

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no: 07/LM/Feb06

In The Large Merger Between:

Old Mutual Life Assurance Company (South Africa) Ltd

Acquiring Firm

And

AFHCO Holdings (Pty) Ltd

Target Firm

Reasons for Decision

Approval

1. On 8 March 2006 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Old Mutual Life Assurance Company (South Africa) Ltd (“OMLACSA”) and AFHCO Holdings (Pty) Ltd (“AFHCO”). The reasons for this decision follow.

The transaction

2. The parties to the transaction are OMLACSA and AFHCO. OMLACSA is a wholly owned subsidiary of Old Mutual plc, a company with no controlling shareholder, listed on the London Stock Exchange. Both Old Mutual plc and OMLACSA own a substantial number of subsidiaries, but of particular relevance to this transaction is that Old Mutual plc controls Old Mutual Properties (Pty) Ltd (“OMP”). AFHCO, which wholly owns 7 subsidiaries (both active and dormant), is controlled by two individuals, viz. Wayne Plit (71%) and Reney Plit (29%).¹ Wayne Plit has a controlling interest in AFHCO and Le Peleton CC.

3. The proposed transaction entails the acquisition by OMLACSA of a 50% of the entire issued share capital of AFHCO. As part of the transaction, AFHCO will acquire certain properties (which properties consist of the rental portfolio conducted by AFHCO) from its subsidiaries, viz. Castle Mansion; Dundonald, Friendship Town, Queensbury and Temple Court from AFHCO (Pty) Ltd; Lister Medical Centre from Medical Chambers Ltd; Anchor from Anchor Towers Property Investment (Pty) Ltd; Bridgeport from Serfon Investments (Pty) Ltd; and Westbrook from Elprop (Pty) Ltd. The remaining subsidiaries, which hold the development portfolio of AFHCO, will continue to be subsidiaries of AFHCO.

4. Upon the implementation of the proposed transaction, OMLACSA, Wayne Plit and Reney Plit will each hold 50%, 35,5% and 14,5% of the share capital in AFHCO respectively.

¹ AFHCO's subsidiaries are AFHCO (Pty) Ltd; Metro Vending (Pty) Ltd (dormant); Cosmopolitan Business Suites (Pty) Ltd (dormant); Urban Housing Finance (Pty) Ltd (end-user finance); Proserv (Pty) Ltd (property management); Protea Glen Housing (Pty) Ltd (Protea Glen Soweto); and Elpro Investments Holdings (Pty) Ltd (Westbrook).

Rationale for the transaction

5. The merging parties submitted that OMLACSA's ultimate objective in this deal is its desire to invest in the low income housing sector in South Africa and thus to ultimately pursue the objectives of the Financial Sector Charter.² AFHCO needs to capitalize itself with sufficient funds so that it increases the delivery of affordable accommodation to an increased number of historically disadvantaged South Africans.

The merging parties' activities

6. OMLACSA is known for its major activities in the life assurance business in Southern Africa, through which it provides life, disability and health insurance, retirement savings and investment products to individuals and groups. In addition, it has investments in fixed property including retail, office and industrial property. OMLACSA's parent company, Old Mutual plc, is broadly involved in the financial and insurance markets through a number of its subsidiaries. As indicated above, OMP (one of Old Mutual plc's subsidiaries) is involved in internal property management, facilities management and property development.

7. The primary activities of AFHCO, a property development and investment company focused on the development and provision of affordable low cost housing in the Johannesburg inner city, are to acquire old residential buildings, refurbish or upgrade them in order to lease or sell them as low cost housing.

Competition analysis

8. There are no horizontal overlaps with regard to the activities of the merging parties. No vertical concerns arise from the proposed transaction. In addition, there are no substantial public interest issues militating against the approval of the proposed transaction.

Conclusion

9. We accordingly approve the proposed transaction for the above reasons.

D Lewis

8 March 2006
Date

Concurring: U Bhoola, M Mokuena

For the merging parties: Ms Safeera Mayet, *Tugendhaft Wapnick Banchetti and Partners*

For the Commission: Mogalane Matsimela, *Mergers and Acquisitions*

² See page 18 of the merger record.