

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 51/LM/Jul02

In the large merger between:

**Standard Bank of South Africa;
Real Equity Trust**

Primary acquiring Firms

and

Stellenbosch Vineyards Limited

Primary Target Firm

Reasons for Decision

APPROVAL

On 28 August 2002 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Standard Bank of South Africa Ltd and Stellenbosch Vineyards Limited in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Parties

1. The acquiring firms are The Standard Bank of South Africa Limited ("Standard Bank SA"), acting through its Standard Corporate and Merchant Bank Division ("SCMB") which provides wholesale banking services to corporates, foreign banks and international clients; and Real Equity Trust ("RET"), an investment trust holding various stakes in private equity investments.
2. The target firm is Stellenbosch Vineyards Limited ("SVL"), a company engaged in the manufacture, processing, packaging and distributions of wine products. SVL's shareholders consist of 180 individual farmers, cooperatives or family trusts, each holding less than 4.8% of the total issued share capital.

The Merger Transaction

3. Standard Bank SA and RET are acquiring 37.5% and 25% respectively of the shares in SVL. The current shareholders will retain the remaining 37.5%.
4. SVL is concurrently in the process of selling additional shares to the current shareholders (a non-renounceable rights issue), pro rata to their

shareholdings that, if taken up by all existing shareholders, would result in the following shareholding structure¹:

Existing shareholders	49.4%
Standard Bank SA	30.4%
RET	20.2%

5. However, it was expected that not all existing shareholders would follow their rights, thereby altering the shareholding structure. By October 21st the following shareholding structure had emerged:

Existing shareholders	45.9%
Standard Bank SA	32.5%
RET	21.6%

Rationale for the Transaction

6. The purpose of the rights offer, in conjunction with the private placement, is to raise funds, which will be to recapitalise SVL, in order to:
- reduce the company's interest-bearing debt; and
 - take advantage of export opportunities.

The relevant market

7. The acquiring and target firms do not operate in the same relevant market.
8. Standard Bank, in this transaction acting through its Standard Corporate and Merchant Bank division (SCMB), provides retail, commercial, investment banking and insurance products and services both domestically and internationally. Standard Bank has no similar investments in enterprises that are in the same market as the target firm (either in wine or the liquor industry in general).
9. RET is an investment trust which enables trust investors to invest in private equity and equity-related instruments in South Africa. RET is owned by 6 companies that are involved in banking, investment or insurance services, and none of the shareholders owns more than 23.33% of the shares in RET. RET takes only significant minority stakes in its investments. RET has a diversified investment portfolio and currently has no investments in businesses that are in the same market as SVL (either in wine or the liquor industry in general).
10. SVL is engaged in the manufacture, processing, packaging and distribution of wine products. More specifically, the company makes premium bottled wines for sale on the South African and various

¹ Existing shareholders of SVL, will receive rights to subscribe for rights shares in SVL at 25 cents per rights share, in the ratio of 62 rights shares for every 100 SVL shares held. Shareholders will be entitled to apply for rights shares in excess of their entitlement. To the extent that some shareholders do not follow or do not fully follow their rights, these shares will be allocated to shareholders that have applied for excess shares on an equitable basis.

international markets. SVL has a current market share of 0.4% of the total wine market, or 4.8% of the high price wine segment.

Effect of transaction on competition

11. Neither Standard Bank nor RET have existing investments in enterprises that are in the same market as SVL. As the relevant product markets of the parties not overlap, the transaction will have no effect on competition in South Africa.

Public Interest

12. The parties submit that there will be no effect on employment in South Africa as a direct result of the merger. The unions (SASBO, the finance union, and FAWU, the food and allied workers union) have indicated that they do not wish to participate as the merger will have no effect on employment (p.533,534).² No other public interest issues were raised by the parties.

Conclusion

We conclude that the merger will not lead to a substantial lessening of competition. The Tribunal therefore approves the transaction unconditionally. There are no public interest concerns which would alter this conclusion.

N. Manoim

23 October 2002
Date

Concurring: DH Lewis, M. Moerane

For the merging parties: Cliffe Decker Attorneys

For the Commission: M. Mokwana, Competition Commission

² FAWU had initially served a notice of intention to participate [Form CC 5(1), filed 11 July 2002], but later (5 August 2002) retracted this intention as there will be no job losses resulting from the merger.