

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 86/LM/Aug00

In the large merger between

Investec Group Ltd

and

Frame Group Ltd

REASONS FOR THE TRIBUNAL'S DECISION

Approval

The Competition Tribunal issued a Merger Clearance Certificate on 6 September 2000 approving the merger between Investec Group Ltd and Frame Group Ltd without conditions. The reasons for approving the merger are set out below.

The merger transaction

The primary acquiring firms are Investec Group Ltd, Newinvest 80 (Pty) Ltd, Yellowfield Investments (Pty) Ltd and Frame Investment Holdings Ltd.

Investec is controlled by Investec Holdings, a public listed company on the JSE. Newinvest is controlled by JGM nominees (Pty) Ltd. Yellowinvest is a wholly owned subsidiary of Republic Nominees (Pty) Ltd and Frame Holdings is controlled by Fynne Holdings Ltd, also a nominee company. Both Yellowinvest and Frame Holdings are shelf companies, which have not traded before.

Yellowfields, Frame Investments and Investec represent three substantial interests in the merged company, that of David Sable as to 37,5%, David Bowles as to 37,5%, Investec as to 10% and management as to the balance of the shares.

The primary target firm is the Frame Group Ltd, a company listed on the JSE. Seargreg Investments (Pty) Ltd, which is 50% owned by Seardel and 50% owned by Frame

chairman Roy Sable, has a 46,9% shareholding in Frame. There are approximately thirty companies in the Frame Group, some active and some dormant.

The merger consists of three transactions, namely, a restructure, a sale and a scheme of arrangement.

- Frame will be **restructured** to become a holding company with Consolidated Textiles as its “first level” subsidiary. All the other first level subsidiaries of Frame will become “second level” subsidiaries and will be controlled by Consolidated Textiles.
- In terms of the **sale** agreement, Newinvest will acquire all the shares in Consolidated Textiles. Yellowfields holds 40%, Frame Investment Holdings 50% and Investec 10% of the shares in Newinvest.

In terms of the merger agreement, Investec, on 24 August 2000, proposed a **scheme of arrangement** between Frame and its shareholders in terms of section 311 of the Companies Act to acquire all the shares in Frame from its shareholders.

Evaluating the merger

The relevant product market

Frame derives its income through investments and its trading subsidiaries derive their income through the manufacture and sale of textiles, as well as the rental of commercial and industrial properties. The Frame Group is involved in the textile industry through Frame Spinning Mills, Frame Woven Fabrics, Frame Knitting Manufacturers, Frame Manchester Manufacturers Frame Fibres, Romatex Ltd and Confram Property Holdings Ltd.

Investec is a specialist bank, which provides banking services, such as investment banking and principal transaction, corporate banking and interest rate activities, private client group and asset management.

Effect on competition

None of the principals in the Investec Consortium have any interest in the clothing industry except the Sable family, which owns Gregory Knitting Mills (Pty) Ltd, a small privately owned company with a turnover of a tenth of that of Frame. Although it is not quite clear what influence Gregory Knitting Mills has had in the past it would appear that it is not a significant player in the market in relation to the size of a company such as Frame.

There is no product overlap between the parties except possible in the area of asset management, which may include property management. However, this overlap is negligible.

Public interest considerations

The transaction is a sale of shares and will not have any affect on employment or any of the other public interest issues referred to in section 16 of the Act.

D.H. Lewis

Date

Concurring: N.M. Manoim, P.E. Maponya