

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 30/LM/Apr04

In the large merger between:

Kagiso Financial Services

and

Infrastructure Finance Corporation

Reasons

On 28 April 2004 the Tribunal unconditionally approved a merger involving Kagiso Financial Service and Infrastructure Finance Corporation Limited (“IFC”).

The transaction

The primary acquiring firm is Kagiso Financial Services Limited (“Kagiso”). Kagiso is controlled by Kagiso Trust Investments (Pty) Ltd, which is jointly owned by Kagiso Trust, Liberty Group, Nedcor Corporate Bank and an employee trust.

The primary target firm is IFC whose shareholders are:

- Chanson Investment Holdings (Pty) Ltd
- CDC Group Plc
- Deutsche Investitions – und Entwicklungsgesellschaft Gmbh (“DEG”)
- Dexia Credit Locale (“Dexia”)
- FirstRand Bank Limited
- Old Mutual Life Assurance Company Limited
- IFC Share Investment Trust
- Momentum Group Limited (“Momentum”)

- Societe De Promotion et de Participation Pour La Cooperation Economique SA (“Proparco”)

Kagiso will acquire a 43.96% interest in IFC from the following shareholders:

CDC Group Plc	17.68%
DEG	8.84%
Old Mutual	13.04%
Proparco	4.42%

Following the transaction, the shareholders of IFC will be as follows:

Kagiso	43.96%
FirstRand	17.68%
Momentum	26.98%
Dexia	4.42%
Employee share trust	4.95%
Chanson	2.0 %
Proparco	0.01%

Rationale for the transaction

The fundamental purpose and intention of the proposed transaction is to strengthen the black economic empowerment profile of the target company, ensuring that INC far exceed the minimum requirements as set out in the Financial Services Charter.

Effect on competition

Kagiso offers a range of services to its national, provincial and local government clients, parastatals and corporate clients in relation to project finance advisory services which includes financial advice related to the delivery of complete tenders; advising sponsors or bidders on these processes and conducting feasibility studies and options analysis while assisting with arranging and structuring finance solicitation frameworks for funding projects. Kagiso competes with RMB, Investec, Standard Corporate & Merchant Bank.

IFC provides funding or infrastructure financing to the public sector specifically focusing on funding of municipalities. It also focuses on movable asset financing to the public sector. IFC competes in the private sector with banks such as ABSA, Nedbank and First Rand and in the public sector with institutions such as the Development Bank of South Africa.

The parties offer different services to their clients and also focus on different sectors

within the public sector as explained above. According to the parties there is no connection between the projects on which Kagiso has historically advised and those INC is currently involved. There is thus no overlap in the relevant product markets of the merging parties.

However, the vertical relationship between the merging parties, post the merger, does raise potential competitive concerns in that Kagiso may act as an advisor to a transaction that IFC may fund and in doing so prevent IFC's competitors from funding any such projects. The parties informed the Tribunal that National Treasury rules do not allow a single entity to act as an advisor and funder to public-private partnerships simultaneously meaning that Kagiso or IFC will either fund or advise, but will not do both in the same project.

In light of the above we find that the transaction would not substantially prevent or lessen competition in the relevant markets.

Public interest

The transaction does not raise any significant public interest concerns.

D Lewis

1 June 2004

Date

Concurring: N Manoim, U Bhoola