial holding company with interests in earthmoving, construction equipment, motorcycle distribution, farming, forestry, sawmilling and fixed property. Volkskas owns 62,4% of the equity*
Chairman: *Dr J A Hurter; managing director: J A Botha.*
Capital structure: *27,3m ordinaries of R1. Market capitalisation: R40,1m.*
Financial: *Year to March 31 1981. Borrowings: long- and medium-term, R9,3m; net short-term, R24,8m. Debt:equity ratio: 67,9%. Current ratio: 1,1. Net cash flow: R16,9m. Capital commitments: R0,8m.*
Share market: *Price: 147c (1980-81: high, 230c; low, 92c; trading volume last quarter, 583 000 shares). Yields: 43,9% on earnings; 10,2% on dividend. Cover: 4,3. PE ratio: 2,3.*

	'78	'79	'80	'81
Return on cap (%) ..	—	6,4	18	25,3
Turnover (Rm)	202	160	339	526,5
Pre-tax profit (Rm) ..	(4,8)	1,5	10,7	24,1
Earnings (c)	—	4,1	26,7	64,6
Dividends (c)	—	—	5	15
Net asset value (c) .	104	113	136	186

The group's wide spread of interests means there is little chance of achieving an earnings trend contra-cyclical to the country's overall economic trend. But the depth of recovery engineered by Bonuskor management seems not to have been appreciated by the market and the current high yield of the share is attractive.

Bonuskor has now restored profitability to the extent that the balance sheet is healthy, if not fully strengthened. All indications are that management's policies, if maintained this year, will see the group with a strong balance sheet and debt and liquidity ratios at sufficient level to start an expansion phase in time for the next economic upturn.

The 1978 disaster, when R6,6m operating losses incurred by Construction & Mining Equipment and its financing arm Indusco pushed group losses up to R8,6m, is now only a bad memory.

Bonuskor owes as much to a fortuitous improvement in the business climate as it does to improved asset utilisation. The group's spread of interests has not been radically altered, merely pruned. Most important, however, the strongest divisions generated a cash flow sufficient to allow the group to start reducing borrowings and to shed those companies which were draining profitability.

This "realisation of unrelated investments and especially assets of activities which could not be profitably applied" continued in financial 1981. Impala Pneumatics, Indusco Trust and Marnix Manor Development were sold. But added to group interests at a cost of R13,5m together with some expansion, were electronics company Contronics, tea producer Senteeko and insurance brokers Central Brokers.

All of Bonuskor's major operating divisions recorded strong pre-tax profit growth and, though long-term loans were trebled, debt equity was reduced due to an increase of R33,1m in group assets. Most of this was in the stocks and debtors side of current assets, indicating the high level of trading enjoyed during the year

Chairman Jan Hurter is confident that sound growth can be achieved But he hedges his forecast with a warning on the effects of economic conditions Bonuskor has such trade names as Honda, Mitco Tools, Scania, Volvo and Mack trucks and Hatz diesel engines These products go into industries which should maintain strong growth this year On top of that, the timber industry cannot supply demand and profit from Twello should continue increasing at a faster than average rate

The balance sheet structure will continue to be strengthened but the current high retention level may well be relaxed this year. That could, on earnings growth of 30% to 84c a share, result in a distribution of 24c in financial 1982. At the current price the prospective yield is 16,3%. A neglected counter worth buying, notwithstanding market softness. *Ian Mac*

QUANTITY SURVEYING

(Continued)

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For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

I : N D G Sessions

II : A R Low Keen

III: No award

S A Brick Association Prizes
For the best student in the subject of Building Construction.

C W von During

For the second best student in the subject of Building Construction.

K Strong

URBAN & REGIONAL PLANNING

Student Planners Award
For the student who has shown greatest promise at the end

Fed Volk control china firm

Star 19/4/81

By David Bamber

Federale Volk beleggings has acquired full control of Continental China Holdings for an undisclosed sum.

Fed Volk previously held 74 percent of Continental with the balance of 26 percent being held by the Industrial Development Corporation of South Africa (IDC).

Spokesmen from Fed Volk and the IDC declined to say how much the deal was worth but did say it involved only share swopping.

In exchange for the Continental shares, Fed Volk has issued the IDC with 148 700 new Fed Volk shares and also handed over its minority shareholding in Ferrovorm.

It could not be ascertained what the Ferrovorm shares are worth but the amount is probably not very significant as Fed Volk only held 8,5 percent of Ferrovorm's issued capital.

However, with Fed Volk shares currently trading at around 560c the new shares issued to the IDC are worth about [illegible].

Continental produces crockery for household use and for the caterer industry. It has factories at Blackheath, Rosslyn, Atlantis and Grahamstown.

Businessmen are 'less optimistic' — Barclays

CT, 14/7/81 (47) (58)

JOHANNESBURG — After the euphoria of the past few quarters, Barclays National Bank's quarterly survey on the business outlook says that businessmen have become noticeably more cautious about prospects for the months immediately ahead.

The survey, published in the July issue of Barclays Business Brief, says that most firms interviewed towards the end of June continued to be optimistic about prospects in their centres or areas over the next three to six months.

Comp...

...ticeably more cautious about prospects for the third quarter than they had been for some time.

On this occasion, in fact, the great majority (74 percent) said they expected that results during the next three months would show little or no change from those achieved during the second quarter.

"Only 17 percent expected an improvement, while nine percent expected production sales would show a decrease."

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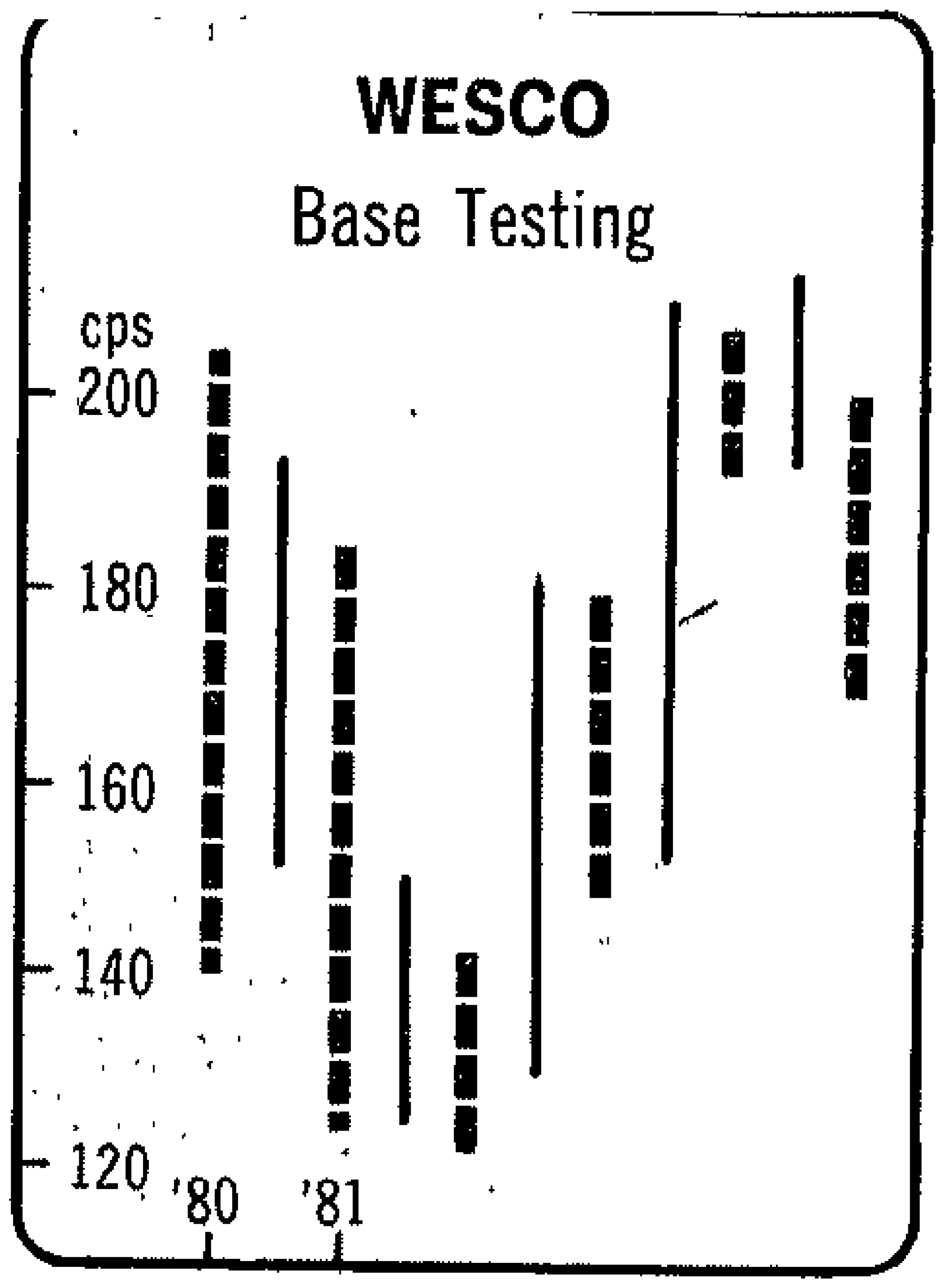
...of skilled labour in the year ahead.

The "mode" values of expected cost increases for this year appears to be in the range of 14 to 15 percent for wages and 15 to 16 percent for unit costs.

"This suggests an inflation rate for the year of around 15 percent as there usually is a close correlation between wage and unit cost increases and the inflation rate," says Barclays.

"Present indications are that, after having slowed down somewhat over the past three months, the inflation rate could accelerate again over the next three or four months under the impact of a series of administered price increases.

"By the final quarter of the year, however, the business cycle contraction and the high interest rates should start to exert downward pressure on wage increases and on employment, with a consequent slow deceleration of the inflation rate by that time." — Sapa



WESCO

Still motoring

FM 17/7/81

Activities: *Investment company with interests in motors, insurance, clothing, banking, engineering and retailing. Holds 49% of Toyota, 49% of Metair, 29% of Veka, 32% of Rand Life Assurance and 24% (20%) of Raylite. Directors hold 64% (70%) of the equity*

Chairman: *Dr A J J Wessels, managing director D J Du Preez.*

Capital structure: *8,3m ordinaries of R1 and 2m 'A' cum prefs of 1c. Market capitalisation R14,9m*

Financial: *Year to June 30 1981. Borrowings long- and medium-term, R800,000, net short-term, R257 000 Debt equity ratio 4,4% Current ratio 1,3*

Share market: *Price 180c (1980-81 high, 220c; low, 63c, trading volume last quarter, 386 000 shares) Yields, 12,8% on earnings, 10% on dividend. Cover [illegible] PE ratio 7,8*

A substantial hike in investment income last year, thanks mainly to Toyota, allowed Wesco to positively restructure its financial position after surviving the weakness brought about in the uncertain periods of 1977 and 1978 Chairman Albert Wessels forecast for the current year is cautious, but all signs point to another good profit advance

The largest contributor to earnings in the year to end June was Toyota Dividend income from this 49%-held company increased 205% to R1,7m (R563 000) — making 82,2% (96,6%) of the group total This sharp increase results from Toyota's record profit in the year to end-December when vehicles sold rose 18,1% to give the company 16,2% (14%) of the total market

Though growth from Toyota will slow this year monthly sales statistics confirm the company is maintaining a high share of a still growing market This year Wesco could receive dividend income from Toyota of around R2,1m — despite negative factors in the motor market such as high interest rates and unfavourable exchange rates On the basis of such dividend income from Toyota, Wesco's earnings would rise by 4,5c a share

In addition, most other Wesco investments are budgeting for a better year Last year, clothing company Veka paid its first dividend since 1976, and Wessels expects further improvement As with Toyota, this forecast is based on trading for the first six months of this year which indicates there is little chance of expectations going awry

	'78	'79	'80	'81
Return on cap* (%)	5,2	9,3	4,4	8,8
Div Income (R000)	160	481	422	2 092
Pre-tax profit (R000)	23	365	583	2 044
Portfolio value* (Rm)	7,1	7,3	18,7	24,4
Earnings (c)	(0,6)	4,3	6,8	23,1
Dividends (c)	—	-	6,5	18
Net asset value (c)	55	62	200	269

* Investments at market/directors' valuation

A similar picture emerges from Wessels' view of other investments A reduced loss is anticipated at Ekspa, while Metair and Rand Life are optimistic

The only uncertainty is battery manufacturer Raylite Sharp variations in lead prices last year meant only a small profit improvement, as occurred industry-wide Provided lead remains stable and the tie-up between Chloride and Haggie does not cause major disruption to the market Raylite should increase profit in financial 1982

Wesco used its booming dividend income last year to reduce gearing again Total borrowings amount to only 4,4% of equity (including the R2m cum prefs recently issued), and interest payments absorbed only 7,6% (28,7%) of gross profit The return on capital trend appears unfavourable, but a major factor is a large rise in the worth of the company's portfolio Return on investments at book value thus shows an increase to 19,0% (6,9%).

Allowing for the uncertainties spelt out by Wessels, there is no reason to expect Wesco will not achieve earnings growth of at least 20% this year The group is now financially trim, so a similar dividend advance is possible. At 180c the share is on a 12,2% prospective yield On income grounds the yield is attractive. while capital gains could be the reward of those prepared to take a view on Toyota's results.

Des Kilalea

AUTOLEC (58)

The tyre factor

FM 17/7/81

Activities: *Investment company also holding certain franchise agreements. Some susidiaries hold properties, trade as distributors of equipment accessories and spares for the motor industry as well as operate workshops Together with holding companies, Autolec controls more than 50% of the voting rights of Williams, Hunt. Holding company is Cap-Auto.*

Chairman & managing director: *Dr H Khazam.*

Capital structure: *2m ordinaries of 50c; and 150 000 cum prefs of R2. Market capitalisation: R5,4m*

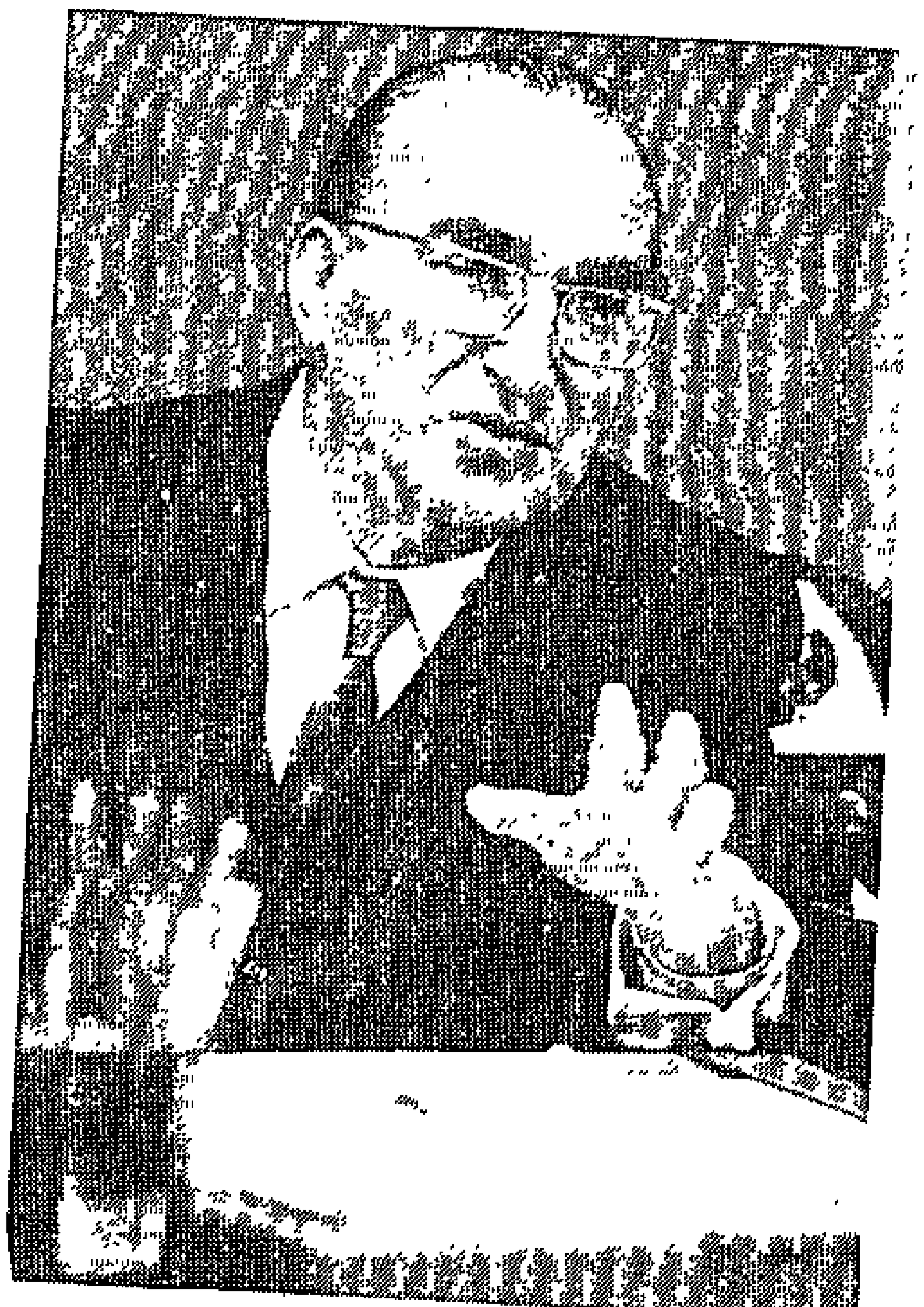
Financial: *Year to February 25 1981. Borrowings: long- and medium-term, R10 000; net short-term, R144 000. Current ratio: 1,5. Net cash flow: R2,3m.*

Share market: *Price: 270c (1980-81: high, 290c; low, 140c; trading volume last quarter, 5 000 shares). Yields: 50,2% on earnings; 9,3% on dividend. Cover: 5,4. PE ratio. 2,0.*

	'78	'79	'80	'81
Turnover (Rm)	2,2	1,3	2,4	2,8
Pre-tax profit (R'000)	598	250	222	298
Earnings (c)	21,9	54,5*	62,2	135,6
Dividends (c)	10,5	8,3*	6,5	25
Net asset value (c)	171	512	663	799

* Annualised and changed to equity accounting.

Autolec's major investment — 23,1% of motor dealer Williams, Hunt — helped boost taxed attributable profit by 117% for the year to end February 1981 but, at the bottom line, the profit increase stems from Williams, Hunt's 55% stake in General Tire.



Autolec's Khazam . . . on the right road

Gentire's accounts were consolidated for the first time in financial 1981 Profits climbed sharply from R7,5m to R24,3m, which pushed up Williams, Hunt's previously dismal return on capital. Gentire proved a winner for both Williams, Hunt and Autolec and the company recently acquired an additional 12 825 shares, bringing Autolec's total holding to 150 000 shares.

Autolec is part of the Aurochs Group and cross-holdings are complex. The company equity accounts the earnings of associated companies in which it holds between 20% and 50%. Hence, while Autolec's accounts appear attractive, they do not reflect the flow of dividends from associates. This is significant simply because the company exists primarily on dividends.

What is not shown in the accounts, for example, is the fact that both Williams, Hunt and Gentire have, for some time, maintained a high level of retentions, despite last year's improved results. Gentire's dividends are currently covered six times, while those of Williams, Hunt are almost five times covered.

Earnings more than doubled during the year from 62,2c to 135,6c a share. But distribution hinges on dividend income and a final dividend of only 15c was declared, bringing the total payout for the year to 25c. Autolec would benefit by something like the multiplier effect should Gentire and Williams, Hunt ever reduce cover. At this stage it is not clear whether this will happen, but chairman Heskel Khazam is confident that this year's earnings will at least match last year's.

As far as the holding company, Cap-Auto is concerned, attributable earnings amounted to R4m (R1,6m), equivalent to 98c a share. Of this R607 000 was paid as dividends, with cover of 1,4 times. The low cover is because both Cap-Auto and Autolec are simply vehicles to guarantee Khazam's continued control of Williams, Hunt and Gentire.

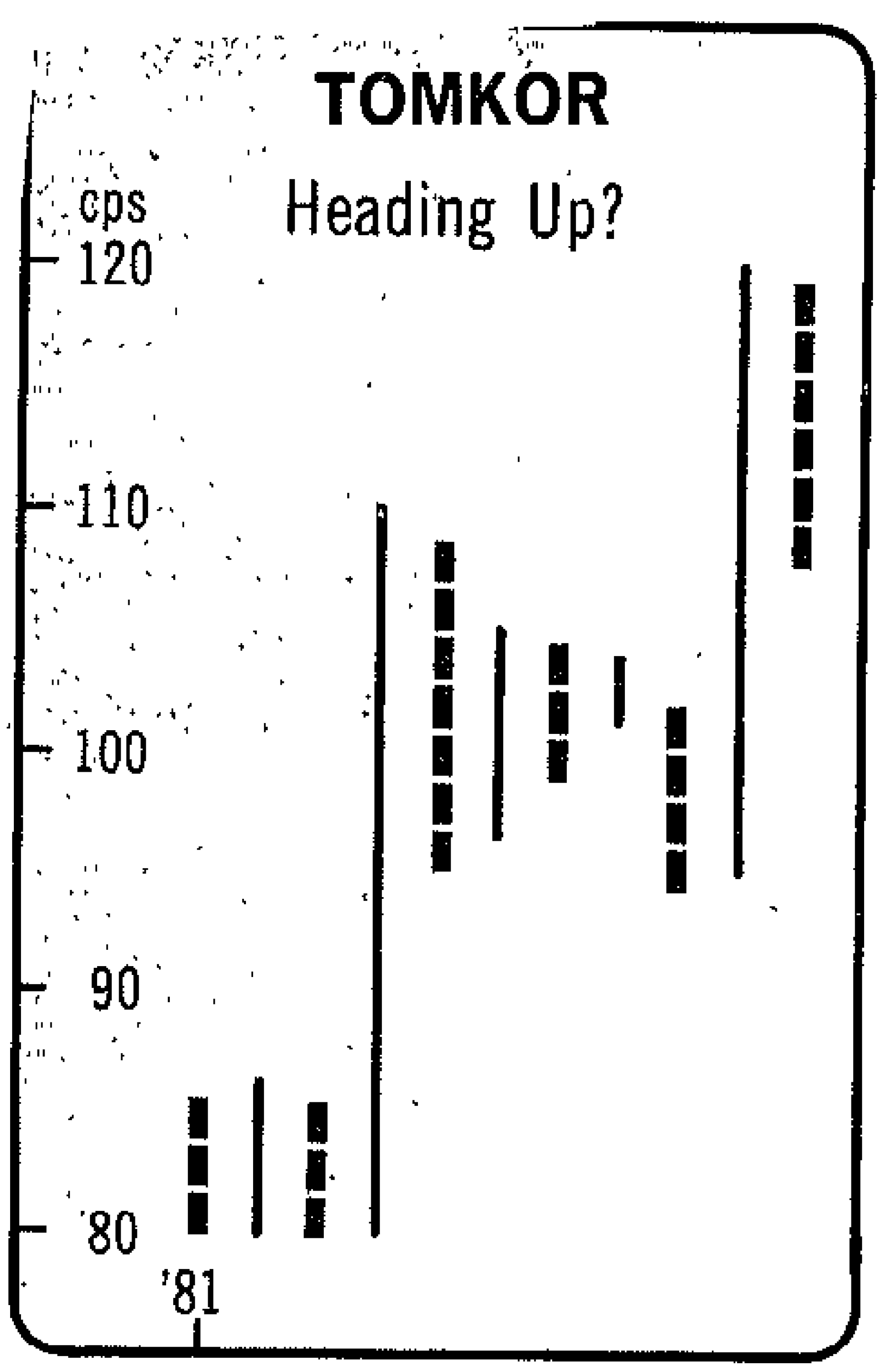
At 270c, Autolec yields an historic 9,3% on dividend compared with 7,5% for Cap-Auto. The average yield in the motor sector is 7,4%, so neither of these prices is unattractive. But, in view of limited marketability, buying directly into Gentire or Williams, Hunt makes more sense

Chris Wilson

TOMKOR (58) FM 17/7/81

Well placed

Activities: *Property investment holding company. Subsidiaries own commercial, business and industrial properties mainly in the Pretoria area.*
Chairman: *H Galasko; managing director. A Wapnick.*
Capital structure: *8,8m ordinaries of 50c. Market capitalisation: R9,7m.*
Financial: *Year to February 28 1981*



Borrowings: long- and medium-term, R11,4m; Net cash R630 000. Debt:equity ratio: 172,0%. Current ratio: 0,6. Group cash flow: R968 000 Capital commitments: R2,9m.
Share market: *Price. 110c. (1980-81: high, 118c; low, 80c; trading volume last quarter, 224 000 shares). Yields: 9,9% on earnings; 8,6% on dividend. Cover: 1,2. PE ratio: 10,1.*

Property holding company Tomkor, quoted in September last year, enjoyed the full benefit of the property boom and increased pre-tax profit by 62% to R1,6m. Chairman Harold Galasko says he expects profit to exceed R2m in the current year.

Gross margin, already abnormally high, widened further with turnover up only 24% to R3,6m Strong demand for well-sited premises, rental increases and lease expirations were the main contributory factors.

	'80	'81
Return on cap (%)	14.4	16
Turnover (Rm)	2.9	3.6
Pre-tax profit (Rm)	1.0	1.6
Gross margin (%)	80.6	82.6
Earnings (c)	7.0	10.9
Dividends (c)	4.0	9.50
Net asset value (c)	68.8	77.8

After-tax profit rose 55,8% to R963 000 after a two percentage point rise in the tax rate to 40,9%. Earnings were 57,1% higher at 10,9c a share and distribution rose 137,5% to 9,50c a share

The company relies heavily on borrowings, but Galasko says long-term loans have been negotiated at fixed interest rates. Further interest rate rises should not affect Galasko's prediction of increased profitability this year. Debt:equity at 172,0% (170,5%), is not unbearable for a property company, though it might have been uncomfortable had Tomkor been more exposed on the short-term side.

The group owns 60 properties, mainly Pretoria-based. They are largely "multiple tenancy" buildings. Commercial properties contribute 40% of group income, residential flats provide only 3%, retail shops contribute 38%, factories 8% and others 11%.

Galasko says there is further need for well-sited premises and rentals will probably continue rising as building costs are sharply up. Rentals of buildings constructed before the start of high building cost inflation have also been reviewed This will continue as leases expire. Approximately 30% of current leases expire during 1981. This year should thus see improved income from rentals.

Profit growth prospects are good during the current year considering the industrial and commercial property shortage in Pretoria and the group's strong market position in this area.

Earnings could reach at least 14,5c a share and, with unchanged cover of 1,2 times, a 12c dividend would be paid. At 110c the prospective 10,9% yield seems to be discounting most of the strength in the property market.

Cathi Warriner

AFRICAN EAGLE

Flying high

58 FM 17/7/81

232

For the last time as separate companies African Eagle Life Assurance and Guarantee Life have presented their annual financial statements for 1980/81.

Only weeks ago parent Anglo American Insurances (AAI) announced its intention to merge the two companies early in 1982.

Apart from both companies' creditable performance in a buoyant insurance market, the restructuring of their property portfolios is interesting.

Zac de Beer, AAI's executive director, comments: "African Eagle's improved income and cash flow can be attributed in part to its thoroughly restructured large property portfolio. It disposed of its substantial holding of Sorec shares and acquired, in exchange, a first rate portfolio of directly held properties, consisting in the main of shops and offices in the major cities."

Because of differences in insurance and company tax rates, African Eagle derives greater benefit from this type of investment.

The consolidated balance sheet shows a net reduction of R74,1m in property investment with a corresponding reduction in minority interests and long-term loans which is mainly attributable to the sale of investment in Sorec. But the group's effective interest in property has not been reduced.

Guarantee, which in the past had only minimal involvement in property, has also moved into this field.

The 1980/81 financial year saw African Eagle's recurrent premium income move through the R100m mark for the first time, while investment income increased by 32% to R49,1m. But in his director's report De Beer cautioned that it would be folly to suggest that the exceptional growth experienced over the past two years is likely to continue indefinitely.

African Eagle's total premium income amounted to R168,1m compared to R138m for the previous year.

Guarantee's premium income moved up 31,5% to R21,2m with new business production moving from R5,8m to R7,0m.

During the year under review African Eagle also gained a controlling share (63%) in Metals & Minerals, as well as a majority share in First Consolidated Holdings, a leasing and finance company previously held by AAI.

It is interesting to note that despite SA Eagle surrendering its 25% stake in African Eagle earlier in the year, African Eagle has maintained its 25% share in SA Eagle.

An important achievement for African Eagle this year is that its operating costs increased by only 4% against an average inflation rate of 13,75% and a 15,7% increase in premium income.

DEPARTEMENT VAN FINANSIES | DEPARTMENT OF FINANCE

QG 7662

(58)

No. 1465 — 17 Julie 1981

Staat van Ontvangste in en Oordragte uit die Skatkisrekening vir die tydperk 1 April 1981 tot 30 Junie 1981.

Tesourie, Pretoria.

No. 1465 — 17 July 1981

Statement of Receipts into and Transfers from the Exchequer Account for the period 1 April 1981 to 30 June 1981.

Treasury, Pretoria.

ONTVANGSTE — RECEIPTS

Inkomstehoof	Head of Revenue	Maand Junie / Month of June 1981	1980	Totaal 1 April tot 30 Junie / Total 1 April to 30 June 1981	1980
		R	R	R	R
Skatkissaldo, 31 Maart 1981	Exchequer Balance, 31 March 1981			214 [illegible]	
Skatkissaldo [illegible]	Exchequer Balance [illegible]	[illegible]			
Doeane en Aksyns	Customs and Excise	[illegible]	[illegible] 567 569	434 535 [illegible]	200 659 11[illegible]
Binnelandse Inkomste	Inland Revenue	[illegible]	[illegible]	2 [illegible] 164 553	2 [illegible]
		[illegible]	[illegible]	2 [illegible]	2 422 [illegible]
Staatsoliefonds	State Oil Fund	[illegible]	[illegible]	[illegible]	[illegible]
Nasionale Padfonds	National Road Fund	[illegible]	[illegible]	[illegible]	53 651 [illegible]
Suid-Afrikaanse Ontwikkelingstrustfonds	South African Development Trust Fund	[illegible]	[illegible]	[illegible]	[illegible]
Rekening vir Swart Vervoerdienste	Account for Black Transport Services	[illegible]	[illegible]	2 765 [illegible]	[illegible]
Fonds vir Sorghumbiernavorsing	Sorghum Beer Research Fund	[illegible]	[illegible]	[illegible]	[illegible]
S.W.A. Gebiedsinkomstefonds — Verkoopreg	S.W.A. Territorial Revenue Fund — Sales Duty	—	[illegible]	[illegible]	[illegible]
		[illegible]	521 [illegible] 474	2 881 530 [illegible]	2 551 [illegible] 546
Ander Ontvangste	*Other Receipts*				
Skatkisbiljette *Binnelands*	Treasury Bills *Internal*	45[illegible] 000	—	1 618 126 000	—
Stabilisasierekeningvoorskotte	Stabilisation Account Advances	[illegible] 000 000	—	2[illegible] 000 000	—
Binnelandse Effekte: Obligasies en Lenings Opgeneem—	Internal Stock, Bonds and Loans Raised—				
8% Tesourie-obligasies Tweede Reeks	8% Treasury Bonds Second Series	10 269 200	—	32 543 [illegible]	—
9% Nasionale Verdedigingsobligasies	9% National Defence Bonds	1 2[illegible]		4 [illegible]	—
Verdedigingsbonusobligasies	Defence Bonus Bonds	[illegible] 622 165	—	51 [illegible]	
7% Tesourie-obligasies	7% Treasury Bonds	Dr 31 000		Dr 1[illegible] 000	
Binnelandse Geregistreerde Effekte	Internal Registered Stock				
12,5%, 2003	12,5%, 2003	342 442 288	—	1 590 936 152	
9,5%, 1984	9,5%, 1984	[illegible]		335 278 6[illegible]	—
12,00%, 1992	12,00%, 1992	100 000 000	—	100 000 000	—
Buitelandse Lenings en Krediete Opgeneem—	Foreign Loans and Credits Raised—				
1981/86	1981/86	—	—	2 906 403	—
1979/84	1979/84	—	—	2 833 000	
1982/87	1982/87	64 856 451	—	64 856 451	—
	R	2 080 032 575	—	7 003 225 476	—
Totaal (insluitende Aanvangssaldo)	Total (including Opening Balance) R	2 090 423 [illegible]		7 218 [illegible] 705	

UITBETALINGS — ISSUES

		1981	1980	1981	1980
1 Staatspresident	State President	40 000	35 000	125 000	104 000
Statutêre Bedrag	Statutory Amount	[illegible] 716	4 166	13 65[illegible]	[illegible]
2 Parlement	Parliament	280 000	330 000	1 133 000	1 046 [illegible]
Statutêre Bedrag	Statutory Amount	350 000	375 000	967 000	1 [illegible]
3 Eerste Minister	Prime Minister	300 000	[illegible] 000	1 341 000	[illegible] 000
Statutêre Bedrag	Statutory Amount	3 750	—	11 250	
4 Mannekrag	Manpower	2 000 000	2 871 000	11 988 300	11 [illegible] 000
5 Samewerking en Ontwikkeling	Co-Operation and Development	50 000 000	22 72[illegible] 000	[illegible]	61 [illegible]
Statutêre Bedrag	Statutory Amount	46 000 200	35 [illegible]	141 [illegible]	104 [illegible]
6 Vervoer	Transport	5 000 000	1[illegible] 000 000	[illegible]	[illegible]
7 Finansies	Finance	[illegible] 000 000	2[illegible]	1 0[illegible]	707 [illegible]
Statutêre Bedrag	Statutory Amount	[illegible]	[illegible] 545 000	5[illegible]	[illegible]
8 Oudit	Audit	530 000	450 000	1 575 000	1 2[illegible]
9 Binnelandse Aangeleenthede	Internal Affairs	[illegible] 015 000	30 [illegible] 000	[illegible]	130 [illegible]
10 Buitelandse Sake en Inligting	Foreign Affairs and Information	33 [illegible] 000	3[illegible] 000	65 [illegible] 000	47 [illegible]
Statutêre Bedrag	Statutory Amount	3 765 000	[illegible] 563 000	11 [illegible] 000	1[illegible]
11 Mineraal- en Energiesake	Mineral and Energy Affairs	12 000 000	12 [illegible] 000	103 [illegible] 000	103 [illegible]
12 Polisie	Police	[illegible] 000 000	[illegible] 000	1[illegible]	[illegible]
13 Kommissie vir Administrasie	Commission for Administration	590 000	450 000	1 [illegible] 000	1[illegible]
14 Statistiek	Statistics	1 000 000	2 000 000	[illegible] 000	[illegible]
15 Gesondheid, Welsyn en Pensioene	Health Welfare and Pensions	60 000 000	63 000 000	216 000 000	216 [illegible] 000
Statutêre Bedrag	Statutory Amount	1[illegible] 000	26 000	45 000	52 000
16 Onderwys en Opleiding	Education and Training	30 000 000	2[illegible] 000	[illegible] 000	61 [illegible] 000
17 Waterwese, Bosbou en Omgewingbewaring	Water Affairs, Forestry and Environmental Conservation	24 000 000	23 163 000	73 [illegible] 000	62 [illegible] 000
18 Nasionale Opvoeding	National Education	40 000 000	2[illegible] 000	1[illegible] 000 000	140 [illegible] 000
19 Weermag	Defence	125 000 000	16[illegible] 000 000	[illegible] 000 000	[illegible] 000 000
20 Landbou en Visserye	Agriculture and Fisheries	45 [illegible] 000	38 500 000	116 000 000	118 [illegible] 000
21 Nywerheidswese, Handel en Toerisme	Industries, Commerce and Tourism	17 [illegible] 000	[illegible] 000	[illegible] 000 000	1[illegible] 000
22 Justisie	Justice	1[illegible] 000 000	16 930 000	[illegible] 000 000	64 [illegible] 000
Statutêre Bedrag	Statutory Amount	[illegible] 000	111 000	1 150 000	[illegible] 000
23 Gemeenskapsontwikkeling	Community Development	54 [illegible] 000	[illegible] 000	225 [illegible] 000	104 [illegible] 000
	R	1 186 009 266	1 0[illegible] 370 [illegible]	4 125 531 715	3 [illegible]
Staatsoliefonds (a)	State Oil Fund (a)	25 000 855	[illegible] 734 505	72 659 [illegible]	[illegible]
Nasionale Padfonds (b)	National Road Fund (b)	12 [illegible] 668	21 [illegible] 205	[illegible]	[illegible]
Suid-Afrikaanse Ontwikkelingstrustfonds (c)	South African Development Trust Fund (c)	[illegible] 712	[illegible]	4 229 [illegible]	[illegible] 3 552
Rekening vir Swart Vervoerdienste (d)	Account for Black Transport Services (d)	[illegible]	[illegible]	[illegible] 164	[illegible]
Fonds vir Sorghumbiernavorsing (e)	Sorghum Beer Research Fund (e)	[illegible]	29[illegible] 000	[illegible]	[illegible]
S.W.A. Gebiedsinkomstefonds — Verkoopreg (f)	S.W.A. Territorial Revenue Fund — Sales Duty (f)	—	[illegible]	[illegible]	[illegible]
	R	42 560 055	32 520 [illegible]	116 829 154	110 278 [illegible]
	R	1 228 [illegible] 321	1 [illegible]	[illegible]	3 455 [illegible]
Ander Uitbetalings	*Other Issues*				
Terugbetaling van Skatkisbiljette: Binnelands	Treasury Bills repaid: Internal	[illegible] 113 000		[illegible] 000	—
Leningsheffing 1966/80 gedelg	Loan Levy 1966/80 repaid	[illegible]		2 [illegible]	
Delgingsfondsvoorskotte	Sinking Fund Advances	369 [illegible]		[illegible]	
Binnelandse Effekte: Obligasies en Lenings Gedelg—	Internal Stock, Bonds and Loans Redeemed—				
4% Pensioenfondse	4% Pension Funds	262 500		650 500	
Vyfjaar-obligasies vir Nie-inwoners	Five Year Non-Resident Bonds	3 [illegible] 500		11 [illegible] 500	
8% Tesourie-obligasies	8% Treasury Bonds	[illegible] 500		11 [illegible]	
Premie-obligasies	Premium Bonds	9 50[illegible] 700		[illegible]	
Tweede Reeks Premie-obligasies	Second Series Premium Bonds	10 913 100		47 [illegible]	
7% Tesourie-obligasies	7% Treasury Bonds	18 858 050		[illegible]	
Nasionale Verdedigingsobligasies	National Defence Bonds	4[illegible] 035 000		[illegible]	
Tweede Reeks Nasionale Verdedigingsobligasies	Second Series National Defence Bonds	1[illegible] 410 000		[illegible]	
Derde Reeks Nasionale Verdedigingsobligasies	Third Series National Defence Bonds	[illegible]		[illegible]	
8% Nasionale Verdedigingsobligasies	8% National Defence Bonds	93 [illegible]		[illegible]	
Verdedigingsbonusobligasies	Defence Bonus Bonds				
Binnelandse Geregistreerde Effekte	Internal Registered Stock			836 [illegible]	—
5,625%, 1981	5,625%, 1981	121 [illegible]		[illegible]	
5,875%, 1981	5,875%, 1981				
Buitelandse Lenings en Krediete Gedelg—	Foreign Loans and Credits Redeemed—				
6% Uitvoerkrediet Fasiliteit	6% Export Credit Facility	—		1 [illegible]	
1979/81	1979/81			[illegible]	
1978/81	1978/81			12[illegible]	
Uitbetalings, Staatsinkomstebegrotingsposte, 1980/81	Issues, State Revenue Votes, 1980/81	12 495		1 [illegible]	
	R	850 [illegible]		2 [illegible]	
	R	2 0[illegible] 573 6[illegible]		7 21[illegible]	
Skatkissaldo, 30 Junie 1981 — Kontant	Exchequer Balance, 30 June 1981 — Cash	[illegible]		[illegible]	
Totale	Totals R	2 090 [illegible]		[illegible]	

(a) Artikel 1 van Wet 38 van 1977 | (a) Section [illegible] of Act 38 of 1977
(b) Artikel 2 (1) (a) van Wet 54 van 1971 | (b) Section 2 [illegible] of Act 54 of 1971
(c) Artikel 8 van Wet 18 van 1936 | (c) Section 8 of Act 18 of 1936
(d) Artikel 7 (1) van Wet 52 van 1957 | (d) Section [illegible] of Act [illegible] of 1957
(e) Artikel 10bis (1) (a) van Wet 63 van 1962 | (e) Section [illegible] of Act [illegible] of 1962
(f) Artikel 22 (4) (a) van Wet 25 van 1969 | (f) Section 22 [illegible] of Act 25 of 1969

Insurance broking merger

CT 19/7/81

(SP)

THE Board of Executors and Fidelity Bank Group Ltd and Robert Enthoven Nibicon (Pty) Ltd (REN) are to merge their insurance broking interests.

REN will acquire The Board of Executors Insurance Brokers (Pty) Ltd (BEIB), and The Board and Fidelity Bank will acquire a minority interest in REN.

Mr Robert Enthoven and Mr Charles Bothner will continue respectively as executive chairman and managing director of the merged insurance broking interests.

REN is one of the leading independent insurance brokers in South Africa. Following close on the heels of the merger between The Board of Executors and Fidelity Bank, this merger will immediately enhance The Board and Fidelity Bank's ability to provide a full range of financial services.

REN, particularly strong in the Transvaal, and with branches in the major centres will, with a very high quality client base, enhance the national potential of The Board and Fidelity Bank.

There is a high degree of compatibility between the two groups in respect of style and strategy — both have a reputation for innovation, personalized service and flexibility — close co-operation between the two groups will produce excellent opportunities for mutual expansion.

Indian bank move to sell its shares to all

SP 19/7/81

By G R NAIDOO

SHARES in South Africa's only Indian-registered bank can now be sold to anyone of any race.

The New Republic Bank, passed a special resolution this week not to restrict the purchase of shares to any particular race.

When the bank was established more than 10 years ago, the Registrar of Financial Institutions restricted the shareholding to Indians only.

The amendments to the company's articles of association leaves only one limitation on the holding of shares in the bank — no member, save the Standard Bank Investment Corporation, may directly or indirectly, hold more than 10 percent ordinary shares.

Mr J N Reddy, chairman of the board of the bank, said this week that over the years, the bank had negotiated with the registrar for special dispensation so restrictions on share-holdings could be removed.

Satisfaction

"Ever since we launched the bank, we have always had in mind the removal of all restrictions, so that the bank can be the same as any other.

"We have a deep feeling of satisfaction now that our efforts have come to fruition.

The bank has been able to create employment opportunities for Indians that would not have been possible in the past.

"There will be more challenging opportunities in the future, and I am sure that our personnel will have the expertise to accept such challenges," said Mr Reddy.

The bank was registered as an authorised general bank with a capital of R1-million. By the end of November 1971, the fully paid and issued capital stood at R676 000.

Since the establishment of the bank, branches have been established in Durban, Johannesburg, Stanger and Chatsworth.

8101
20/7/81

Trading loss for Consure

(58)

(2609)

Constantia Insurance Company has recorded an overall trading loss of R147 000 for the financial year ended February 28 compared with the R705 000 profit earned last year. No dividend will be paid.

The chairman, Mr N Kirsh, said the loss would have been greater had Consure's investment income not increased from R626 000 to R1 347 000.

However, he cautions that the improvement in investment income arises to some extent from profits on the sale of certain investments and is not likely to recur in the near future as Consure's gilts and other portfolio investments are presently standing at a discount on book value.

Last year, Consure made a R79 000 underwriting profit on the R21 086 000 gross premiums written.

Consure's non-motor premiums increased 92.5 percent from R3 745 000 to R7 210 000 but, because of the unsatisfactory rate structure in the market, Consure only retained R1 614 000 (R1 075 000), an increase of 50,2 percent. — Sapa.

QUANTITY SURVEYING

(Continued)

<u>Bell-John Prize</u>
For the best all-round student in any year of study.

P C Key

<u>The Committee of the Western Cape Chapter of Quantity Surveyors' Prize</u>
For the student obtaining the highest marks in Professional Practice.

P R Swift

<u>LTA Prizes</u>
For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

I : N D G Sessions

II : A R Low Keen

III: No award

<u>S A Brick Association Prizes</u>
...ent in the
...g Construction.

...st student in the
...ng Construction.

URBAN & REGIONAL PLANNING

...Award
...ho has shown
...at the end

48% lift for Fedfund

23/7/81

Financial Reporter

FEDERATED Property Trust (Fedfund) hoisted net distributable income 48% in the six months to June.

But because of the larger number of units in issue since the rights issue, income and the dividend a unit rose 18,3% to 7,1c (1980: 6c).

Net distributable income in the first half was R4 659 000 (R3 150 000). This was spread over 65 625 000 units against 52 500 000, hence the lower earnings and dividend growth a unit.

The directors say the property portfolio performed "most satisfactorily" and forecast satisfactory growth in dividends for the full year.

Fedfund's twin in the Sage property trust stable, Pioneer Property Trust, reports a 15,4% increase in net distributable income.

This was R2 478 000 (R2 147 000). The number of units in issue was stable at 41 300 000, so earnings and dividends a unit rose in line to 6c (5,2c).

The directors say the result is in line with expectations and they forecast a similar rate of growth for the second half.

IGI/HOSKEN

Competitive squeeze

FM 24/7/81

Activities: *Insurance company, mainly in short-term motor business. Subsidiaries underwrite life assurance. Directors control 21% of the equity. Hosken Consolidated Investments owns 53,5%.*

Chairman: *L Nathan; managing director: I M A Lewis.*

Capital structure: *5,4m ordinaries of 25c, 1m 12,5% cum red prefs of R1. Market capitalisation R5,1m*

Financial: *Year to March 31 1981. Total assets R52 1m. Insurance funds R[illegible]m. Current ratio 1[illegible]*

[illegible]

Gross premium income (Rm)	[illegible]	[illegible]	45,3	[illegible]
Underwriting profit (Rm)	[illegible]	[illegible]	[illegible]	[illegible]
Operating profit (Rm)	[illegible]	[illegible]	[illegible]	[illegible]
Earnings (c)	[illegible]	[illegible]	[illegible]	[illegible]
Dividends (c)	7	7	[illegible]	10
Net asset value (c)	[illegible]	[illegible]	[illegible]	[illegible]

IGI's performance last year reflected the fierce competition in the short-term insurance market which has resulted from continuing overcapacity in the sector. [illegible]

[illegible]

COMMON FUND (58)

Buying more ICS

FM 24/7/81

Activities: *Investment trust with a wide spread of mining and industrial holdings. Owns 20,4% of ICS. Directors own 39,3% of equity.*
Chairman: *Dr J G van der Horst.*
Capital structure: *7,3m ordinaries of 10c. Market capitalisation: R39,4m.*
Financial: *Year to March 31 1981. Net cash: R65 000. Current ratio: 0,5.*
Share market: *Price: 540c. (1980-81: high, 560c; low, 350c; trading volume last quarter, 20 000 shares) Yields: 10,4% on earnings; 6,9% on dividend. Cover: 1,5 PE ratio: 9,7.*

	'78	'79	'80	'81
Investments:				
Book value (Rm)	10,7	12,4	13 7	15,5
Market value (Rm)	20,4	33,1	51,8	62,4
Dividend Income (Rm)	1,9	2,0	2,5	4,2
Earnings (c)	24,7	26,7	32,6	55,9
Dividends (c) ..., ...	16,0	17,5	21,5	37,5
Net asset value (c)	276	442	690	831

Common Fund's portfolio advance has been slow compared with the market. The *RDM* 100 index increased 26% (55%) in the year to end-March 1981, while the market value of the company's investments rose only 20% (56%). However, dividend income was 68% ahead at R4,2m (R2,5m)

Pre-tax profit improved by 70,4% to R4,1m (R2,4m) while tax rose to R33 000 (R5 000). The tax charge is low as dividends are the main source of income and are not taxable. Chairman Johannes van der Horst says that as in the past, a substantial amount, R1,3m, was transferred to general reserve Profit growth has benefited from preserving some income in the past to fund further investment.

He estimates that more than half the total underlying earnings of the portfolio was held back by the relevant companies. And in Common Fund itself, a third of taxed profit was retained last year as a matter of policy. This policy, Van der Hörst believes, is necessary to preserve real income in inflationary times.

Additions were made to energy holdings during the year — 75 000 Sasol and 25 000 Amcoal. The interest in the unquoted Klein Aub copper mine was increased. All purchases are funded by dividend income and, if necessary, by short-term overdraft facilities. The stake in ICS has been increased from 17% to 20,4% since the end of the financial year. The purchase of the additional 438 000 shares will be financed through short-term facilities.

The book value of investments rose to R15,5m (R13,7m), while the cash holding was increased to R65 000 (R29 000). Debtors dropped substantially to R8 400 (R145 400)

The portfolio generally consists of good quality shares. Major sales were of 110 000 Bankorp, 200 000 Retco and 13 000 Deelkraal. Additions were made to the Vaal Reefs and Southvaal holdings, while the number of Sasol shares was doubled to 150 000.

Cathi Warriner

the advantages of making independent decisions outweighs the disadvantages thereof ... there is a wide distribution of shareholders and no single shareholder, or even a group of shareholders, holds a sufficient number of shares to prescribe policy to the bank."

Pickard's stake gives him no more than the maximum voting rights of 1% of issued capital laid down by the Articles of Association. And though he will not want to step on any toes at the bank, he has already been appointed to the board and it is certain he will want two-way benefits to result from the stake he has bought.

Last year was an exceptional year, and one unlikely to be repeated for some time. The gold price was abnormally high, money supply grew by 27% in calendar 1980, interest rates were comparatively low and industry had an almost insatiable appetite for borrowings.

Boland could hardly have failed to benefit, but the bank did well by growing proportionately, keeping balance sheet ratios within reason. As is usual with most of the country's banks, the net income figure is after an undisclosed transfer to internal reserves. That is thought to have been a large amount but, nonetheless, the net income increase was 22,6% to R4,6m, while total assets, which gives a base for future expansion, grew 31,5% to R578m.

Financial 1981 was an excellent foundation year for the planned expansion of general and commercial banking services. The strength of growth in deposits with the bank is one of the features of the 1981 results. The figure has more than doubled in the past four years — indicating the success of the bank's efforts to broaden its previously small and localised geographic base.

The medium to long term should see Boland grow from strength to strength. But the immediate future gives cause for concern. Hugo's prediction is that Boland "will experience difficulty in maintaining its growth record of the past number of years."

Current interest rate trends, monetary policy, and increased competition all suggest banks will be squeezed.

The present rating of the share acknowledges the results of financial 1981. But there is no reason to buy now, nor probably for the next six months.

Ian Muil

BUILDING SOCIETIES

The hammer falls

58

FM 24/7/81

The building societies have reacted unhappily to a directive sent to them by Registrar of Financial Institutions Naas van Staden, informing them that it is an "undesirable practice" to pay more than the top mortgage rate (13,5%) for fixed deposits over R250 000 maturing in any one month.

In terms of the Building Societies Act, the Registrar must be consulted about the price paid for any deposit in excess of R250 000. His directive, (and to call something an "undesirable practice" constitutes an effective ban), was allegedly prompted by a request from one society to take 12-month money at 17%.

The Registrar apparently justifies his move by pointing to simple economics — borrowing at 3% or 4% above the rate at which you lend must eventually erode reserves. Another consideration is the desire to make a debut impact upon his recently-acquired domain. But the head of one large building society described it as "unwarranted interference," and as an attempt to head off an increase in mortgage rates. Others say that with the two-man commission of inquiry into the building societies due to report in only two weeks time, Van Staden is concerned to follow the letter of the law exactly.

There is however concern in Pretoria over the composition of building society funding. It is generally accepted that the societies should primarily mobilise personal savings. In the UK, for instance, about 98% of their funds come from this source, whereas SA societies allegedly draw about 14% of their funds from the corporate market

Society sources say that if they are denied competitive access to the wholesale market, the present trickle of new bonds will dry up altogether, and they may even have to re-examine contractual commitments. At the moment they have

MERCATRUST

Performing well

FM 24/7/81

Activities: *Investment holding company with interests in financial services, building and laundries. Owns 70% of Libcor Financial Services, 70% of Merbuild and 68% of Advance Holdings.*
Chairman: *Dr F J du Plessis; managing director: Dr C G Ferreira.*
Capital structure: *2m ordinaries of no par value. Market capitalisation: R5m.*
Financial: *Year to March 31 1981. Borrowings: long- and medium-term, R9m; net short-term, R14,2m. Debt:equity ratio. 246%. Current ratio: 1,5. Net cash flow: R1,5m. Capital commitments: R346 000.*
Share market: *Price: 250c (1980-81: high, 370c; low, 175c; trading volume last quarter, 174 000 shares). Yields: 35,8% on earnings; 10,0% on dividend. Cover: 3,6. PE ratio: 2,8.*

	'78	'79	'80	'81
Return on cap (%) ..	14,1	12,8	11,6	14,3
Turnover (Rm)	12,9	17,5	19,7	23,0
Pre-tax profit (Rm) ..	0,3	0,9	1,1	2,7
Gross margin (%)	19,1	16,5	15,7	20,3
Earnings (c)	0,4	45,3	60,0	89,4
Dividends (c)	—	15	20	25
Net asset value (c) .	137	151	204	295

Overall, Mercatrust's trading divisions performed well last year, with the result that the group's pre-tax profit more than doubled to R2,6m (R1,1m). And chairman Fred du Plessis expects that last year's improved results will be maintained this year, despite the increased cost of finance and the flagging economy.

Taxed attributable income rose 150% to R1,8m (R720 000) with an accompanying earnings advance of 49% to 89,4c (60c) a share. The increase was achieved in spite of a restructuring of equity. In August, 2m prefs were converted to 800 000 ordinaries, bringing the number of ordinary shares in issue to 2m.

The bulk of the group's net income was provided by 70%-owned financial services subsidiary Libcor which, together with Mercatrust's own limited financial services, contributed 71% (70%) of overall net income The group's interest in Henwoods — which deals in listed shares — also paid off. The contribution from this division increased from 10% to 18% during the year, mainly because of the favourable conditions on the JSE.

Other subsidiaries did not perform as well. The percentage contribution from the industrial division — in which the group's most important investment is Advance Holdings — dropped to 20% of net income against 28% previously. That, however, still meant an increased contribution of R361 000 (R251 000). Mercatrust also has minority interests in several property companies and is invested in township development. According to the directors, "satisfactory progress has been made with sales in proclaimed townships," but this division has not yet begun to contribute to profits.

In addition, the group's investment in construction company Merbuild was "written off." Mercatrust reduced its stake in Merbuild from 70% to 23,3%. In the past, Merbuild has proved a serious drain on overall profits because building cost increases were under-estimated. The directors say no dividend can be expected from Merbuild in the "near future."

One persistent problem area is the high level of borrowings. At year-end, total interest-bearing debt stood at R23,2m (R19,7m), with net short-term borrowings of R14,2m. The debt:equity ratio was 246% — a slight improvement on the previous year's 275%. But this was probably due to the new equity structure. Despite the increase in borrowings (mostly long-term), the average interest rate declined from 10.9% to 8,5%, though this was probably due to the additional debt being incurred late in the year. The interest burden carried by the company is still nearly R2m (R2,1m).

Admittedly the debt position is somewhat distorted by the inclusion of Libcor, which has to carry considerable short-term funds to finance its operations, but the company also has lease commitments totalling over R292 000, more than half of which is due to be repaid this year. This is quite apart from the capex commitments which amount to R140 000.

Dividend cover was increased from 3,0 to 3,6 times and the high level of retentions could allow the company to reduce its debt burden. In the past, however, that has not happened as management believes that Libcor is properly geared.

With the high expectations for improved performance from Advance Holdings and the reduced interest in Merbuild, prospects for maintaining a 25c dividend look encouraging. At 250c, this places the share on a 10% prospective yield which seems fairly attractive compared to the average historic yield in the sector of 6.2%.

Chris Wilson

Investments for billions needed

Institutions may move into housing

RDM 29/7/81

58

Financial Reporter

THE big private financial institutions — insurance companies and pension funds — may move into the residential housing field in a massive way in the 80s.

This forecast was made yesterday by Mr Johan Nel, the managing director of Union Acceptances.

He was speaking at the quarterly press meeting of the Association of Unit Trusts in Johannesburg.

Mr Nel said the crucial problem facing the institutions would be find enough investment opportunities over the next decade for the tens of billions of rands that would come pouring into them.

The Government would be able eventually, if it wanted, to scrap the prescribed investment requirements for institutions.

Both the Treasury and the public corporations would still be able to attract all the funds they needed — provided they offered fair rates of interest.

Mr Nel said: "As a result of a steadily increasing growth rate which has been around 25% (in money terms) for the past two years the total combined assets of the private pension funds and insurers stood at just below R23 000-million at the end of 1980.

"This was more than five times their combined total assets of some R4 350-million in 1970 and it is worth noting that the increase in assets for these institutions at approximately R4 400-million in 1980 actually exceeded their total assets 10 years ago.

"If one assumes on a conservative basis that the future growth rate of their combined assets will be at, say, 20% annually compounded then one is looking at an annual cash flow for these institutions which will increase from the present R4 500-million/R5 000-million to some R10 000-million a year by the mid-1980s and nearly R20 000 million by the end of the decade.

"Put differently, this means that for the period 1981/85 inclusive the institutions will have to find new investments totalling some R34 000 million and for the decade as a whole they will have new investment requirements of nearly R100 000-million.

"In other words, I am projecting total assets of some R57 000-million for 1985 and something like R120 000-million at the end of 1989."

Mr Nel there were six main areas in which this total cash flow was likely to be invested.

The role of the institutions would be:

● To continue to be a major source of funding for public sector fixed investment and infrastructure. "Because of a lack of sufficient alternatives this will be so regardless of whether prescribed investment ratios are substantially reduced or abolished over a period of years."

● "As the institutions grow bigger in the 1980s and own more and more of private sector enterprise they will realise that as custodians of a very big slice of our individual savings they have a duty to play a major role in the provision of new housing for all our people.

"They can do this on a direct basis but I hope that it will be done through the building societies, by the instituitions maintaining substantial long-term deposits on an ongoing basis with the societies."

● "They will become far more dominant and less selective in all forms of property investment."

● "They will serve to underpin the share market to a very large extent as they compete with each other for any shares, blue chip and not so blue chip, which may come on offer at any time."

● "Equity investment by the institutions will spill over to an ever increasing extent into unlisted companies where they will seek to establish parternships with entrepreneurs so that they can secure equity and growth positions as early as possible."

● "More of the major institutions may opt for the 'Sanlam route' — establishing a dominant or control position in a few companies".

Mr Nel said: "The collective cash flow of the insurers and the pension funds is approaching such a size that they will increasingly find that there is little to be gained from a follow-my-leader role and that more than good timing will be required if superior performance is to be achieved.

"Investment 'plums' will be harder to find and entrepreneurs will in future have greater access to institutional funds than has been the case up to now."

UC Investments income up 7,8%

8/9/81 29/7/81 (2~~41~~) (58)

The lower gold price has not yet had a marked effect on UC Investments who report an increase of 7,8 percent to R18,2-million in their after-tax income for the six months to June.

However, the directors warn that the lower price over the past few months indicates that a lower dividend income can be expected in the second half of the financial year compared with the first half of 1981 and the second half of 1980.

The directors do not expect the bullion price to rise materially in the immediate future.

UCI's income from investment amounted to R18-million for the review period. This is an increase of 9,5 percent on last year's interim figure of R16,5-million. Profit on realisation of investment was down slightly to R940 000 from R946 000.

Earnings a share increased 7,9 percent to 93,3c from which a dividend of 45c has been declared. This year's interim dividend is unchanged from last year's.

Total dividend payment for 1980 was 150c a share.

The book value of investments increased to R52-million (R42,8-million).

However, market value of investments dropped to R291,5-million from R355,8-million respecting the drop in gold and platinum share prices.

No adjustment to the provision for writing down investments has been made in the interim figures as the provision required is calculated at the company's financial year-end and is related to market prices at that date. — Ann Crotty.

UBS defence of development corporations

30/7/81 Star

(18)

By Mervyn Harris

The average selling prices of properties sold by the United Building Society's Development Corporation were R26 700 in 1979, R32 000 in 1980 and R41 000 this year. The average for black housing was R15 000.

These figures or rising house prices were given today by Mr Peter Richardson, joint managing directors of the UBS.

He was replying to suggestions that building societies had been "garnering substantial profits" from their building development corporations.

This was denied by Mr Richardson.

First dividend

He said that the UBS Development Corporation, which had been in existence for 10 years, had only paid its first dividend, R650 000, to the society this year.

"The corporation was never meant to be a highly profitable subsidiary and we are satisfied that it achieves its objective of providing reasonably priced housing of good quality to the man in the street.

"It does not set out to maximise profits."

Mr Richardson said that some people had stated that it was difficult to understand the growth of the corporation's activities at a time when limited bond finance was available.

The corporation had, in fact, been forced to restrict activities for the coming year owing to the shortage of bond finance, as had every other developer.

The maximum capital for a building society's development corporation was R4-million.

Market rates

"At present, borrowing powers enable us to draw a further R12-million — but the money borrowed from societies by their development corporations is borrowed at current market rates of about 12 percent.

"This is not cheap money, enabling corporations to operate with advantage over other developers, but most expensive money demanding efficient operation with minimum overheads to produce a profit."

Mr Richardson said that the total loan commitment of the UBS at March 31 this year was R360-million, of which R200-million was for properties under construction.

"Our present commitment is R241-million of which R132-million is for properties under construction.

"More than half our monthly allocation to branches is being used for the building of homes. It would be more profitable for us to advance these funds on existing homes where bonds can be registered with the minimum of delay and an immediate return.

"Building loans are paid out over a longer period and there is a substantial delay before the full return is received on the amount granted to the client."

The figures did not include loans to buyers of development corporation houses, which would add about R7-million at most to them.

Mr Richardson said it had been suggested that finance could be more gainfully employed in cheaper housing units and it was certainly more in the public interest if invested in low to medium-cost housing.

After detailing the average prices of properties sold by the development corporation, he said: "It may seem unusual but, in more affluent areas bonds are not required to the same extent as in less affluent areas.

"In one of our projects, we recently sold properties valued at R750 000 and only one bond — one of R18 000 — was required.

'All the other sales were for cash."

BANKING (55)

Dubious deposits

FM 31st July 1981

Some of the bigger banks are baulking at certain non-banking institutions whom they claim are forming investor syndicates and taking deposits from them.

Apart from jeopardising investor security, they may well be infringing the Banks Act, which allows only registered banks to accept deposits within certain constraints.

The banks say that some stock brokers and other agents not governed by banking legislation are forming groups of investors, each with only a relatively small amount to invest, for the purpose of either placing a larger deposit with a bank, or of buying a security for a large amount. This gives the investor a higher return than he would receive on investments accessible to the smaller investor.

But, bankers say, investors are under the impression that they hold title to the security. This, they claim, is not the case. One banker says: "What has been happening is that brokers and other non-broking concerns are grouping investors together and buying a bankers' acceptance or promissory note, then pledging parts of these to the individual investors. But the crucial fact here is that neither BAs or PNs are divisible into smaller denominations. Which means that in the event of a broker failure such a security simply becomes part of the assets of the broking firm."

Bankers say investors must beware of accepting pledges rather than title to securities because they believe that such investors would rate as only concurrent creditors in the event of a failure, rather than the better-protected preferential creditor.

Whether or not these practices contravene the Banks Act is debatable because the Act is quite explicit as to the number and amount of deposits and depositors. The Act says that a person shall not be deemed to be accepting deposits "if he does not at any time hold deposits from more than twenty persons or deposits amounting in the aggregate to more than R500 000." According to bankers it also appears to prohibit pledging part of securities when it says "deposits shall be deemed to be loans entered into against security of bills, promissory notes, hire purchase contracts, leasing or similar commercial paper."

According to a leading stockbroker the JSE committee discussed the matter on Tuesday and at least one broker has been told to cease syndicating both bank deposits and money market paper. However an official JSE spokesman refused to comment. But one broker reckons that the problem from the JSE's point of view is not deposit taking but rather one of policing and record keeping.

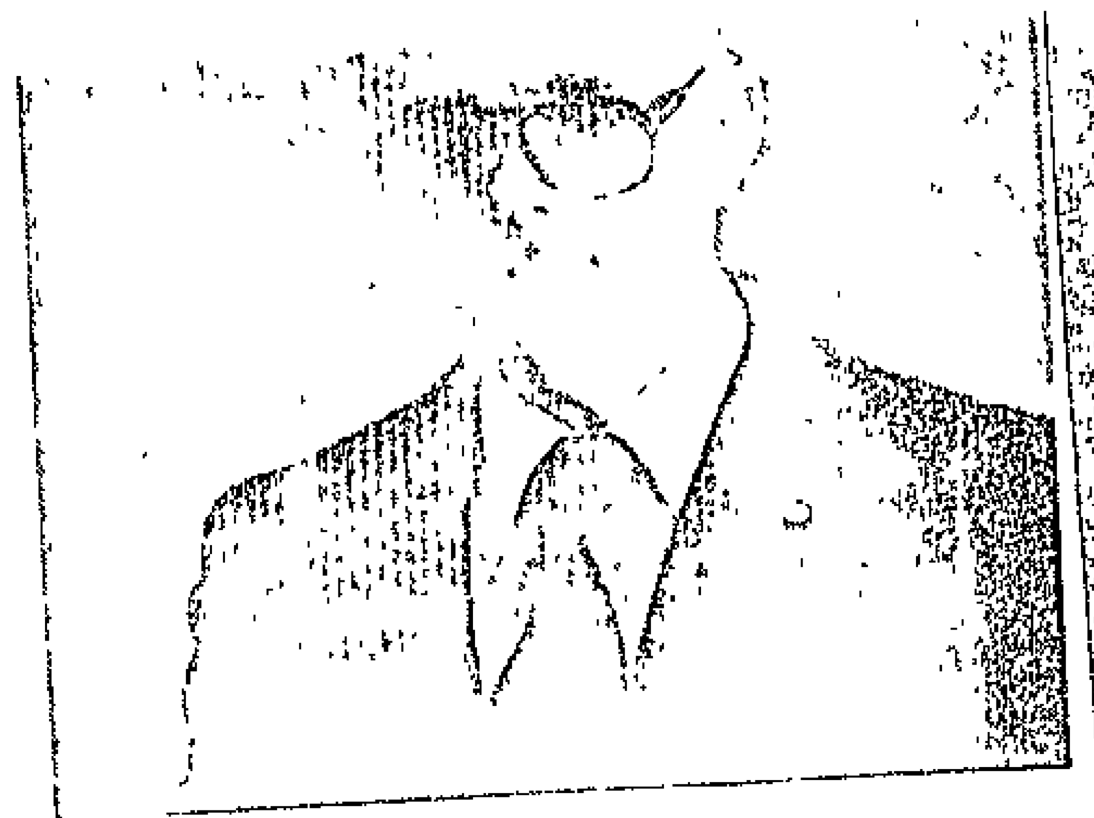
Registrar of Financial Institutions, Maas van Staden is quite clear on the problem of deposit taking. He says: "In such cases there is only one test of whether an institution is taking deposits. An investor must decide to whom he would turn in the event of a failure of the agent.

In other words, if the broker is simply matching two principals it is quite acceptable. But if the agent actually takes title to the security itself and simply pledges parts of it to various individuals, he may well be taking deposits illegally."

Van Staden adds that he has every confidence that the JSE committee will put a stop to any untoward practices in which its members may indulge but that agents who are neither governed by JSE regulations nor within banking circles could create problems in the market.

This type of practice is inevitable in a market where only the large corporate investors are in line for a real return on their fixed interest investments.

One dealer estimates that an investor can better his return by anything up to 4% by forming a syndicate to buy higher priced money market paper.



Registrar Van Staden . . . quite clear on the problem

For instance, the rate on an 88-day notice deposit at one of the biggest commercial banks is 9%, while the rate on a 3-month BA is about 15%.

So from the investor's point of view the returns are undoubtedly better but bankers say that the higher risk involved "is material in the current market."

Van Staden says that "the risk outside the financial institutions is generally higher than within those institutions that are subject to strict legislation."

BUILDING SOCIETIES (53)

Logical rate rise

FM 31/7/81

Building society mortgage rates must rise if the supply of housing in SA is not to cease altogether, according to Hendrik Sloet vice-president of the Association of Building Societies. The only question is not "if," but "by how much" and possibly "when."

The question of building society funding was raised again last week when Registrar of Financial Institutions Naas van Staden directed them not to pay more than the highest mortgage rate (13,75%) for fixed deposits. The Registrar has since clarified his directive, according to building society sources, to specify that any rates can be paid for deposits that involve less than R250 000 maturing in any one month, as long as the money is used only to tailor liquid asset requirements. As the Building Society Act specifies the societies can negotiate with the Registrar for monthly maturities in excess of R250 000, but cannot pay more than 13,75% for them.

Although, in the words of one society MD, it represents "a grudging relaxation" of the original directive, this does muzzle to some extent the societies operations in the competitive wholesale market simply because it places a ceiling on the amounts involved. At the same time, they claim that expensive wholesale deposits were always used only for liquid asset requirements, and that with the banks allegedly paying call rates of up to 17,5%, profits can be made on them. (Bank deposits are included in the liquid asset category.) But it seems clear that this type of money has flowed into mortgage finance as well. Sloet makes the point that with personal savings steadily falling on a national basis, the belief that housing can be funded from that source alone can no longer be sustained.

"Of our total portfolios," he adds, "about 20% is so-called corporate money. Without that, there would have been 20% less housing."

The logic, in Sloet's terms, behind an inevitable rise in mortgage rates is quite simple. So is the choice facing the authorities, which is "either housing at higher costs, or no housing at all." Building society mortgage commitments have fallen R900m since January, says Sloet, and only contractual commitments are being honoured. No new mortgages, he stresses, are being granted.

In the 12 months to the end of March, all categories of society funding have shown increases except the tax-free counters, which have in aggregate fallen by 15%. Fixed deposits have risen by over 268% and transmission accounts by almost 96%. But the rates and terms of wholly or partially tax-free investments can be changed only by altering the Act, and these have fallen behind other similar vehicles, like those offered by the Post Office, or by Bonus Bonds, or by tax-free insurance investments.

Though one third of the dividends on paid-up shares are, like all equities, tax-free, the 10% paid on them is not attractive in the present interest rate climate, and this normally stable fund-source has shown a decline. The R150 000 maximum on subscription shares (paying a relatively uncompetitive 8.25% a year) will fall to R50 000 next year, ostensibly to prevent the rich from benefiting. And the R10 000 per taxpayer maximum special issue paid-up shares (also paying 8.25% a year) cannot compete with the GPO's tax-free investments, which specify a maximum per person (rather than per taxpayer), and which yield over 9% over five years.

"If the authorities do not want to see mortgage rates of 16% to 17%, they will have to raise these rates to halt the drain of funds," says Sloet. "But if they do this we will have to raise our lending rates as a matter of solvency. However, if we do not get relief on our tax-free counters, our more expensive fund sources will have to bear the brunt, and mortgage rates will have to rise even further."

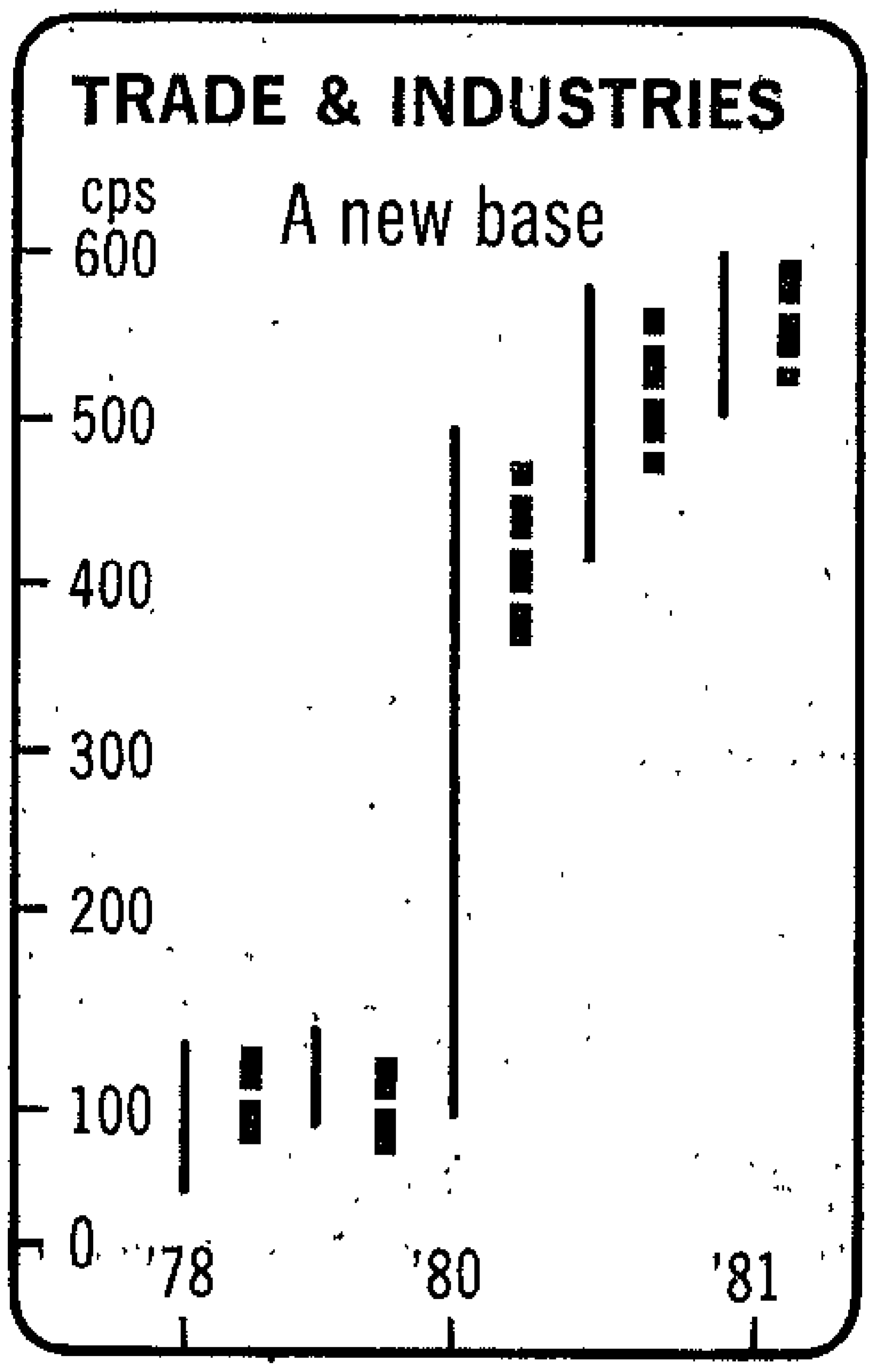
The timing of changes either to the societies' borrowing rates or to their lending rates cannot be predicted, concludes Sloet. But society sources say that Finance Minister Owen Horwood, after receiving the results of the two-man commission of inquiry into the building societies, will almost certainly have to raise the matter in his budget speech on August 12. And that is not very long to wait.

TRADE AND INDUSTRY (58) FM 31/7/81

Growth platform

Activities: *Financial group providing domestic and international merchant banking services. Commercial and industrial interests include 51%-owned (39%) Svenmill, 64% of Prescat and 11% (15%) of Dan Perkins. Directors control 53% of the equity.*
Chairman: *I J Jacobson.*
Capital structure: *3,9m ordinaries of 30c, 300 000 cum red prefs of 30c. Market capitalisation: R23,4m.*
Financial: *Year to June 30 1981. Borrowings: long- and medium-term, R10,7m net short-term, R13,5m. Debt/equity ratio: 178,8%. Current ratio: 1,8. Group cash flow: R5,0m.*
Share market: *Price: 600c (1980-81: high, 600c; low, 400c; trading volume last quarter, 33 000 shares). Yields: 20,4% on earnings; 6,7% on dividend. Cover: 3,1. PE ratio: 4,9.*

	'78	'79	'80	'81
Return on cap (%) ..	25,3	24,7	17,2	23,7
Gross profit (Rm)	5,3	6,2	6,5	11,6
Receivables (Rm) ..	37,8	44,7	56,0	82,3
Total assets (Rm)	24,4	29,6	42,4	57,3
Earnings (c)	48,9	65,9	92,2	122,5
Dividends (c)	16,6	22,5	30,0	40,0
Net asset value (c) .	191	281	329	373



After 35% annual compound earnings growth in the past 10 years and the building of a solid international and domestic infrastructure, Trade & Industry chairman Ivor Jacobson is on safe ground forecasting another strong rise in profit. Despite the fact that certain areas are not budgeted to contribute this year, Jacobson does not expect earnings to deviate from the past five year's growth pattern, suggesting a minimum 45% advance in 1982.

In the year to end-June, T & I's financial services performed strongly, particularly in SA where buyer credit facilities enjoyed solid demand. In addition, instalment credit and domestic trade financing increased profit despite competition and rate softness. The only disappointment was insurance broking where, says Jacobson, insufficient time was devoted. After "minimal" profit last year, an increase is expected in 1982.

Locally, the group's commercial and industrial division — embracing Svenmill, Prescat and the 11% holding in Dan Perkins — performed well with a R827 000 (R670 000) contribution to taxed earnings. And this does not take into account the benefits to flow from an increased 51% (38%) holding in Svenmill, which paid its first dividend since 1976 in the 1981 financial year.

International operations performed less well than their local counterparts in 1981 in line with foreign economies. But with improvements budgeted this year and the thrust into the key SE Asia market expected to start contributing in 1982-1983, Jacobson is confident. Belgium, which was an unexpected loss-maker, has been re-organised with some staff changes,

T & I's Jacobson . . . looking for more

while intensified development in Australia, Israel and the UK is on the cards. Probably the most exciting near-term development is the SE Asia market where Jacobson reckons by 1985 turnover could be \$200m-\$250m.

Other developments include the acquisition from July 1 of Italafrica World Travel Services (Pty), which Jacobson expects will be an almost immediate profit contributor, and an international trading arm, also started on July 1. With the benefits flowing from the group's worldwide infrastructure, the future looks secure. The division's immediate aim is chemicals, foodstuffs, metals and minerals and general merchandise trading, but precludes speculation.

Equally bullish are solid preformance forecasts from Prescat, Svenmill and Dan Perkins. In addition, there are further diversified developments in the pipeline and continued financial strength to boost profit.

Part of this financial strength is the group's undergeared position. At end-June receivables totalled R28,3m, with the group's total liabilities to shareholders' funds 470%, which is conservative for a finance group. After credit insurance the figure is closer to 200%. Jacobson reckons T & I could easily move up to an 8,1:1 ratio which provides the capacity to boost actual and contingent liabilities by R59m.

The extent to which the group gears up will depend in part on the success of its international expansion. There is a substantial strength in an international merchant bank like T & I being undergeared in a period of restricted liquidity.

Currently T & I trades at 600c on an historic 6,7% dividend yield. On the basis of projected earnings growth this year, a 55c dividend is a minimum possibility for a 9,2% prospective yield. The only thing against the share is limited marketability. But growth prospects suggest this well-managed international merchant bank should be in any balanced portfolio.

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