Business Times

TOP 100 COMPANIES

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This Year's Top Company
Coronation Fund Managers
Page 3

Business Leader of the Year
Johan van Zyl
Page 3

20 Years of Democracy Special Award
Trevor Manuel
Page 4

CSI Award
Telkom
Page 8

Cover design/Illustration: MATTHYS MOSS

Numbers have been crunched ...

Company that earns most for shareholders wins

THE Top 100 Companies awards acknowledge those listed companies that have earned the most for their shareholders.

The share price performance of every company listed on the JSE — which forms the basis of this research — is calculated using a hypothetical initial investment of R10 000 in each share over a period of five years, from October 1 2009 to September 30 2014.

The winner is the company that earns the most for shareholders over that period, after taking into account normal and special dividends and bonus shares reinvested.

Where there is an unbundling, the proceeds from the unbundled company are treated as a special dividend.

Apart from being an accurate measurement of shareholder fortunes, the share price plus the amount of income returned to shareholders is an indicator of the soundness of a company's operations — if one accepts that share price performance is generally an accurate barometer.

We exclude suspended companies (although they may be included in other tables and data), preference shares, loan instruments and derivatives.

If prices declined at the end of September as companies went ex-dividend, we have accrued the dividend.

Companies with a secondary listing on the JSE are included.

In previous years we excluded companies that did not meet the minimum value traded — R10-million a year. However, since 2011, we have increased the minimum value to R20-million because of higher trading volumes over the years and to exclude penny stocks.

This qualification does not apply to the Top 100 one-year and 10-year tables, which have a minimum value traded threshold of R10-million.

We have also included a Top 40 table to show the performance of the blue-chip companies in the JSE's Top 40 index.

Calculations were done by financial services company I-Net BFA.

TOP 100 COMPANIES OVER FIVE YEARS

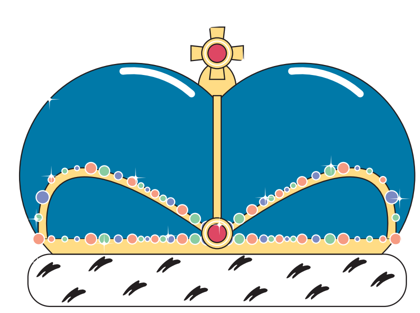
	Share name	Open (cents)	Close (cents)	**Final value (R)	Compound annual growth rate
1	Coronation Fund Managers	760	9 665	179 245	**78.11%**
2	EOH Holdings	900	9 470	117 017	**63.55%**
3	Metair Investments	525	3 290	75 780	**49.94%**
4	Mr Price Group	3 458	21 233	72 018	**48.42%**
5	Afrimat	322	1 740	64 857	**45.34%**
6	Famous Brands	1 886	9 821	61 463	**43.79%**
7	Invicta Holdings	2 210	10 500	57 152	**41.71%**
8	Aspen Pharmacare Holdings	6 186	33 650	56 377	**41.33%**
9	Howden Africa Holdings	920	4 250	56 328	**41.30%**
10	Mondi plc	3 805	18 524	55 784	**41.03%**
11	Cons Infrastructure Group	600	3 270	54 500	**40.37%**
12	Mix Telematics	99	441	50 996	**38.52%**
13	Woolworths Holdings	1 637	6 991	50 810	**38.42%**
14	New Europe Prop Inv plc*	2 800	11 000	50 428	**38.21%**
15	Naspers -N	25 571	124 500	50 032	**37.99%**
16	Brimstone Inv Corp -N	675	1 600	49 262	**37.56%**
17	Anglovaal Industries	1 890	6 990	47 319	**36.46%**
18	Grand Parade Investments	240	750	46 988	**36.27%**
19	ELB Group	1 145	4 650	46 047	**35.72%**
20	Mediclinic International	2 200	9 199	45 943	**35.66%**
21	Compagnie Fin Richemont*	2 115	9 220	45 168	**35.20%**
22	Capitec Bank Holdings	6 080	24 460	44 905	**35.04%**
23	PSG Group	2 339	9 619	44 785	**34.97%**
24	Metrofile Holdings*	120	485	44 112	**34.56%**
25	Brait SE	1 970	7 283	42 569	**33.60%**
26	Conduit Capital	45	162	41 143	**32.70%**
27	Omnia Holdings	5 985	23 060	41 103	**32.67%**
28	Pinnacle Holdings	330	1 198	40 917	**32.55%**
29	Mustek*	235	780	40 321	**32.16%**
30	Resilient Property Income Fund	2 480	7 294	39 821	**31.83%**
31	Pioneer Foods Group	3 221	11 800	39 377	**31.54%**
32	Steinhoff International	1 635	5 408	38 832	**31.17%**
33	RMB Holdings	2 705	5 670	38 633	**31.04%**
34	Sanlam	2 070	6 530	38 273	**30.79%**
35	SABMiller plc	18 168	62 710	38 162	**30.72%**
36	Italtile	350	945	38 155	**30.71%**
37	Spur Corporation*	1 030	3 110	38 123	**30.69%**
38	Trencor	2 186	6 678	38 078	**30.66%**
39	FirstRand	1 623	4 302	37 960	**30.58%**
40	Discovery	2 943	9 833	36 646	**29.66%**
41	Oceana Group	2 625	7 400	35 794	**29.05%**
42	Litha Healthcare Group	70	250	35 714	**28.99%**
43	ARB Holdings	245	698	35 556	**28.88%**
44	Zeder Investment	172	570	35 546	**28.87%**
45	Super Group	880	3 094	35 159	**28.59%**
46	Netcare	1 048	3 161	34 997	**28.47%**
47	Clientèle Life Assurance	636	1 700	34 248	**27.92%**
48	Clicks Group	2 298	6 700	33 453	**27.32%**
49	British American Tobacco plc	23 908	63 734	32 334	**26.45%**
50	Vodacom Group	5 480	13 000	31 653	**25.92%**
51	Peregrine Holdings	935	2 250	31 401	**25.72%**
52	Old Mutual plc	1 368	3 306	30 933	**25.34%**
53	Santam	8 950	21 054	30 809	**25.24%**
54	Nampak	1 633	4 113	30 189	**24.73%**
55	Remgro	8 868	22 802	29 982	**24.56%**
56	MMI Holdings*	1 255	2 621	28 908	**23.65%**
57	Pan African Resources plc	85	215	28 864	**23.62%**
58	Capevin Holdings*	352	830	28 034	**22.90%**
59	Bidvest Group	11 825	28 580	27 983	**22.85%**
60	Hyprop Investments	4 250	8 677	27 826	**22.71%**
61	SA Corporate Real Estate Fund	245	442	27 488	**22.41%**
62	Imperial Holdings	7 745	17 395	27 025	**22.00%**
63	Hosken Consolidated Inv	6 180	15 510	26 254	**21.29%**
64	Sasol	28 450	61 335	25 739	**20.81%**
65	Growthpoint Properties	1 358	2 464	25 672	**20.75%**
66	Capital Property Fund	680	1 204	25 519	**20.61%**
67	Tiger Brands	14 800	31 543	25 028	**20.14%**
68	Datatec	2 470	5 365	24 947	**20.06%**
69	Shoprite Holdings	6 280	13 997	24 706	**19.83%**
70	Reinet Investments SCA	1 060	2 519	23 931	**19.07%**
71	Liberty Holdings	6 790	12 322	23 606	**18.74%**
72	Spar Group	6 440	12 558	23 447	**18.58%**
73	Vukile Property Fund	1 090	1 664	23 287	**18.42%**
74	The Foschini Group	6 200	11 720	23 141	**18.27%**
75	MTN Group	12 900	23 832	22 829	**17.95%**
76	AECI	5 950	11 950	22 757	**17.88%**
77	Comair	210	430	22 748	**17.87%**
78	Cashbuild	7 400	14 101	22 722	**17.84%**
79	Octodec Investments	1 400	2 104	22 346	**17.45%**
80	Acucap Properties	2 995	4 592	22 252	**17.35%**
81	Nedbank Group	11 850	21 888	22 055	**17.14%**
82	Sacoil Holdings	25	55	22 000	**17.08%**
83	Kap Industrial Holdings*	210	404	21 988	**17.07%**
84	Barloworld	4 790	9 250	21 472	**16.51%**
85	Emira Property Fund	1 129	1 570	21 313	**16.34%**
86	Hudaco Industries	5 800	9 760	21 259	**16.28%**
87	Investec plc	5 549	9 506	20 688	**15.65%**
88	Phumelela Gaming & Leisure	1 102	1 701	20 540	**15.48%**
89	Redefine Properties	731	972	20 062	**14.94%**
90	Hospitality Property Fund - A	1 200	1 570	20 045	**14.92%**
91	Advtech	490	827	19 996	**14.87%**
92	Astral Foods	9 863	15 225	19 954	**14.82%**
93	Sycom Property Fund	1 886	2 575	19 616	**14.43%**
94	Wescoal Holdings	88	164	19 318	**14.08%**
95	JSE	6 176	9 849	19 207	**13.94%**
96	Truworths International	4 269	6 795	19 098	**13.81%**
97	Assore	12 600	21 500	18 900	**13.58%**
98	Tongaat-Hulett	9 455	15 599	18 427	**13.00%**
99	Nu-world Holdings	1 410	2 265	18 162	**12.68%**
100	City Lodge Hotels	7 963	12 300	18 106	**12.61%**

Graphic: FIONA KRISCH Source: I-NET BFA * Indicates where dividends have been accrued where applicable. ** Current value of R10 000 invested in 2009

PREVIOUS WINNERS

2013	Coronation Fund Managers
2012	Capitec Bank
2011	Assore
2010	Capitec Bank
2009	Basil Read
2008	Basil Read
2007	Distribution & Warehousing Network
2006	Mittal Steel SA
2005	Grindrod
2004	Grindrod
2003	Mvelaphanda Resources
2002	Mvelaphanda Resources
2001	East Daggafontein
2000	Dimension Data
1999	Adcorp Holdings
1998	Profurn
1997	Nu-World
1996	Dimension Data
1995	Q Data
1994	Ellerine
1993	Investec
1992	Investec
1991	Investec
1990	M & A Investment Corp.
1989	M & A Investment Corp.
1988	National Bolt
1987	Waltons
1986	Waltons
1985	Metair Investments
1984	Metair Investments
1983	Toyota SA
1982	Toyota SA
1981	Toyota SA
1980	Gold Fields of SA
1979	Otis Elevator Co.
1978	Metro Cash & Carry
1977	Metro Cash & Carry
1976	Metro Cash & Carry

Graphic: FIONA KRISCH Source: I-NET BFA



THE ROYALS

Companies which were in the top 20 over the last three years.

Coronation Fund Managers
EOH Holdings
Mr Price Group
Famous Brands
Aspen Pharmacare Holdings
Howden Africa Holdings
Woolworths Holdings
Anglovaal Industries

Graphic: FIONA KRISCH Source: I-NET BFA

Oh, What a Night

The 2013 winners of the Sunday Times Top 100 Companies Awards: Mike Brown (CEO of Nedbank), Michael Jordaan (former CEO of FNB), Cyril Ramaphosa (Shanduka Group Founder and Lifetime Achiever) and Anton Pillay (Coronation Fund Managers CEO and Sunday Times Top Company). Picture: RAYMOND PRESTON

BUSINESS LEADER: JOHAN VAN ZYL

The man who woke Sanlam to a brighter 21st century

THEKISO ANTHONY LEFIFI

NO one knows more about "kissing frogs" than Johan van Zyl, Sanlam's outgoing CEO and the winner of this year's Business Leader of the Year award.

The agricultural economist-turned-insurance pedlar joined Sanlam when it was at the bottom of its operational cycle.

At the time Van Zyl was still learning the lie of the land at Santam, the short-term insurance arm of the broader Sanlam group.

He had spent just two years with Santam before being appointed to the parent company, such was his obvious potential.

Sanlam went through a turbulent decade in the '90s and entered the 21st century on the back foot, with vultures circling to snap up the life insurance company.

It is not surprising that some people refer to the University of Pretoria's former vice-chancellor and principal as the saviour of Sanlam.

When Van Zyl took over from Leon Vermaak, the share price was depressed at R7.69. On Wednesday it closed at R63.90 — a 731% increase over 12 years.

It would not be far-fetched to say the good doctor — who holds two PhDs — breathed life into the once-ailing listed entity.

Van Zyl managed to grow the company's market by almost 84% to R138.6-billion even though in 2009 South Africa experienced its first recession since its first democratic elections.

Total dividends paid to shareholders, including share buy-backs, from his appointment in 2003 to June 2014 totalled R40.2-billion.

That is more than twice what Walmart paid for a 51% stake in Massmart (R16.5-billion) or Absa coughed up to buy the African operations of Barclays (R18.3-billion).

The company has missed analysts' expectations only twice in the period — in 2008 and 2009, at the height of the global financial crisis.

Van Zyl was "chuffed" at being regarded as the businessman of the year but said it was a team effort.

TEAM CULTURE: Dr Johan van Zyl, the CEO of Sanlam, presents the 2013 results Picture: RUSSELL ROBERTS

He said the award justified all the risks his team had endured and hard work it had put in.

Before Van Zyl took the reins, Sanlam was fairly entrenched in the middle-income market.

The father of three set out to change that when he realised the vast opportunities that lay in the low-income market.

He also changed the entrenched ideology in the group that the CEO knows all, and gave its cluster leaders more responsibilities.

"In the past we were run more like a family [business]," Van Zyl said.

Continuing with his strategy of diversification away from the life business, he asked Johan van der Merwe, the head of Sanlam Investment Management, to grow this part of the business.

Van Zyl describes his own management style as "eclectic" and "inclusive".

He said he learnt this style from his previous life in academia, when he managed a group of professors.

Sometimes, this is akin to herding cats.

"You have to let go when they are on the right track and guide more [when they are off it]. It's more about the direction than necessarily the speed," Van Zyl said.

That strategy seems to have worked for the company as it grew its total assets from R196.1-billion to R577.1-billion by the end of June this year.

Van Zyl's strategy included acquiring a number of businesses in the rest of Africa and India as it expanded its global footprint.

In expanding, he said one had to "kiss a number of frogs" before finding the right partners.

Sanlam's acquisitions from 2005 to June 2014 amounted to R13.6-billion. The group now has exposure to 11 countries.

Emerging markets contributed 18% to Sanlam's operating profit, 11% sourced from Africa excluding South Africa and 7% from India and Malaysia. Sanlam has earmarked R3.3-billion for additional acquisitions.

Thabo Dloti, the Liberty Holdings CEO, congratulated Van Zyl on being named Business Leader of the Year, saying his leadership was a credit and tribute to the contribution he had made to the industry in his capacity as the chairman of the Association for Savings and Investment South Africa and CEO of Sanlam.

"He formulated a clear vision of where he was taking the business, stayed the course and, importantly, took people with him on the journey.

"Strategic foresight is merely a concept unless it is delivered through people — this is the essence of successful leadership. I commend him for this," Dloti said.

When he steps down as Sanlam CEO next year, Van Zyl will be succeeded by Santam CEO Ian Kirk.

TOP COMPANY: CORONATION FUND MANAGERS

Premier JSE stock warns it is now a risky buy

Coronation's returns have beaten those of its best funds

MALCOLM REES

PROFITABLE: Coronation Fund Managers CEO Anton Pillay has presided over a period of substantial growth Picture: HETTY ZANTMAN

THE top-performing stock on the JSE over the past five years is fully priced and carries some downside risk. Potential investors in Coronation Fund Managers should be cautious.

This was the message delivered recently by the asset manager's chief investment officer, Karl Leinberger, who was echoing the warnings he delivered last year when Coronation topped the Top 100 Companies rankings for the first time.

"What happens is: because the business has done well, a lot of our clients see that and that the share price is going up," so they want to invest, but, "as we said at the end of last year, the market is putting a high rating on high earnings and it is forgetting this is a cyclical industry".

In the five years under review, Coronation has delivered a whopping 78.11% compound annual return.

This performance has been attributed to Coronation's focused, long-term investment strategy, its attention to the outperformance of its funds as opposed to "asset gathering", and its ability to keep costs down.

Its investment staff are also known to be some of the "smartest kids on the block", to borrow a phrase from one of its competitors.

All of Coronation's domestic and international flagship funds ranked in the first quartile of their respective Morningstar categories from their launch to the end of last month.

This has allowed Coronation to outperform its peers in soaking up greater proportions of the recent history-beating net inflows of capital into South Africa's unit trust industry. Money has been flowing in to unit trusts at rapid pace since the second half of 2012, according to data from the Association for Savings and Investment South Africa.

By June this year, Coronation had R576-billion in assets under management — and the performance of its funds has meant the investment company has been able to rake in higher performance fees from its clients.

"An asset manager is geared to the broad market and to its performance. If it performs consistently it will attract more assets and it will earn performance fees," Leinberger says.

"In the case of Coronation, the market has done well and Coronation has beaten the market, and that combination has delivered very strong earnings."

However, it is mathematically impossible for any significant business to maintain the growth required to consistently generate those sorts of returns: after all, Coronation's share price came off a low base.

In 2009, owing to the global recession, Coronation was priced at R7.60, compared with the R96.65 achieved at the end of September 2014.

A first warning for potential investors is that this has "not been a stellar" year for the stock, which has shed 14% of its price since peaking at R106 in May. By comparison, the JSE has shed 9% of its value since its peak, says Leinberger.

Although Coronation has still seen a solid 17% overall improvement in its share price so far this year, that falls far short of the returns shareholders had seen in the preceding five years.

The recent slump may indicate that Coronation's boom cycle is coming to an end. A second concern is that both the JSE and Coronation, despite the recent drop, are still looking rather expensive, says Leinberger.

> A lumbering giant can't act nimbly enough or allocate enough

With SA's economy looking shaky, this poses enhanced downside risk on Coronation's stock.

"Asset managers are geared to markets on the up and the down" — meaning that investors in Coronation could be exposing themselves to exaggerated losses if the JSE weakens further.

This risk would, however, be partially mitigated, because of Coronation's relatively low exposure — just under half its assets — to local equity.

"We have a lot in bonds, in listed property, and in global equity, and many of those asset classes offer decent value," says Leinberger.

"When you think of a typical South African asset manager, Coronation is more diversified across asset classes and it has a growing offshore franchise."

With this risk inherent in Coronation's stock price, it is worth exploring the apparent anomly whereby Coronation has greatly outperformed even its own best-performing funds.

In the past 10 years, investors in Coronation would have achieved compound annual returns of nearly 38% — while investors in the pure equity Top 20 fund achieved 22.10%, according to data compiled by Jame Skuse, who heads investments at boutique financial services provider Southern Cross Risk Management.

"The discrepancy can be largely attributed to the business model . . . whereby the more funds under management, the more fees they generate," says Skuse.

"Coronation has been exceptional at acquiring assets and this is the main driver behind its performance."

However, as Coronation continues to grow, it becomes tougher "to outperform, as the number of investment options becomes limited and they are squeezed to larger cap counters to achieve full allocation within their funds," says Skuse.

Worse, Coronation has become such a behemoth that changing its position can actually move the market, further dampening performance.

So "although Coronation's team of talented analysts may identify some amazing opportunities, especially in smaller caps, the lumbering giant can't act nimbly enough or allocate enough to exploit these", says Skuse.

Should investors who are looking for market-beating returns and are still adamant on Coronation consider buying its stock or investing in its funds?

Says Leinberger: "It's not right to compare one stock to a fund. It shouldn't be a surprise that the best-performing stock outperforms the best fund."

Funds are diversified and "clients need that diversification, because it's retirement money".

"What happens is you get a bit of overconfidence, so it's at this point that I ask: 'Why don't I just own two of the best businesses in South Africa?' But it's red or black: either the company does really well and you look like a hero, or you don't have a retirement," says Leinberger.

SPECIAL AWARD ON THE 20th ANNIVERSARY OF DEMOCRACY: TREVOR MANUEL

Charting the course for a more equal society

Trevor Manuel is optimistic about SA's future, despite the challenges

THE RIGHT DNA: Trevor Manuel is still planning for positive change Picture: JAMES OATWAY

TINA WEAVIND

GREEN shoots of social improvement are emerging in South African society. The contention is eyebrow-raising in a society subjected to ghastly news and rampant corruption at all levels.

Yet to question the notion that there are positive shifts, says Trevor Manuel, is "crazily negative".

It implies a lack of understanding of "the texture of change".

Manuel, who has been at the forefront of South African politics since the early 1980s, spent the past five years as planning minister, finding ways to bring about the kind of change that will best benefit all South Africans.

Last month, though, he announced he was making the — virtually inevitable — move into business.

He has set up camp at the Rothschild Group's Rosebank offices as the money firm's global adviser and local deputy chairman.

And Manuel will not return to politics. "I've been asked if I might return as finance minister. The answer is an unequivocal 'no'. People shouldn't be conflated with institutions," he says.

Manuel was sounded out recently to take up the post of Eskom CEO, but that was not going to happen either.

> It was the spirit of engagement that enabled the tough decisions to be made

"I don't want a big job like the CEO's job," he says. He won't stop helping to drive change, but it is not going to be in an income-generating position.

It would be hard to believe otherwise. Over the past two decades, Manuel has been at the forefront of driving and negotiating South Africa's economic trajectory.

"It's in my DNA," he says. It hasn't been a smooth ride.

South Africa in 2014 is a different place to what it was in the early 1990s.

While poverty, joblessness and wide socioeconomic divisions were fixtures at the time, there was a sense of optimism then that pulled people together and created an environment in which the often fraught transition to democracy could be negotiated.

"At the dawn of democracy, South Africa was a place of hope for business," Manuel says.

Appointed finance minister in 1996, Manuel went on to become the world's longest-serving minister in the post, with a tenure of 13 years.

After decades of isolation, sanctions and disinvestment, South Africa was thrust into the global trade and business environment.

Local business institutions and individuals worked hard to try to understand the ANC, he says.

Business leaders rose to the fore as intermediaries to help guide the country through the often difficult negotiations that underpinned the transition.

Manuel says it was this spirit of engagement that enabled tough decisions to be made — the Labour Relations Act and Basic Conditions of Employment Act were adopted at the time through the National Economic Forum, the organisation from which Nedlac — the National Economic Development and Labour Council — was created.

This kind of social compact and voluntary effort to create change has largely faded in South Africa, just when it is so urgently needed to create jobs and erase the growing divide between rich and poor, and to cultivate the kind of country we aspire to live in by 2030.

Voluntary active citizenry is vital, and is something Manuel knows a lot about. But his efforts have sometimes had a negative effect.

His support and implementation in 1996 of Gear — the Growth, Employment and Redistribution policy — soon after he took up the reins as finance minister saw him face a barrage of criticism.

The trade unions and left-wing parties deemed it neoliberal and aggressively capitalist.

The "great converging momentum" that produced some of the early legislation and the constitution started to take strain.

It didn't help either that growth was hobbled at the same time as interest rates soared from 3% to 12% between 1994 and 1998.

Manuel remains resolute about Gear: "If you had to play that whole scene out again you couldn't do anything differently," he says.

But over the next decade, once the country got into the rhythm of a different environment, there was growth and job creation — albeit "not at the level we wanted".

Still, the combination of annual growth above 6% and a swelling tax base saw the country notch up its first budget surplus in 2007.

Then things fell apart. In 2008, the subprime pandemic kicked off in the US, while at home Thabo Mbeki was "recalled" as president.

Manuel quit and the rand "promptly fell out of bed". Soon afterwards, Manuel and six of the 13 other ministers who had resigned as a matter of principle returned to their posts under president Kgalema Motlanthe and a measure of political and economic sanity was restored.

However, the increasingly entrenched social ills of poverty, unemployment, crime, corruption and the widening gap between rich and poor were becoming untenable.

In 2009 President Jacob Zuma appointed Manuel head of the National Planning Commission, the goal of which was to find ways to "massively reduce poverty . . . roll back the extreme inequalities of the apartheid era" and create a vibrant economy in which there is work — and a better, safer life — for all.

Extensive discussions with the public, institutions, industries and business were held for two years to identify what were seen as the biggest problems in the country.

With the diagnostics done, Manuel helped draft the National Development Plan (NDP), which was launched in 2011 under the chairmanship of Deputy President Cyril Ramaphosa.

Unsurprisingly, the proposals have been viciously criticised by the unions and the far left.

Manuel says many of those who are critical of the plan have not taken the time to read it.

"I feel that as a nation we have forgotten how to read."

Those who criticise the plan as being neoliberal rarely pinpoint anything to back up the claim.

"If I ask them to explain [why they call it neoliberal], they say, 'don't be difficult, comrade'."

This is a problem, in Manuel's view, because for the plan to work, there needs to be buy-in from everybody, in all the various sectors.

There cannot be a reliance on the "big man" for leadership; businesses cannot sit back and say they don't know how to make the changes; and trade unions cannot sit back and say the government must make the changes.

"We can't absolve ourselves of the responsibility to resolve problems," Manuel says.

> There is a heck of a lot going on in education . . . A different reality is unfolding

Some responsibility is being taken, he says, and change is starting to happen, although press releases aren't being fired off every day.

"One of the big push issues . . . is education," Manuel says.

"There is a heck of a lot going on. In the absence of telling these stories, issues like the Limpopo textbook [scandal] dominate. A different reality is unfolding."

Breakthroughs are happening in community policing and areas of health and service delivery. But to reinforce this, he warns, unpopular decisions have to be taken.

Things aren't so good on the leadership front.

He feels leaders need to understand that "the demands of leadership are bigger than the demands of me . . . we are exceedingly challenged on that front".

It remains to be seen whether this convergence and positive social engagement from all South Africans will prove possible.

Manuel is adamant it is: as far as he and all those involved in drafting the NDP are concerned, it's our only lifeline.

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11	Sanlam	2 070	6 530	38 273	30.79%
12	SABMiller plc	18 168	62 710	38 162	30.72%
13	FirstRand	1 623	4 302	37 960	30.58%
14	Discovery	2 943	9 833	36 646	29.66%
15	British American Tobacco plc	23 908	63 734	32 334	26.45%
16	Vodacom Group	5 480	13 000	31 653	25.92%
17	Old Mutual plc	1 368	3 306	30 933	25.34%
18	Remgro	8 868	22 802	29 982	24.56%
19	Bidvest Group	11 825	28 580	27 983	22.85%
20	Imperial Holdings	7 745	17 395	27 025	22.00%
21	Sasol	28 450	61 335	25 739	20.81%
22	Growthpoint Properties	1 358	2 464	25 672	20.75%
23	Tiger Brands	14 800	31 543	25 028	20.14%
24	Shoprite Holdings	6 280	13 997	24 706	19.83%
25	Reinet Investments SCA	1 060	2 519	23 931	19.07%
26	MTN Group	12 900	23 832	22 829	17.95%
27	Nedbank Group	11 850	21 888	22 055	17.14%
28	Investec plc	5 549	9 506	20 688	15.65%
29	Investec Limited	5 780	9 489	19 775	14.61%
30	Assore	12 600	21 500	18 900	13.58%
31	BHP Billiton plc	20 298	31 280	18 043	12.53%
32	Barclays Africa Group	11 898	15 413	16 609	10.68%
33	Intu Properties plc	5 823	5 909	16 515	10.55%
34	Exxaro Resources	9 166	12 832	16 489	10.52%
35	Standard Bank Group	9 667	13 065	16 334	10.31%
36	Kumba Iron Ore	25 050	26 653	15 408	9.03%
37	Anglo American plc	23 400	25 242	11 880	3.51%
38	Anglo American Platinum	65 901	36 609	5 683	-10.69%
39	Impala Platinum Holdings	17 000	8 700	5 497	-11.28%
40	AngloGold Ashanti	30 788	13 849	4 639	-14.24%

Graphic: FIONA KRISCH Source: I-NET BFA * Denotes where a dividend has been accrued.
Listed companies that do not have five years of trading history: Capital and Counties Properties; Life Healthcare Group


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BUSINESS LEADER: LAURIE DIPPENAAR

ADELE SHEVEL

The boss who's not into bossing

A free flow of ideas made Laurie Dippenaar a success

HANDS ON: Laurie Dippenaar, non-executive chairman of FirstRand, has been recognised for his lifetime achievement at the financial services group Picture: SIMPHIWE NKWALI

FROM an early age, Laurie Dippenaar knew he wanted to work for himself.

Trawling through the Financial Mail from the age of 12, he was captivated by business and ideas that swirl around it, sparking an entrepreneurial spirit that made him one of South Africa's most successful entrepreneurs turned corporate player.

With Paul Harris and GT Ferreira he navigated a close working relationship and friendship that produced one of South Africa's most successful banking groups, FirstRand.

It started as a specialist investment bank. Some 37 years later, FirstRand has almost 38 000 employees and assets of close to R1-trillion.

Each of the trio had particular strengths: Ferreira was a superb negotiator, Harris was highly innovative and understood markets, while Dippenaar was the numbers man, a logical and conceptual thinker known for his values and ethics.

Dippenaar's leadership style is informal and encouraging. He prefers reasoning and asking questions over a more autocratic style.

He believes hierarchies stifle creativity, and prefers to reduce complexity to business basics — he wants logical, fact-based decisions.

"Dippenaar is successful because he is a great leader who sets up those around him for success, " says former FNB CEO Michael Jordaan, who worked closely with Dippenaar. "He is not a micro-manager at all, even though he knows the details very well. Few directors read their board packs as well as Laurie but his inputs reflect insight and are of a 'big picture' nature.

"Once he trusts you he fully empowers you. Discussions with Laurie always go both ways. I've never experienced him as top-down."

Along the way Dippenaar backed what have become two of the country's most innovative groups: Discovery and OUTsurance.

Discovery today employs 8 400 people and has a market value of R56-billion, while OUTsurance has 4 000 employees and is valued at about R25-billion.

Dippenaar is non-executive chairman of FirstRand. Still active in the group, he sees his role more as a sounding board and maintaining an effective board.

"I'm very careful not to step on the toes of executives here — it's far more a case of 'my door is open' if they want to discuss something. But if I have an idea or I've identified a problem I bring it to their attention."

He's enjoying the less onerous working hours. For decades he would work from 4.30am and get home at 8pm. It was hard to find time to travel with his family.

Full of colourful comparisons, he says going back to being CEO would be like a second marriage where you've already had children and are through that infant phase. Would you like to do it again? It was great, but no. It's time for grandchildren.

The founders established Rand Consolidated Investments (RCI) in 1977 with R10 000 (worth about R100 000 today) raised from savings and support from parents. They were in their late 20s and did not draw salaries for nine months.

Looking back, RCI's first deal remains the most satisfying for Dippenaar. "It's the richest I've felt in my life. We landed our first deal, we financed transformers for Krugersdorp municipality, there was some upfront profit and we bagged it.

"You never know if you start something, if it's going to be a success. You pull off the deal, the money comes in, you are grateful to pay yourself a salary. I think we each bought a motorcar. That was a special moment."

> Do the basics extremely well, try five times harder

Then RCI bought Rand Merchant Bank (RMB), which had about 20 staff. In the early 1990s they realised the earnings from an investment bank were volatile and wanted to diversify. They looked for an insurance business and bought Momentum in a reverse takeover in 1992.

Dippenaar managed the turnaround at Momentum, while Harris and Ferreira ran RMB. Within five years, Dippenaar had rejuvenated the ailing insurer.

With foreign investment banks poised to enter the country as South Africa became a democracy, they recognised there was a need for a retail banking strategy.

Momentum wanted to buy Southern Life from Anglo American, but Anglo wanted to focus on resources and wanted them to also buy First National Bank (FNB).

So FNB and Southern Life were bought in 1998 in a reverse takeover plus R5-billion in capital, and the FirstRand group was born.

It was a mammoth transaction, one of the largest in local financial services.

Despite the scale, the FirstRand group has retained its entrepreneurial flair.

Momentum and FNB had hierarchical structures, which were flattened: at Momentum, formal dress codes were scrapped, as was reserved parking.

Strategically, the group got other things right. FNB went on an innovation drive at a time when other banks were stumbling, and the financial crisis saw FirstRand taking the pain early.

When the market turned, the group had cleaned up.

"We didn't waste a crisis, we learnt from it," said Dippenaar.

So could he now do what they did back then?

"Is it still possible? Yes. I just think it will take longer to start something and breakeven will take longer.

"Do the basics extremely well, and try five times as hard as the incumbents in that market."

And ensure good financial management is in place.

TOP TEN

'Share price is just a by-product of what EOH does'

ASHA SPECKMAN

WORTH: EOH boss Asher Bohbot wants to be judged on the value his firm adds to society Picture: JAMES OATWAY

MOVEMENT of his company's share price is a factor that EOH founder Asher Bohbot prefers not to be measured on.

Instead, the head of the IT services group says that much less glorified factors, such as the culture within a company and the amount of tax it contributes to the national fiscus, make for far more insightful metrics.

"Unfortunately, when we measure the Top 100 Companies it is to do with the share price. Nobody measures us for culture, what value we add to society, whether we are fulfilling a role in our society, whether we make a difference to our environment.

"Nobody has even measured how much tax we pay government," said Bohbot.

EOH assumes second place in the Top 100 Companies rankings for a second successive year. Last year it unseated Mr Price from the no 2 spot.

"We're not here to maximise shareholder value through increasing the share price. It's the by-product of what we do," said Bohbot.

He was recently declared the Southern African business leader of the year at the CNBC Africa All Africa Business Leaders awards, for his "pioneering vision and consistent drive to formulate solutions-based business and IT strategies across his many endeavours".

In the past five years the company achieved a 63% compounded annual growth rate per annum.

During this year to July, revenue gained 42% to R7.2-billion and earnings per share increased 30% to R4.47.

"The fact that I'm a big shareholder plays absolutely zero role in my decision-making. We don't do anything for or against the share price," said Bohbot, who founded the technology services and solutions provider in 1998.

The Johannesburg-based company provides systems technology for payroll, recruitment, applications and training for many sectors that include financial services, telecommunications, manufacturing, logistics and the public sector.

It is the largest implementor of enterprise outsourcing application solutions and provides a wide range of outsourcing in cloud computing managed services and business process outsourcing.

The firm employs 6 000 people and its footprint spans 120 locations across South Africa, Africa and the UK. It offers exposure to US investors through an American Depositary Receipt programme it launched in July this year.

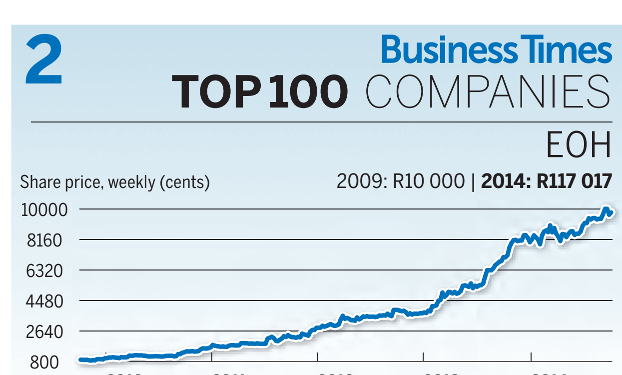
Lately, EOH has also ventured into providing technology solutions in infrastructure and energy, and improving efficiency in the public sector. The company also has plans to become more involved in the education sector.

> Nobody measures us for culture, what we add to society

"All those areas are not just about making money. Those are areas that society struggles with," said Bohbot, explaining how his company decides on new projects.

Addressing the government's challenges is a relatively new area of interest that the company began to explore four years ago. Now public sector work contributes 20% of its business.

The company has 600 internships and supports an education trust for the children of deceased police officials. It also provides portable desks for pupils in sub-Saharan Africa and supports a maths enrichment programme that equips teachers, pupils and parents with learning materials and programmes.



Graphic: FIONA KRISCH Source: I-NET BFA

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CORPORATE SOCIAL INVESTMENT

How CSI scores were calculated

Initiatives judged on sustainability and size

ANDREW MCGREGOR

THE new BEE scorecard, which is effective from April next year, has merged the preferential procurement and the enterprise development components and increased their combined score from 35 to 40 points (out of 100).

The Department of Trade and Industry's intention is to achieve the original objective of the enterprise development component, which is for companies to develop their small black suppliers.

Who Owns Whom has researched the scorecards of all listed companies and ranked them within the nine major sector divisions: agriculture; mining; manufacturing; construction; wholesale, retail and leisure; transport, storage and communication; finance and business services; and community, social and personal services.

Each company's scores on social economic development, enterprise development and preferential procurement were combined and ranked.

Any tie was broken by including the skills development component of the scorecard. From this research, the table showing the top three in each major sector was generated.

To identify the overall winner, the published enterprise development initiatives of the top-ranked company in each sector was analysed

> The objective is for companies to develop their small black suppliers

and weighted on a score from one to three on the following factors:

- The percentage of enterprise development spend on suppliers;
- The size of enterprise development spend on suppliers;
- The initiative's duration;
- The sponsor's operational involvement with supported suppliers; and
- The financial independence of the initiative — that is, is the financial support consistent?

Telkom emerged as the overall winner, scoring 12 points out of a possible 15.

It was awarded a full score of three for size of spend, duration of its initiatives and the financial independence of the initiatives.

Telkom has a stated strategic objective to use "our enterprise development initiatives to support our preferential procurement efforts of introducing, developing and sustaining black suppliers in the Telkom supply chain".

One of Telkom's enterprise development initiatives is an Information and Communications Technology incubation programme based in the Cape, called the Bandwidth Barn, and it has partnered with Absa to sponsor internet activity to Absa Enterprise Development Centres (see story below).

Due to time constraints this year, we did not contact companies and used published corporate social investment documentation only.

● *McGregor is the managing director of Who Owns Whom*

DATA SIFTING: Who Owns Whom managing director Andrew McGregor

CSI AWARD: TELKOM

Telkom brings entrepreneurs online in droves

MALCOLM REES

TELKOM'S long-term investment in the development of South Africa's entrepreneurs has secured it the Corporate Social Investment award for 2014.

The telecoms giant's flagship enterprise development initiative is its partnership with and sponsorship of the Bandwidth Barn, an information and communications technology incubation initiative based in the Cape.

The Bandwidth Barn, which began when four software developers got together to share the onerous costs of bandwidth, has grown rapidly and supports start-ups and growth-oriented small, medium and micro-sized enterprises (SMMEs) through infrastructure support and business development programmes.

Telkom has been the initiative's headline sponsor since 2008, providing upwards of R1-million a year to support the entrepreneurially rooted initiative.

"It's a long-standing investment we have made into the Bandwidth Barn, which is an independent entity very much focused on how to create new small, sustainable businesses for the future," said Ian Russell, Telkom's head of procurement.

That long-standing support has been critical.

"Although we get some support for our programmes from the City of Cape Town, that is not nearly enough to drive a facility of our size, which has grown to 3 000m²," says Chris Vermeulen, who heads the enterprise development programme at the Bandwidth Barn.

But it is not the size of the investment that is important, says Russell, it is the effectiveness of the initiative.

An extensive economic impact assessment commissioned by the Western Cape provincial government in 2010 found that the Bandwidth Barn had increased the revenue of its resident clients from R26-million in 2006 to R68-million in 2010, while revenue for graduate clients had increased from R327-million to R730-million, equivalent to a combined 328% increase.

The assessment found that the Bandwidth Barn's clients created 1 169 jobs over the period, and they had a start-up survival rating 2.5% higher than the market average.

WIRED: Chris Vermeulen and Charmaine Lombard at the Bandwidth Barn business incubator in Woodstock, Cape Town
Picture: ESA ALEXANDER

The Bandwidth Barn's relationship with Telkom was extended last year when an "intensive development programme" was created for Telkom's suppliers.

About 40 existing Telkom suppliers are currently undergoing intensive training and receiving mentoring from the Bandwidth Barn.

This enhanced relationship has developed 20 black women-owned ICT companies with a turnover exceeding R30-million and employing 90 people.

Telkom has also partnered with Absa by sponsoring 24 months' internet activity to six national Absa Enterprise Development Centres to create opportunities for supplier development initiatives at these centres.

"Telkom has been taking a long, hard look at how it can

> Telkom has made it a strategic objective to develop black suppliers

raise its game further in an integrated and sustainable development strategy, and in the new year will launch a completely revised and overhauled enterprise development strategy," Russell said.

"The new strategy will be much more ambitious and broader but still focused very much on sustainable economic development for small business."

South Africa's top-listed CSI performers have been ranked by Who Owns Whom according to their performance in the social economic development, enterprise development and preferential procurement categories of the new BEE scorecard, which will be effective from April 2015.

"By merging the enterprise development and preferential procurement categories, the government has adjusted the scorecards to focus companies on using their enterprise development spend on their own small suppliers," said Andrew McGregor, the managing director of Who Owns Whom. The published enterprise development initiatives of the top-ranked companies were then analysed according to a range of criteria, including the percentage and size of enterprise development spend on suppliers, the operational involvement with supported suppliers and the duration of the initiative.

Telkom scored 12 points out of a possible 15, while Sappi came in a close second with 11 points and Group Five was placed third with 9.

"Telkom has made it a strategic objective to develop black suppliers in its supply chain," said McGregor.

"If you look at some of the other top projects over the years, such as Sappi and Mondi's tree-growth programmes and Anglo American's Zimele, which is developing black suppliers to the mines, where they have been developing suppliers . . . they are strengthening their own supply chain.

"It is all about the sustainability of their own business model, looking after more than just shareholders and extending that responsibility to other stakeholders."

GLASS CEILINGS

Where are the women?

Limited number of females at the helm of Top 100 companies

ASHA SPECKMAN

IN THE DRIVING SEAT: Nicky Newton-King, CEO of the JSE Picture: ROBERT TSHABALALA

Women are not being counted among the leaders of South Africa's Top 100 Companies. But why?

From the list of Top 100 rankings, only one company is led by a woman — Nicky Newton-King, CEO of the JSE.

Besides Newton-King, the only other powerful woman at the helm of a listed firm in companies which qualify for the rankings is Maria Ramos, the Barclays Africa boss.

Do South African women lack the competence, confidence and appetite for risk-taking to lead listed entities?

Kuseni Dlamini, former CEO of Old Mutual Emerging Markets and now a businessman, says this is not so.

"I don't think the trend is with women as such. It is corporate cultures that are not amenable to women coming in."

Dlamini, who chairs the Massmart-Walmart board, said that at tertiary level women regularly outperformed men — but this is reversed in the workplace.

Corporate culture also does not provide the exposure for women to step up to occupy meaningful positions of responsibility.

"There are some structural impediments that need to be looked at. From time to time we have women CEOs coming in and we applaud and we are excited — they [then] disappear," he said.

Recent developments support his argument. In the past five years at least five women led from the front at large JSE-listed firms. But the number has dropped to two.

Cynthia Carroll resigned in 2012 after six years at the helm of Anglo American.

In the same year Nombulelo Moholi, Telkom's first female CEO, stepped down after a challenging 18 months in which she faced shareholder upheaval and legacy issues that crippled the company's financial performance.

In February this year Nonkululeko Nyembezi-Heita vacated the CEO office at ArcelorMittal, after six years, to become JSE chairwoman.

Nozi Mjoli, founder of Hlathi Development Services, who is researching gender diversity issues, said that "lack of confidence and lack of interest in top leadership positions because of women's commitment to their families," are still barriers.

Sandra Burmeister, CEO of executive search firm Amrop Landelahni, argues that "if we want gender empowerment to succeed, we must take into account the pipeline of young women coming into the workplace and set targets appropriate to this".

A blanket target of 50% women would be difficult to implement for sectors where two-thirds of jobs are technical — such as in construction, infrastructure and information technology, she concedes.

However, she said a recent PwC survey showed that, thanks to the Mining Charter in South Africa, women constituted 24% of executive management among mining companies, compared with the next-highest country, Canada, at 15%.

The number of women on the boards of JSE-listed mining companies had also increased in the past year.

The Credit Suisse Research Institute found that companies with one or more women on the board had delivered higher average returns on equity, lower gearing and better average growth.

Burmeister says: "It found that net income for companies with women on the board has averaged 14% over the past six years, compared to 10% for those with no female board representation."

According to McKinsey management consultancy, men are twice as likely as women to reach middle management. And once they have won a seat on the executive committee, they are five times more likely than women to become CEO.

Mjoli said studies showed that if women made up at least 30% of boards and executive teams, the different gender perspectives on problem solving contributed to improvements in financial performance and innovation. The diverse viewpoints, market insight and ideas also benefited the company.

Mjoli's research showed that, for example, Edcon, which reported losses of R2.4-billion in 2012 and R5.22-billion in 2013, had only one female at executive and board level during that period.

Woolworths, by contrast, had at least five women at those levels and reported profits of R2-billion in 2012 and R2.63-billion in 2013.

Dlamini, who claims he intentionally increased the number of women on his former management team at Old Mutual Emerging Markets, argues that there is sufficient legislation to stimulate gender diversity. "It's really the will and commitment of the management," he said.

Newton-King declined to comment, saying she wasn't "keen to discuss questions of a personal nature or to be seen as a spokesperson on gender issues in business".

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SAICA: setting global standards

While its primary role is to maintain and improve the professional and technical standards of the local accounting profession, the South African Institute of Chartered Accountants (SAICA) and its members play a significant role in the setting of global accounting and governance standards. It also plays an active role in the transformation of the profession and in assisting the government to achieve several important goals in the National Development Plan.

ASK ANY CHARTERED ACCOUNTANT South Africa [CA(SA)] what makes their professional body so well respected, both locally and internationally, and they will probably tell you that it's because of the programmes the institute runs to deliver on its Five Strategic Pillars:

- Growth and transformation;
- Brand excellence;
- Member satisfaction and delight;
- Responsible leadership; and
- Sustainability.

While SAICA projects such as the Thuthuka Bursary Fund (TBF) and Thuthuka Education Upliftment Fund (TEUF) primarily aim to grow and transform the accounting profession by increasing the number of black CAs(SA), these projects have beneficial side-effects for South Africa's economy as a whole. More than 21% of CEOs or MDs of companies listed on the JSE are CAs(SA), as are 74% of CFOs or FDs, and some 24% of all directors in total. In other words, the influence of SAICA's membership goes far beyond auditing – many are in key positions in business, while many more are entrepreneurs running their own SMEs.

Transforming SAICA membership helps to transform business leadership in general – and ensures that those leaders enter business already well grounded in the administrative and regulatory details, and in the financial competencies that can be so challenging to other would-be entrepreneurs.

Through practical interventions to upgrade mathematics and science teaching and learning at schools, the TEUF also generates a bigger pool of matriculants able to study sciences and other professions at university – so that even if they don't become CAs(SA), they increase the number of professional graduates, a key component to any country's economic sustainability. SAICA is also collaborating closely with government to increase financial capacity and competency in many public-sector departments, while SAICA's own code of conduct and strict discipline of members is a spur to good practice and good governance in the private sector as well.

South Africa maintained its No 1 ranking for the strength of its Auditing and Financial Reporting Standards for the fifth year in a row, according the World Economic Forum's (WEF) Global Competitiveness Index for 2014-2015, released in September.

Suresh Kana, SAICA chairman and CEO of PwC, believes SAICA's integrity has international benefits.

"Part of the reason [why our financial reporting is] rated so highly by international standards setters is that SA and SAICA were deeply involved in setting those standards," he says.

As it is, the CA(SA) qualification enjoys high acclaim internationally, and will position any candidate above their peers during the recruitment process – demonstrated by the more than 7 000 SAICA members living and working abroad.

Aside from the backing of a world-renowned qualification, members, as a prerequisite, have access to a programme of continuous education and support, developed by SAICA and underpinned by an effective digital communications backbone that gives CAs(SA) full access, regardless of their locality. SAICA's International Member Executive Council (IMEC) is specifically designed for members living abroad, to provide a strengthened service offering and better support, with increased information and knowledge sharing among members. International best practices, trends and other resources are made available, to keep CAs(SA) at the forefront of the accounting profession.

SAICA is also a founding member of the CA Worldwide Initiative, developed to strengthen the CA designation and increase its global recognition – making it arguably one of the most desirable qualification in the world.

Accounting and auditing leading the way in transformation

THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (SAICA) is showing many other professions and institutions the way when it comes to transformation, and in exhibiting the strong and principled leadership that our country needs as it completes its second decade of freedom.

According to Terence Nombembe, CEO of SAICA, the institute recognises that while its primary responsibilities may be to uphold and to contribute to accounting and governance standards locally as well as globally, it must do this while doing what it can to contribute – along with government, academia and the private sector – to transform, capacitate and enable the economy and the people of South Africa.

SAICA's flagship project in this regard is the Thuthuka Bursary Fund (TBF), which provides funding and wide-ranging academic and social support to talented students who lack the means for the tertiary education required to become a Chartered Accountant in South Africa [CA(SA)]. The TBF, however, is just the tip of the iceberg in terms of both SAICA's investment and its partnership with government.

BASIC EDUCATION

The TBF is sister to the Thuthuka Education Upliftment Fund (TEUF), the vehicle with which SAICA is driving change at high school and tertiary education levels. The objective of the TEUF is to improve the numbers of learners receiving a quality education as they move through the education system towards a SAICA-accredited university degree.

Nombembe says, as an industry body, one of SAICA's primary objectives is to promote and create awareness of the Chartered Accountancy profession at the level of Basic Education. At the level of grades 10, 11 and 12, the TEUF identifies particularly talented students and guides them towards the TBF and a potential university placement.

At grade eight and nine level, the TEUF has established the Economics and Management Sciences (EMS) Educator Support Project, which is aimed at building capacity among educators. Currently being piloted in Gauteng, North West and Limpopo, these workshops are aimed at increasing the knowledge base of educators with regard to accounting concepts and, in turn, opening up career options for their learners.

The TEUF also partners with university CSI projects to run feeder programmes that provide extra classes to learners in Mathematics, English, Accounting and Science.

Outside of the national curriculum, the TEUF – along with SAGE Pastel – hosts the annual national Accounting Olympiad. With school subject choices being crucial to a future career in accounting, the more than 4 000 Olympiad participants are introduced to the profession and provided with an opportunity to make the correct decisions at an early stage.

Furthermore, through the TEUF's annual Mathematics development camps, 1 800 talented learners are selected from all nine provinces and given support in a number of areas, including life skills and exam techniques, and mathematics. Learners are also evaluated with a view to both considering them for the TBF programme and providing them with access to the auditing industry as a whole.

UNIVERSITY ACCREDITATION

At the level of tertiary education, one of the TEUF's primary goals is to help to guide previously disadvantaged universities towards SAICA accreditation. This would allow those universities to begin producing quality graduates and future CAs(SA). The four-year-long accreditation process has already been completed at the Universities of Fort Hare and Limpopo, with Walter Sisulu University and the Universities of Venda and Zululand currently in progress.

For undergraduates at the University of Port Elizabeth (UPE), University of Johannesburg (UJ), University of Cape Town (UCT) and Nelson Mandela Metropolitan University (NMMU), the TEUF also runs academic support for non-Thuthuka students. Known as "Thuthuka-lite", the project provides the same academic support that is received by TBF students to similarly deserving students who are receiving their funding from elsewhere.

Furthermore, the TEUF provides support for postgraduates studying for their Certificate in the Theory of Accounting (CTA) through UNISA, and runs national programmes for those postgraduates who are struggling to pass their CTA. The TEUF also runs an ITC repeat programme for candidates who have previously failed this exam. This project is run in partnership with the Universities of Johannesburg and Cape Town.

Filling the gap between matriculants and qualified CAs(SA), SAICA has invested in the establishment and development of the Association of Accounting Technicians South Africa [AAT(SA)] programme, an internationally accepted qualification that encompasses both double-entry and the government single-entry systems of accounting, and is taught at FET colleges.

BRAIN GAIN

Nombembe says with strong education and sound financial management being key to the good health of any modern economy – and hence any modern society – SAICA is investing both its time and money in the future of South Africa. He contends that SAICA's partnership with government continues to strengthen, and the many programmes it has established within the education system are bearing fruit, to the benefit of the whole of South African society, which is reflected in the findings of the World Bank's latest report on the country's Accounting and Auditing landscape.

The World Bank found that South Africa is a global leader in the adoption of, and contribution to, International Financial Reporting Standards, as well as International Standards of Reporting.

Despite the much-lamented brain drain to which South Africa has fallen victim over the last decades, it seems we are experiencing a "brain gain" in the field of Chartered Accountancy and Auditing. Although there is still a shortage of CAs(SA), the numbers are significantly up. The CA(SA) mantle remains the first choice for most prospective accountants, and the South African Institute for Chartered Accountants (SAICA) has accredited 13 South African universities to offer the coveted CA(SA) curriculum.

"However, South Africa's success in one particular category examined by the World Bank goes beyond the technical – that is its success within the area of transformation," says Nombembe.

"In what was once a profession populated almost exclusively by white males, we have seen significant progress being made in creating opportunities for individuals from previously disadvantaged backgrounds and for women to build rewarding careers in accounting and auditing.

"In 2002, only 322 African and 222 coloured chartered accountants were registered with SAICA. By 2011, these figures had already seen a vast improvement. The number of African CAs(SA) had risen to 2 811, and coloured CA(SA)s to 1 043. Currently more than 50% of the trainees who pass the CA(SA) qualifying exams are female, and more than 50% are black.

"The accounting and auditing profession is not the finished article yet, but with the rank of 1st out of 144 countries in the world by the World Economic Forum for the past five years, as well as a world class transformation plan, we set an example for positively contributing to South Africa" adds Nombembe.

TERENCE NOMBEMBE, CEO OF SAICA

TOP TEN

More than the sum of its parts

Third-placed Metair profits in a volatile motor industry

EXPANSION: Theo Loock, the managing director of Metair, has overseen a turnaround at the automotive parts maker Picture: ROBERT BOTHA

TINA WEAVIND

METAIR Investments has raced from 11th position in the Top 100 Companies last year to third place this year.

A component manufacturer in the strike-prone motor vehicle industry, Metair's success has been driven by fleet-footed responses to the changing operating and economic environment.

Revenue has also been driven up by outstanding investments in Europe and locally under the state-backed Automotive Production and Development Programme (APDP).

Much of its success has been thanks to superior technology used in its batteries.

Metair's shares delivered a compound annual return of 49.94% over the past five years. A R10 000 investment five years ago would see you pocket a healthy R75 780 now.

In 2012 the company acquired a majority interest in Rombat, a battery manufacturer in Romania; and last year it acquired a majority stake in Mutlu Akü, Turkey's largest battery manufacturer and distributor.

Jean Pierre Verster, an analyst at 36One Asset Management, said part of the rationale for these purchases was Metair's battery technology.

The company developed start-stop batteries in the 1980s, which were initially used in miners' helmets.

The technology was more recently adapted to vehicles, which results in, for example, the engine turning off when the car stops at a traffic light.

The "green" batteries have allowed the company to profit from the application of stringent environmental legislation, especially in Europe.

Metair installed its battery technology at Rombat, which had long supplied Renault Dacia in eastern Europe, and the company took over Rombat's contract with Renault.

It hasn't always been a good news story, though. Warwick Lucas, the chief investment officer at Galileo Capital, described the firm's upward trajectory as "a turnaround story". Lucas said Metair had substantially modernised its shop floor operations and production throughput.

Metair has undergone significant changes since 2006, when it was owned largely by the Wessels family, which was the major shareholder in Toyota South Africa.

The company, which made parts exclusively for Toyota, incurred losses soon after the family sold off its shareholding in 2006.

The initial focus on supplying parts for one vehicle manufacturer, supported by the state's development programme, was clearly unsustainable and, Verster said, it expanded the repertoire of vehicle manufacturers it could supply to.

The automotive industry is a vital part of the economy, accounting for 12% of South Africa's manufacturing exports, and the sector's decline sparked alarm and ultimately the creation of the Automotive Investment Scheme (AIS) in 2010.

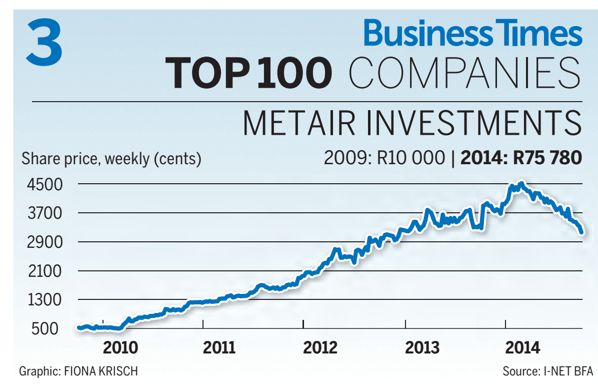
Verster said the AIS incentivised companies to expand their footprint. By April this year, the scheme had approved 181 projects and supported investments of more than R21-billion.

The scheme provided a critical buffer to the company during devastating strikes in recent years.

Earlier this year Metair managing director Theo Loock said the APDP, of which the AIS forms a part, had mitigated some of the effects of the labour actions, including a devastating seven-week strike last year.

The future is relatively uncertain for Metair.

International companies that import South African parts are likely to balk at signing contracts that could be reneged on because of labour action.



TOP TEN

Mr Price sews up the market

ANN CROTTY

ETHICS: Mr Price's Stuart Bird Picture: JACKIE CLAUSEN

THE story of Mr Price's dramatic rise to its extremely profitable and prominent role in the local clothing retail sector is the story of South Africa's relationship with China in the first decade of the 21st century.

It's a story that could have come straight out of *The Travels of a T-shirt in the Global Economy*, an excellent account of China's drive to become a major world economic power, written by US professor of business Pietra Rivoli.

The Chinese government's willingness and ability to provide generous subsidies to its textile industries, low labour costs and a weak currency combined to make China the most attractive source of product for clothing retailers with growth ambitions.

While the global financial crisis dented Mr Price's share price it did nothing to slow down the group's earnings performance.

In recent years management at Mr Price has set itself apart from management at other clothing retailers. Mr Price's strong performance has made it apparent that the group was not reliant on the "China subsidy" to pump profits for its shareholders.

Even management's earlier decision not to pursue credit sales aggressively has been made to look extremely wise in the wake of the ongoing unsecured lending "crisis".

Since 2010 the steady strengthening of the yuan against the rand has more than wiped out the early currency advantage.

In addition, inevitable supply and demand factors have ensured that Chinese labour costs are no longer a big advantage.

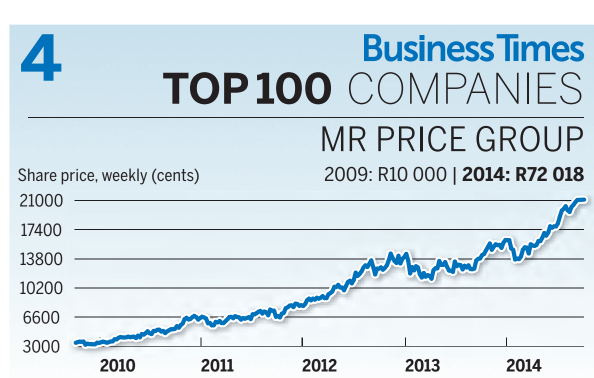
Mr Price has adapted by spreading its sourcing mainly to other Asian countries — and more recently to South Africa.

Mr Price initially switched a lot of its sourcing to Bangladesh as well as Vietnam and Cambodia.

Management is far more cagey than other retailers about disclosing details of the source of its apparel but it is likely that the collapse of a garment factory in Bangladesh in April last year, in which at least 1 000 people died, influenced management's decision to join the Ethical Trading Initiative this year.

The group's more than 1 000 outlets in South Africa have guaranteed its appeal not only to consumers but also to shareholders.

Analysts are confident it will continue to keep a tight rein on costs and that the impact of sluggish South African demand will be countered by growth into Africa and elsewhere based on online sales.



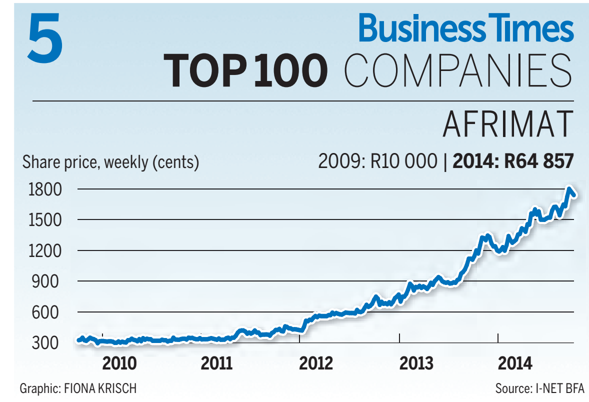
TOP TEN

'In the right place at the right time'

Afrimat bucks the downward trend

LUCKY BIYASE

DUCKS IN A ROW: Andries van Heerden, CEO of Afrimat Limited Picture: ESA ALEXANDER



GOING against the grain of a difficult operational environment in the construction sector, open-pit miner Afrimat registered an increase in revenue to R1.9-billion from R1.3-billion in the year to date, but modesty seems to be chief executive Andries van Heerden's middle name.

"Afrimat just happened to be at the right place at the right time. The market is on our side.

"Our continued good performance ahead of the market reflects our success in achieving our strategic objective of delivering results through diversification," he said.

Afrimat, which specialises in the mining and supply of various aggregates, must have had a great strategy for getting its ducks in a row in an environment characterised by difficult trading conditions — contracts are drying up and the state's roll-out of infrastructure has slowed to a trickle.

Afrimat's change of fortunes is attributed by those in the know to when it bought erstwhile mining leper Infrasors.

According to Afrimat's annual report, when Afrimat stepped in to buy a stake in Infrasors, the latter's revenue grew 14% to just over R320-million.

Van Heerden said Infrasors was heavily overstaffed and he and his board had to immediately come up with a strategy to reduce costs and significantly improve revenue.

"We had to take painful decisions to achieve this turnaround. The business [Infrasors] was heavily burdened.

"But we have made those decisions and we've passed that now.

"Our business development team will go ahead with successfully identifying and pursuing opportunities in the current markets, including areas where we believe that there is potential for high growth," Van Heerden said.

He said the incorporation of Infrasors into Afrimat was going well and what was left was to buy the remainder of Infrasors.

The Infrasors move baffled many — a business that failed to lock horns with the market since listing in 2007.

"We realise that we still need to go all out to unlock the full value and potential of Infrasors and our next preoccupation in the short to medium term will be to do just that," Van Heerden said.

Makwe Masilela, the director and portfolio manager at BP Bernstein, said Afrimat did remarkably well under the current trading conditions when most of its peers were struggling.

"Maybe it is because they are the suppliers of materials and not necessarily involved in the actual construction.

"It is worth noting that the company came from a price to earnings ratio of around 6 and now it is at almost 12, which means there might still be some upside.

"It's fully priced and given that the construction sector is struggling . . . there might be headwinds for the company unless the government speeds up infrastructure spend," Masilela said.

Afrimat's only downside is the increase in operating expenses, which rose to R461-million from R314-million in the corresponding period last year.

But Van Heerden is cautiously optimistic about the trading environment in the short to medium term.

"We expect the current positive business environment to continue with moderate market growth as we forecasted.

"The group's growth will remain driven by the successful execution of its proven strategy, which was embarked upon in the last five years," he said.

TOP TEN

A seamless branding machine

The Famous Brands model is being refined to boost profits

ADELE SHEVEL

FAMOUS Brands is a regular among the top 10 performers but this year is a particular milestone for the group as it celebrates its 20th anniversary on the JSE in November.

The owner of popular restaurant brands, including Steers, Debonairs Pizza, Wimpy and Mugg & Bean, continues to implement its winning strategy, backed by an integrated business model.

At the front end, Famous Brands buys leading brands in their categories — a particularly important aspect at a time when consumers are strapped for cash and spend disposable income selectively.

At the back end, these brands are integrated into significant manufacturing and logistics operations.

The group manufactures a growing number of its products, including meat cuts, coffee and cheese, for its franchisees. It also distributes a wide range of products for the menu to franchisees.

This model protects the margins of both the group and its franchisees, so new brands add to the group's overall profitability while integration has become seamless.

It works. An investment of R10 000 five years ago would yield R61 463 today. It's been a consistent trend since Famous Brands listed.

On debut Famous Brands was priced at R1.65 a share, with a market capitalisation of R41-million, and consisted of only the Steers brand and a limited supply chain.

Today its market cap is close to R10-billion.

Famous Brands continues to be cash-generative, and pays down debt quickly. It is always in acquisitive mode.

Where once it was more about mainstream middle-income brands and quick service restaurants, it has diversified to upmarket sit-down restaurants and eateries such as Tashas, Vovo Telo and Turn n Tender.

Over the past five years the group's acquisitions have been significant: from Giramundo to Fego Café, Milky Lane and Europa.

Steers has been taken to the UK and Debonairs Pizza to India. The group bought 49% of UAC Restaurants, which includes the powerful Mr Bigg's brand, in Nigeria.

Over the past year the group has bought a 70% stake in Wakaberry Frozen Yoghurt Bar, and signed a master licence agreement for Saudi Arabia, Lebanon, Morocco, Iran and Egypt.

Most recently it announced a tie-up with Thrupps, which is telling because it is a sign of a retail strategy unfolding.

Group CEO Kevin Hedderwick is single-minded about what each one of the group's brands stands for.

"The secret about brands is to make sure they are relevant and contemporary, underpinned by innovation, quality and service."

He has often said there is growth in the number of double-income families who are cash-rich and time-poor when GDP increases, which brings greater demand for convenience.

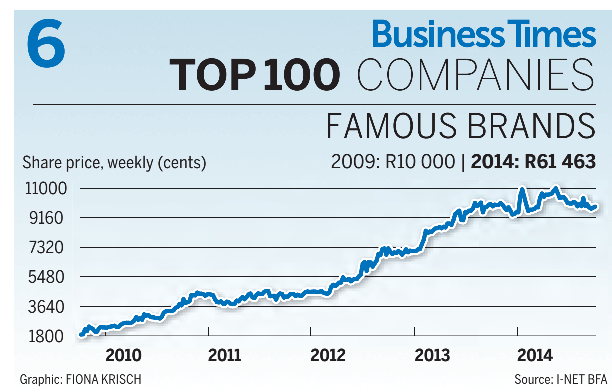
As for the future, Hedderwick says: "The business has been re-engineered for the next phase of robust growth, through evolving from a single-minded focus on brands to a totally integrated food-service business.

"We will be undertaking cautious expansion from the food-services franchising arena into the related leisure space by leveraging Famous Brands's core competencies: leadership, brands, manufacturing, logistics and retail. This expansion will be underpinned by the group's strong balance sheet."

The group has 18 chains in its portfolio, and a network of 2 461 restaurants across South Africa, Africa, the UK, India and the United Arab Emirates.

Hedderwick sees Africa playing an increasingly important role and expects turnover from the continent to contribute between 20% and 25% to the group in the next five years.

STAYING RELEVANT: Kevin Hedderwick, the CEO of Famous Brands Picture: JEREMY GLYN



TOP TEN

Invicta breaks new ground

THEKISO ANTHONY LEFIFI

INVICTA Holdings has achieved a feat that arguably no other JSE-listed company has managed to pull off before — a place in the Top 100 Companies rankings 20 years in a row.

The market capitalisation of the investment holding and management company is a stone's throw from the R8-billion level.

Had you invested R10 000 in the company on October 1 2009, your return by the end of last month would have been R57 152.

An equal investment in Invicta's closest competitor and much bigger rival, Bidvest, over the same period would have yielded R27 983.

This is despite the fact that Bidvest controls 94.36% of the market segment in which both groups operate. Invicta's share is just 5.64%, according to STP Analytics for Decisions in Investment and Finance, a European investment analytics research company.

Invicta's subsidiaries import and distribute engineering consumables, capital equipment and building materials.

It distributes more than 1.3 million line items and 270 brands to customers including Caterpillar, Hitachi, Mercedes-Benz, Volvo, Man and Scania.

Invicta is ranked seventh in this year's Sunday Times Top 100 Companies list as it delivered compound annual returns of 41.71% over the past five years.

Bidvest is ranked 59th with an annual compound return of 22.85% over the five-year period.

Invicta's top line and operating profit growth was largely supported by its acquisition strategy.

Invicta purchased the Singapore-based Kian Ann Engineering group for R1.4-billion last year.

CEO Charles Walters, who recently replaced Arnold Goldstone, said the company was looking for acquisitions in Europe, Asia and north Africa.

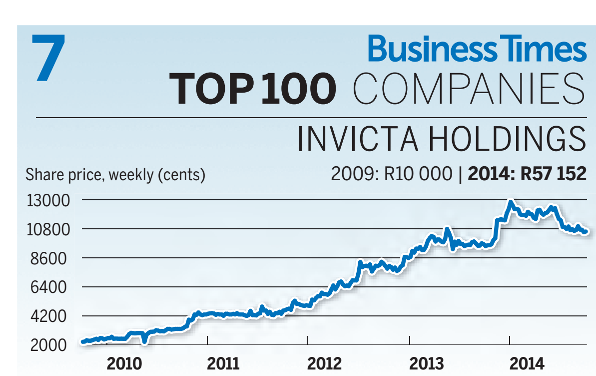
He said the company "is not straitjacketing" itself in one region, as that would be "silly".

The group's expansion strategy is partly spurred by the need to reduce reliance on the South African market, where economic growth has been sluggish.

Invicta managed to deliver a par performance for the year to March even though its local operations were severely affected by the five-month strike on the platinum mines.

It reported sales of R10.5-billion, which represented a 38.5% improvement on the previous year.

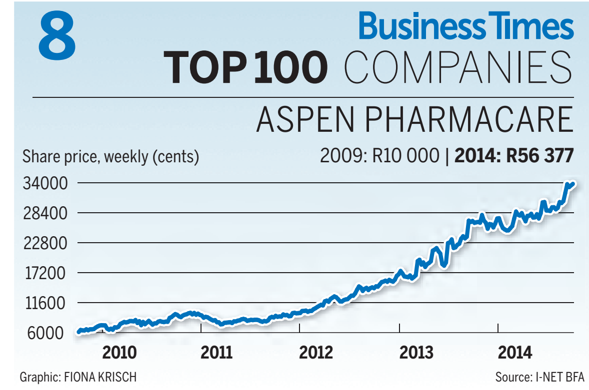
EARTH MOVER: Invicta CEO Charles Walters



TOP TEN

A start-up that dared to leap into the future

HEALTHY OUTLOOK: Aspen CEO Stephen Saad



Audacity was right medicine for Aspen

ADELE SHEVEL

ASPEN's performance again confirms its status as a blue-chip operator, a global company with more than 75% of revenue and earnings generated outside of South Africa and a track record since listing of 16 consecutive years of double-digit growth.

If you'd invested R10 000 five years ago, it would be worth R56 377 today. In these five years Aspen's average compounded return to shareholders has been 41% a year.

Over the past year it has spent more than R20-billion on acquisitions. These investments position the group for further growth by expanding the product offering, extending its geographic coverage and bringing in additional specialised manufacturing capability, according to the chief executive, Stephen Saad.

One of South Africa's top management teams — headed by Saad and deputy group chief executive Gus Attridge, co-founders of Aspen — runs the group from a small head office in Umhlanga near Durban, supported by a few key executives.

The company, which today sells products in more than 150 countries, has turned conventional wisdom — that South Africa cannot compete in manufacturing — on its head.

Its Port Elizabeth site produces a significant portion of the products sold around the world and is the largest supplier of medicines to the private and public sectors in South Africa.

Aspen's South African factories represent 60% of the group's tablet manufacturing capacity. Aspen continues to invest in its manufacturing sites in Port Elizabeth, Johannesburg, East London and Cape Town.

Over the past eight years the group has invested more than R5-billion to expand and upgrade manufacturing facilities (mostly in South Africa), while R2.2-billion is planned for next year.

Five years ago Aspen was generating most of its revenue in South Africa, but today it's a different picture. While the local business has continued to grow, the offshore businesses now contribute 75% to earnings.

"Not only are they selling well on the front end, but they have integrated backwards into world-class manufacturing," said Jean Pierre Verster of 36One Asset management.

"The group has a very competitive cost base and is integrated across the chain. They push through greater volumes by successfully participating in public tenders and keeping their own sales force productive with more and more products, which enhances efficiency."

Aspen's acquisitive history began with a deal that changed the local pharmaceutical landscape: the audacious purchase of the pharmaceutical interests of the country's oldest pharmaceutical company, South African Druggists, in 1999.

This put the group into a highly indebted position, but like deals that have come since, SA Druggists was integrated and became an engine for growth.

Over the past five years, Aspen has done several strategic deals with world-leading multinationals including GlaxoSmithKline, MSD (Merck), Nestlé and Novartis. These deals spanned Latin America, Australia, southeast Asia, Russia and Europe. About 3 500 employees were added to the international business over the past year alone.

When Aspen bought Sigma Pharmaceuticals in Australia in 2011 there was scepticism — it was for a big sum — but costs have been eliminated and revenue retained. Now one in five scripts in Australia are for Aspen-distributed products — as are one in four in South Africa.

Today Aspen has more than 10 000 employees at more than 50 locations around the world, and 26 manufacturing facilities at 18 sites on six continents.

In less than two decades, it has become the fifth-largest maker of generic pharmaceutical products in the world.

TOP TEN

Howden Africa flies silently up the ranks

Engineering equipment firm weathers tough SA market

TINA WEAVIND

HOWDEN Africa Holdings, a subsidiary of the Colfax Corporation which trades in New York, does not fly its flag high in public.

While it has broken into the top 10 of the Top 100 Companies this year, rising to ninth place from 15th last year, very little news, good or bad, is available online.

Yet Howden Africa has been performing superbly for shareholders, delivering a compound annual return of 41.3% over the past five years. A R10 000 bet on the engineering company on October 1 2009 would have netted you R56 328 by the end of last month.

Howden Africa produces and installs cutting-edge engineering equipment for factories and operations in most industrial sectors.

Despite its major presence in a niche market with high returns, Howden Africa operates under the radar.

The company designs, manufactures and markets specialised air, gas and liquid-handling equipment for a range of industries, primarily in South Africa.

The company is divided into two main areas: fans and heat exchangers, and air and gas environmental control cleaning products.

Howden Africa has been intensively involved in the construction of Eskom's much anticipated Medupi and Kusile power plants, as well as significant other power generation operations.

Both Medupi and Kusile have been designed to emit an absolute minimum of toxins into the environment, and this has provided Howden Africa with significant opportunities.

Flue gas desulphurisation, a vital aspect of the emission control at both new state-of-the-art coal-fired power stations, is one of Howden Africa's specialties.

Success in the environmental control aspect of the business has also been boosted by general environmental legislation, which is being adopted in virtually all new buildings and factories, a trend that is almost certainly going to continue into the future.

The interim results to June showed the environmental control division had an outstanding 82.2% hike in operating profit to R16.6-million in the past six months.

Howden Africa CEO Thomas Bärwald said recently that the future was bright for the pollution control sector locally since South Africa was a "high polluter".

His contention was backed up by the interim results, which showed that orders for the six months increased by 10.6% to R783-million.

The division supplying fans and heat exchangers mainly to the mining sector faces a potential knock from the slowdown in new mines this year, as well as the plunge in state-funded industrial build programmes.

This is something Jean Pierre Verster, an analyst at 36One Asset Management, noted as a potential pitfall for Howden Africa's strong revenue stream.

However, the company managed to dodge the worst of the impact of the slowdown by diversifying into aftermarket sales — supplying spares and providing service — to established mines and, as Verster described them, many "big dirty factories".

Bärwald said one of the company's most important developments had been an increase in "bolt-on" equipment that added substantial value to previous offerings.

The company now produces a great deal more electrical parts whereas it previously focused on mechanical components.

Control equipment, for example, is increasingly making the company a one-stop-shop for sophisticated machinery for its market.

This was a "continuously growing" aspect of the company, Bärwald said.

Another worry for Verster was that once equipment has been installed, the lead time for replacements and repairs could be several years or even decades.

This is likely to be exacerbated by South Africa's miserable growth rate.

Increasingly short supply of electricity could also have a crippling effect on industry in the country, which could deal a blow to Howden Africa's bottom line.

Industrial action, which has picked up significantly in recent years, also poses a threat to the sectors in which Howden Africa operates.

The company has ambitions to push north into the rest of southern Africa, but Bärwald admits that at the moment South Africa still accounts for about 95% of the bottom line.

However, demand in the mining sector across the border is low, according to Bärwald, since there is limited industrial build and surface, rather than deep-level, mining is dominant.

In the medium term, though, the rapid growth in Africa is likely to offer increased opportunity.

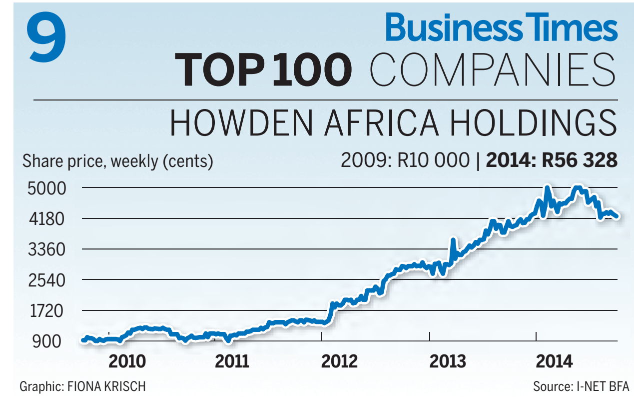
The company notes too that it has a high churn rate of, especially, young engineers, which poses a threat for future competitiveness in the market.

> Medupi and Kusile have provided Howden with opportunities

However, mentorship programmes and benefits, or "attraction and retention strategies", had been implemented to hopefully keep the talent in house.

Howden Africa is the only listed subsidiary of the Howden Group, which was bought two years ago by the US-based Colfax Corporation. Howden has units in Europe, North and South America, China, India, Asia and Australia.

LOW PROFILE: Thomas Bärwald, CEO of Howden Africa



TOP TEN

Paper no pushover in digital world

LUCKY BIYASE

PAPER Group Mondi has found a way to be successful — despite the emergence of digital telecoms worldwide.

Investors could have written off the paper producer, but the company remains buoyant.

"We aim to exceed our 13% hurdle rate of return on capital employed through the business cycle, thus creating value for our shareholders," said chief executive David Hathorn in the company's annual report.

"Our clear and consistent strategy demonstrates the required combination of focus and flexibility to deliver results."

Flexibility is the key word. From cement bags to office paper, fruit boxes to microwaveable food pouches, medical containers to adhesive labels, the group offers more than a hundred packaging and paper products that have been customised into more than 100 000 different solutions.

Hathorn said: "By working with strategic partners, customers, suppliers and research institutes, we are able to develop new technologies that deliver cutting-edge products in responsible ways."

> More than 60% of our net operating assets are currently in emerging markets

Mondi was strongly cash-generative, he said, with pre-tax earnings of R1.1-billion, reflecting an increase of 15% compared to the previous year.

In June this year, the company bought the business of bags and kraft paper (strong brown paper made from wood pulp) from Graphic Packaging, to gain access to the US market.

"The combination of these operations creates a leading player in North American bags markets and further expands the group's growing global footprint in this market," Hathorn said.

Within the broader packaging sphere, Mondi remains optimistic about developing the segments and getting maximum mileage out of consumer-related packaging, including corrugated packaging.

"We continue to develop our presence in emerging markets, which offer inherent cost and growth benefits," Hathorn said.

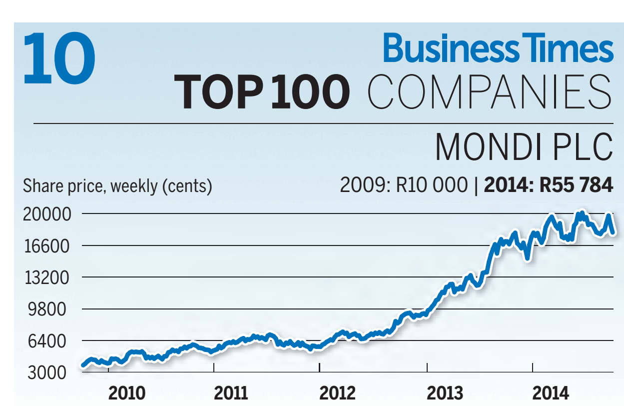
"Overall, more than 60% of our net operating assets are currently in emerging markets."

However, Europe continues to be important to the Mondi group.

"Looking ahead, much depends on macroeconomic development in the group's European markets.

"But with the group's low-cost operating model in upstream businesses, to be further enhanced by the various capital projects nearing completion, and the benefits of strong vertical integration, we remain confident of continuing to deliver industry-leading performance," Hathorn said.

PAPER PROFIT: David Hathorn, CEO of Mondi, which continues to thrive Picture: ROBERT TSHABALALA



EXECUTIVE REMUNERATION

CEO pay linked to firm size, not results

Shareholder returns not reflected in salaries

ANN CROTTY

SIZE counts. How else can you explain the fact that executives of large companies that are languishing near the bottom of the Top 100 Companies table are among the best paid on the JSE?

Barclays Africa Group, Standard Bank, Investec and Nedbank are all in the bottom half when it comes to returns to shareholders over a five-year period and yet their executives feature among the highest-paid.

Standard Bank's compounded annual return of 10.31% over the past five years looks extremely shabby compared with the 78.11% achieved by top performer Coronation Fund Managers.

But despite the prolonged pedestrian performance, last year Standard Bank's remuneration committee insisted on awarding R28-million each to its two new co-chief executives, who had been in the job for nine months. The year before Jacko Maree was paid R18-million.

These packages have been justified on the grounds that the skills needed to run large and complex institutions are in short supply.

In his letter to shareholders contained in the latest annual report, Ted Woods, the chairman of the bank's remuneration committee, talked of the "skills imperative" and noted that the "increasingly complex regulatory and governance demands on banks adds another deep but unavoidable layer to the skills imperative".

And it seems that with every layer of skills comes an additional layer of payment.

The letter goes on — and on — to explain how the generous payments are linked to returns to the shareholders. However, the 10.31% five-year return suggests the link is not very close.

A contender for the most overpaid bank executive is Maria Ramos, the CEO of Barclays Africa. Even allowing for all the work done on the Africa deal, her generous remuneration package looks inappropriate given the 10.68% annual return over the past five years.

Investec came in at 87th place with a return of 15.65% and Nedbank managed to scrape into 81st place with a return of 17.14%.

Well done to FirstRand for its 30.58% return, which earned it 39th position.

Certainly the message from the list of Top 100 performers is that size and assumed complexity are the dominant determinants of executive pay and that actual returns to shareholders do not appear to feature in the musings of remuneration committee members.

This reality should temper the generosity of the large companies' remuneration committee members.

But in the world of executive remuneration, what is more likely to happen is that the remuneration committees of the smaller companies in the top 30 will use the returns to justify being propelled into the very top league of payers.

It's not that the relatively smaller companies that made it into the top 20 don't already pay their executives extremely well.

> Committees should be forced to impose a long-term perspective

But remuneration committees are constantly looking for reasons to pay even more and find them easily when shareholders are inactive or compromised.

Hugo Nielsen, the former CEO at Coronation, received R18.7-million in 2012, his last year in the job. His replacement, Anton Pillay, was paid R10.9-million in 2013.

According to research by Legae Securities, average pay at Coronation is R3-million.

Few of the investors who pour money into Coronation's funds and none of its shareholders are likely to begrudge that generosity given the spectacular returns.

Whether those returns can be maintained without the help of the US government's quantitative easing programme, however, remains to be seen.

A pull-back on this front could put pressure on Coronation's remuneration committee next year.

Things do look quite modest at EOH. The total payout to all five executive directors was just R13.5-million in 2013.

But scratch a little deeper and it turns out directors and associates own just over 6% of the company. The annual report is not very forthcoming but it looks like CEO Asher Bohbot, who owns 6.7 million EOH shares, scored big time by exercising 500 000 of the 2.1 million options he had been awarded at R5.99 a share.

He exercised the options when the shares were trading at R37.91.

Over at Metair, generous packages are bumped up substantially by gains on the exercise of share options.

Theo Loock's R7.2-million in salary and bonus is lifted to R26.3-million when the R19-million gain on exercise of share options is included.

Brian Jacobs's reasonably modest package of R3.8-million increases to R13-million with the inclusion of gains on share options.

Similar sums of money were made by the two executive directors in financial 2012.

What may be unknowable in all of this is whether over the years executives are extracting proportionately more in remuneration than they can claim to be adding to the value of a company.

Are the top executives at Coronation getting a more generous package now than the top executives at previous winners Waltons (in 1987), M&A Investments (in 1990) or Dimension Data (in 2000)?

Did the executives who took Metair to the top in 1984 and 1985 get as much as the current Metair leadership is getting?

What is knowable is that shareholders need to get more involved in order to counter remuneration committees' determination to pay executives as though they were indestructible superhumans.

A look through the list of previous Top 100 Companies winners highlights just how ephemeral it all is. Paying executives in the hope they will be around forever to produce exceptional returns is not justified by history.

Remuneration committees should be forced to look at that history and to impose a more appropriate long-term perspective. The current belief that long term is anything from three to five years highlights the lack of memory within the "remuneration industry".

BANK INFLATION: Former Standard Bank CEO Jacko Maree took home R18-million in 2012. The next year, his two successors received R28-million each Picture: MARTIN RHODES

LEADERSHIP INSIGHT

Q&A with last year's Business Leader of the Year

WHAT do executives look for when they vote for the Business Leader of the Year?

First they look at the "company". There are two sides to this. The one, counterintuitive, aspect is that leaders are judged not for themselves but for their teams. Great leaders surround themselves with people who are better than them.

The other aspect is that exceptional companies are led by teams that are empowered to innovate and take calculated risks.

Leaders are only as good as the people around them. Good leaders surround themselves with great people and reward innovation that will lead to positive change.

If you need to decide whether to buy a company, you may look at aspects such as shareholder returns, earnings, market share and brand value.

The best way to determine whether a company is successful is to look at how happy the people are working for that company.

A good measure of leaders is what everyone thinks of them — not just those who stand to benefit from having a positive opinion.

Also, how leaders treat the person who has little to offer them, such as the cleaner or the receptionist.

Good leaders have a healthy sense of paranoia about what competitors are doing, how new businesses will disrupt their industry and what exponential tech may mean for their products or services.

In today's digital age where the world is more global, connected and innovative than ever, good leaders are creating their future rather than reacting to it.

The landscape will look significantly different in the future — leaders need to predict what roles will need to be filled and grow their teams for those future positions.

A good leader constantly challenges traditional ways of doing things, and can reinvent or adapt to changes in the external environment.

Good leaders know that they don't know everything, and will surround themselves with a diverse network of people who think differently to them.

Good leaders have authenticity, integrity, accountability, courage, execution and humility.

How often do you encounter differences and new approaches to business leadership?

If you're doing it right, every day. The challenge is to drive on the diversity that this brings and not strive for homogeneity.

What does this reward mean in terms of recognition?

Recognition by our peers is the greatest accolade. They know intimately what it takes to lead a large business in today's complex and fast-changing world.

What are your thoughts on the connection between leadership ability and returns to shareholders?

The ultimate output of leadership will always be to create short-term profits and maximise shareholder returns, but strategies need to be ingrained and experienced by people: employees and customers.

The FNB strategy is driven by the philosophy "How can we help you?"

When FNB obtained a telecoms licence and when we were the first bank to offer iPads and smartphones, we were asked whether FNB was a bank, a gadget retailer or a telco service provider.

We were seeing a new way for people to bank and preparing for unexpected directions and possibilities of the future.

As a venture capitalist helping small start-ups, I am now even more aware of how short-term profits are elusive if one takes a long-term view.

The major new challenge for business leaders is to not fall for short-term profits but to position their business for the long term.

THINK AHEAD: Former First National Bank CEO Michael Jordaan at the 2013 Top 100 Companies Awards

THIS YEAR'S BIGGEST MOVERS

TINA WEAVIND

Growth slows — even for achievers

Top 100 companies reflect the state of SA's economy

BUCKING TRENDS: Mr Price has moved up the rankings Picture: RUSSELL ROBERTS

CORONATION Fund Managers has aced the Top 100 again. Its stellar performance rode on the back of a bubbling equity market, fuelled by quantitative easing in the US and, until recently, the search for yield in emerging markets.

But Coronation's astonishing upward trajectory has levelled off through 2014.

In winning last year, the asset manager's compound annual growth rate over five years was 78.03%. This year, the rate rose just 0.08 percentage points to 78.11%.

So, if you had invested R10 000 in 2008 you would have pocketed an impressive R178 822 last year. But move the investment date forward to 2009 and you would have added just R423 to the pot compared with last year.

Coronation has been waving a red flag, though. In last year's Top 100, its chief investment officer, Karl Leinberger, warned the share price was overvalued and a correction was on its way.

In the interim results to March, the company acknowledged "another exceptional period for the business and for our clients", but told investors to fasten their seat belts and "reset their expectations for the years ahead . . . we envisage a difficult investment environment with increased market volatility".

Coronation's rationale is that the equity bull run is coming to an end.

Part of the reason is that money that has been flowing into emerging markets is starting to reverse as quantitative easing hauls the US out of the mud and Europe starts to show signs of life.

The flood into Coronation's coffers might slow but as long as the market-beating talent stays in house, the asset manager won't fall too far down the rankings.

A helicopter view of the trends in the Top 100 list is a clear description of South Africa's current economic position, with anaemic growth and the soaring cost of living changing the picture from last year.

Retailers on the whole have tumbled — apart from Mr Price, which bucked the trend and rose to fourth place from sixth last year.

Truworths plunged to 96th from 34th in 2013, Woolworths fell to 13th place from third last year and Shoprite to 69th from 31st.

It had to happen: Momentum Wealth portfolio manager Wayne McCurrie notes that valuations on retailers over the past few years have been high and a correction was to be expected.

Equally effective in the general decline of the retail sector is the squeeze affecting consumers faced with rising interest rates and living expenses.

> Coronation warned investors to reset their expectations

Disposable income could be eroded even further if personal income tax is raised, which McCurrie says is a strong possibility.

According to McCurrie, another fundamental aspect has been the slower-than-expected returns from retailers' investments outside South Africa. Money is flowing to the new locations, but take-off has been slow.

Mr Price, though, has moved up from number six last year to number four this year as it swallowed up market share lost by other retailers. McCurrie attributes the brand's success to a great management team and an aggressive pricing strategy that has given it "a very nice market niche".

The banking sector has also been affected by the rising interest rates and the increasingly tough economic environment, which is making it harder to borrow.

In addition, African Bank's collapse has seen banks push up provisions for unsecured lending, especially as disposable income shrinks.

The good times also appear to be over for most listed property companies, which mostly fell down the list over the past year.

Vukile Property Fund dropped from 60th place to 73rd, Redefine from 74th to 89th and Fountainhead from 88th to 104th position.

It hasn't surprised analysts. Paul Bosman, who manages the PSG Balanced and PSG Stable funds, warned in January that there was too much retail space available and that many listed property companies were overvalued.

A contracting economic environment has put a damper on shoppers and malls are getting less traffic.

Older office blocks and parks are also losing tenants as shiny new A-grade blocks spring up.

Bosman said, however, that if inflation remained low and interest rates did not rise much more, listed property could perform "fine".

"If rates do rise and a number of the above scenarios unfold the drawdowns could be significant."

South Africa's total shopping centre floor space per 100 people is comparable to both Portugal and New Zealand, yet our gross domestic product per capita is less than half of both.

Investors are clearly wary of an environment in which footsteps echo down passages lined with papered-up shop windows. Vacancies also tend to be in smaller stores, which pay much higher rentals than the large anchor tenants.

If this trend continues it will put pressure on landlords whose soaring power costs and rates and taxes bills could squeeze margins.

Office space vacancies were a concern, Bosman said. New supply, particularly of A-grade offices, keeps coming onto the market. Tenants tend to flock to these, pushing down the rate per square metre — but the migration is tending to leave the less salubrious establishments increasingly empty.

Resilient and Hyprop were the exceptions. Resilient went from 38th position up to 30th place this year and Hyprop from 67th to 60th.

Hyprop CEO Pieter Prinsloo said in the 2014 interim results that, among other things, the company's success this year was attributable to disposal of non-core assets, the exit of Redefine in October last year — which doubled Hyprop's free float — and that rising investment outside South Africa had been buoyant.

> The good times appear to be over for property companies

Resilient Property Income Fund's bottom line got a boost earlier this year from a rights offer to raise R1-billion. The company's portfolio of retail centres outside metropolitan areas also provides it with something of a captive audience.

Growthpoint was another upward mover, inching up from 66th to 65th on the list.

Growthpoint has a portfolio of high-end shopping centres including Hyde Park and a portion of the V&A Waterfront, which are revenue spinners.

The company's Australia-listed GOZ operation has also proved successful and provided a rand hedge.

The acquisition of several high-end shopping centres and an industrial property without accumulating much debt has also helped.

But CEO Norbert Sasse admitted this year that vacancies had risen 0.5% to 4.9% across the board.

Bosman said the Growthpoint share price would probably have held up due to three factors.

"The portfolio value would benefit from rand depreciation against the Australian dollar. Also, on a relative basis Growthpoint's vacancy rates — specifically in its retail portfolio — are low. This is a function of quality of assets as well as reasonable rental pricing.

"Finally, quality pipeline properties are captured in the valuation, for example, the large intended developments at the V&A Waterfront."

Overall the Top 100 trends of company and sector movements mirror South Africa's economic environment. Asset managers on the whole are bracing for tough times ahead.

MIXED FORTUNES FOR BANKS

THEKISO ANTHONY LEFIFI

Capitec the best of a bad bunch

BANKS — some of the largest entities on the Johannesburg Stock Exchange — are some of the worst-performing stocks in the Top 100 Companies rankings this year.

Standard Bank is the most sluggish lender to have invested in over the five-year period.

It does not even feature in the top 100 — only reaching 114th place. Had you bought R10 000 of Standard Bank shares five years ago, you would have a total of a mere R16 334 by September 30 this year — at a compound growth rate of 10.31% a year.

The same investment in Mr Price, for example, would have yielded R72 018. An investment in Famous Brands, the owner of Wimpy and Mugg & Bean, would have grown to R61 463.

The best investment among banks would have been Capitec, South Africa's youngest bank.

A R10 000 investment in September 2009 would have yielded R44 905 by the end of September.

Capitec has been one the most aggressive players in the unsecured lending market and has also managed to grow its transactional banking arm.

It now offers home and vehicle finance, unlike African Bank, which refused to create multiple streams of revenue — which proved to be its undoing.

Trading of African Bank shares were suspended after it was rescued by the South African Reserve Bank.

NEW SERVICES: A branch of Capitec Bank in Braamfontein, Johannesburg Photo: WALDO SWIEGERS

FirstRand, despite now being the largest bank by market capitalisation, was the second-best performer among the banking stocks.

An investment in FirstRand delivered a compound annual growth rate of 30.58% over the past five years.

Its share price five years ago — at the height of the global financial crisis — stood at R16.23 and grew 62.27% to R43.02. A R10 000 investment would have increased to R37 960.

FirstRand ranked in 39th place, outperforming Nedbank and Investec, which came in at 81st and 87th place respectively.

A R10 000 investment in Nedbank shares would have resulted in a total return of R22 055 over the five-year period, while Investec Plc yielded R20 688.

During this period, Barclays Africa went through a turbulent time, including an exodus of top executives and a decline in the number of customers.

Its return grew by a compound annual rate of 10.68% over five years. By comparison, this year's winner, Coronation Fund Managers, saw its compound annual return grow by 78.11%.

R10 000 invested in Barclays Africa shares, formerly known as Absa Group, would have returned R16 609.

Its recent interim financial results were largely in line with market expectations, but Renaissance Capital was disappointed with the half-year dividend payout, given that the group had the capacity to pay more.

Renaissance Capital believed there is the possibility of a special dividend ahead.

"We do not believe Barclays Africa will generate enough earnings growth to hit its target return-on-equity band within 18 months without the help of a capital payout," its analysts said.

JP Morgan holds the same view. However, its analysts said the prolonged subdued growth of gross domestic product could put earnings growth — and hence dividend growth — at risk for all South African banks.

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OLD SCHOOL: RMB Holdings chairman GT Ferreira

AWARD WINNERS: From left, Sanlam CEO Johan van Zyl, FirstRand chairman Laurie Dippenaar, Coronation Fund Managers CEO Anton Pillay, former finance minister Trevor Manuel and Telkom marketing executive Enzo Scarcella

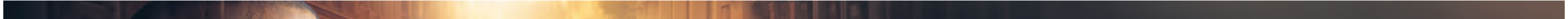
JOKE: Standard Bank ex-CEO Jacko Maree and Investec's Stephen Koseff

FOLLOW THE LEADERS

All the Top 100 Companies action

Page 8

Sunday Times TOP 100 COMPANIES
In Association With Johnnie Walker



AWARD WINNERS: From left, Sanlam CEO Johan van Zyl, FirstRand chairman Laurie Dippenaar, Coronation Fund Managers CEO Anton Pillay, former finance minister Trevor Manuel and Telkom marketing executive Enzo Scarcella

CLASS ACT: Bheki Sibiya, CEO of Chamber of Mines, his wife Thembisa, Vuwa Investments CEO Bulelani Ngcuka, Laurence Rapp, Daniel Rapp, and Vukile Property Fund director Dumisani Tabata

FIFTH ELEMENT: Times Media editor-at-large Ray Hartley and public protector Thuli Madonsela

OLD SCHOOL: RMB Holdings Limited chairman GT Ferreira

SA's top dogs have their day at Top 100

Coronation Fund Managers wins the companies award — again

BRENDAN PEACOCK

THE Sunday Times Top 100 Companies event, in association with Johnnie Walker, took place at the Sandton Convention Centre on Tuesday.

Attended by more than 500 guests spanning the leadership of corporate South Africa, the gala dinner included a number of award highlights.

This year's top company was Coronation Fund Managers for the second year in a row.

Based on a hypothetical investment of R10 000 in Coronation on October 1 2009, the investor would have enjoyed a compound annual return of just over 78%, culminating in a lump sum of R179 245 at the end of September this year.

This stellar performance pipped IT services company EOH to top spot for the second year running. A similar investment in EOH would have yielded R117 017 over five years.

Coronation and EOH were by far the best-performing shares of qualifying companies — based on trade volumes to eliminate penny stocks and anomalies — with third-placed Metair Investments yielding R75 780.

The other eagerly awaited award on the night went to Sanlam CEO Johan van Zyl as business leader of the year.

This award — voted for by the executives of last year's Top 100 companies — recognised Van Zyl's achievements in turning the financial services company into a powerful global player.

"This award is unexpected as I started life with low expectations. I am the product of a one-room farm school, which boasted less than 30 kids in its most successful year, and I ended up studying agriculture.

"I simply wanted to get back to the farm. I subsequently became an academic for 25 years and only entered business just over 10 years ago," he said.

He attributed the award to his colleagues and employees at Sanlam, as well as to his family and friends, saying an important life lesson is to remain forward-looking, rather than rooted in the past.

He is due to step down from Sanlam next year, to be replaced by Santam CEO Ian Kirk.

Former finance minister Trevor Manuel was presented with a special award this year to recognise his achievements through the first 20 years of democracy in South Africa.

Exhorting the business leaders in the room to conduct their affairs according to a moral compass that would take the country in the right direction, Manuel said he wanted to use his speech as an opportunity to provoke thought.

"The question of how craven business leadership tends to be is [my] second provocation.

"I draw strength from the tripartism espoused by the International Labour Organisation where representatives of governments, employers' organisations and trade unions convene for social dialogue.

"The arrangement only works because each of the parties is free to articulate their particular interests. When employers lose the confidence of their voice, social dialogue is replaced by the bargaining more akin to industrial relations.

"In South Africa, we have allowed Nedlac to become thus debased. And so we lose the ability to solve problems with too much of our actions in economic management dependent on expedience," Manuel said.

"If we want to progressively raise the standards of living of all South Africans and recognise the collective responsibility to drastically reduce our high levels of unemployment, we have to return to basics and find a forum for social dialogue between partners who matter.

FirstRand co-founder Laurie Dippenaar was honoured with this year's lifetime achievement award, with some of his milestones remembered by his business partners and friends of 37 years, Paul Harris and GT Ferreira.

"It is this partnership, comprising GT Ferreira, Paul Harris and myself, that has taken a small project finance start-up founded in 1977 with capital of R10 000, to a banking and insurance group employing over 60 000 people.

"I want to state unequivocally that it has been a team effort based on the successful combining of the complementary skills of the three founding partners," Dippenaar said.

"If I had to single out only one success factor, it would be that we managed to create an entrepreneurial working environment that nurtures entrepreneurs and, most importantly, attracts and retains hugely talented people.

"We have a decentralised federal business model, giving great freedom to the heads of business units, but please note, with this freedom comes unambiguous accountability."

The corporate social investment award, which recognises a company's outstanding achievements in addressing socioeconomic needs in its operating environment, was presented to Telkom.

Marketing executive Enzo Scarcella said that Telkom was being rewarded for its work in enterprise development, specifically in helping to build resilient, connected, successful SMEs.

A collaborative venture with Absa and a partnership with the Bandwidth Barn in Cape Town are its two stand-out initiatives.

A MOMENT IN TIME: Former finance minister Trevor Manuel received a special award for his service to 20 years of democracy in South Africa from the editor of the Sunday Times, Phylicia Oppelt

Pictures: RAYMOND PRESTON and JEREMY GLYN