

In the large merger between:

Mettle Operations Limited

and

Clidet 433 (Proprietary) Limited

Reasons for Decision

Approval

1. On 13 August 2003, we issued a merger clearance certificate approving unconditionally the merger between Mettle Operations Limited (“Mettle”) and Clidet 433 (Pty) Ltd (“Clidet”). The reasons for our decision are as follows.

The parties

2. The primary acquiring firm is Mettle Operations Limited (“Mettle”), a public company wholly owned by Mettle Limited. Mettle Limited is controlled by Hoskin Consolidated Investments Limited (“**HCI**”), which holds 52% of the total issued share capital in Mettle Limited. Both Mettle Limited and Mettle¹ own and control various subsidiaries.

3. The primary target firm is Clidet, a newly formed shelf private company. The following individual members control and hold shares in Clidet as follows:

- Petro Heydenrych 35%
- Richard Bennet 17%
- John Martin 17%
- Coleen du Preez 11%
- Coleen du Preez 20% (held on behalf of future employees of Clidet)

4. Clidet directly or indirectly controls iProp Holdings Limited (“iProp”) and Lerix Investments (Pty) Ltd (“Lerix”)².

¹ According to the parties Mettle was established as a specialist finance house in November 1995. As part of a commitment to the advancement of black economic aspirations, Mettle secured HCI as a black empowerment shareholder in June 1998, being an institution represented and owned by previously disadvantaged individuals.

² They are both the subsidiaries of Clidet.

The transaction

5. In terms of the merger agreement Mettle will acquire 50% of all the issued share capital of Clidet. Post merger the shareholding of Clidet would be held as follows:

➤ Mettle	50%
➤ Petro Heydenrych	21,9%
➤ Richard Bennet	10,6%
➤ John martin	10,6%
➤ Coleen du Preez	6,9%

Activities of the parties

6. Both Mettle and Mettle Limited (“**The Mettle group**”) are active in the financial services industry, and operate within the following divisions, viz, corporate finance; structured products; treasury; and derivative structuring and broking divisions. These are Mettle group’s main areas of activity.

7. Clidet, a holding company, does not trade any product or service. Its subsidiaries already indicated above are involved in the business of development and sale of land for residential, industrial, commercial, and retail purposes.

8. On the one hand, iProp is active in the land development and property investment industry. It uses former mining land to develop residential areas. The parties maintained that these areas are developed to accommodate the growing demand for accommodation in the greater Johannesburg area. In addition, iProp also owns an office block and a mini-factory development from which it derives a rental income.

9. On the other hand, Lerix owns a property in Midrand upon which a Protea Hotel is operated.

Competition evaluation of the transaction

10. There are no overlaps insofar as the activities of the parties to this transaction are concerned. The activities of the merging parties differ substantially from each other. iProp is in the holding and development side of the property market whereas Mettle is largely concerned with financing³. The Commission has assured us that Mettle does not have effective ownership of any properties. Mettle, however, advised us that it owns the *bare dominium rights* of six separate properties, which was part of the funding transaction in which Mettle entered into. Mettle further advised us that in order to structure the transaction it typically places *bare dominium rights* in a separate entity

³ The Commission confirmed at the hearing of this matter that the parties were not holding properties in those properties that would be competing with iProp. The Commission further indicated that it requested Mettle to advise whether or not they would own their own properties that could be regarded as competing with the properties of iProp, of which they advised that they do not own properties. They just hold the *bare dominium rights* to certain properties in which they were a party to a transaction.

and the lease contract with its clients typically allows them to repurchase those bare dominium rights after the expiry of the lease term. We were further advised at the hearing that Mettle would not control those properties and that neither does it set prices with regard to rentals⁴. Mettle only holds those properties as security for the transaction that they entered into with the other party owning those properties⁵. According to Mettle a third party has the full economic benefit of the properties.

Public interest considerations

11. This transaction does not raise any public interest issues.

Conclusion

12. We accordingly agree with the Commission's findings that the transaction does not raise any concerns on either competition or public interest grounds. Accordingly, this transaction is unconditionally approved.

D. Lewis

15 September 2003
DATE

Concurring: N. Manoim, T. Orleyn

For the merging parties:	Adv. L Molopa, (Instructed by Maponya Inc) & M. Maponya, Maponya Inc.
For the Commission:	Mr. M Worsley assisted by Mr. M van Hooven, Competition Commission

⁴ See page 2 of the transcript dated 13 August 2003.

⁵ Mr Andre van der Veen of Mettle Limited confirmed at the hearing that in most transactions the tenant has got the option to acquire the properties after the expiry of the lease period. What Mettle does is purely a form of structuring the acquisition of properties on behalf of its clients. He further indicated that their business is that of specialized finance to the effect that they put a financing package (including the lease costs) for their clients.