

Investec Bank Limited

Annual and Group Annual Financial Statements

for the year ended 31 March 2000

Investec Bank Limited
(Reg. No. 1969/004763/06)

Annual and Group Financial Statements

for the year ended 31 March 2000

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Directors' Approval

The annual financial statements set out on pages 5 to 30 were approved by the Board of Directors on _____ and are signed on its behalf by:

Director

Director

Investec Bank Limited

Annual Financial Statements

Directorate and corporate information for the year ended 31 March 2000

Executive Directors

S Koseff (Chief Executive Officer)
B Kantor (Managing Director)
RS Berkowitz
GR Burger
RPMA Forlee
S Hackner
DM Lawrence
AWJ Leith
MCL Mason
DM Nurek
B Tapnack

Non-Executive Directors

HS Herman (Chairman)
SE Abrahams
AI Basserabie
GH Davin
DE Jowell
IR Kantor
D Kuper
RD Mokate
MZ Nkosi
PRS Thomas
RAP Upton

Divisional Directors

Private Banking

M Barr
GH Gerber
PB Hanley
SJ Heilbron
PR Jacobson
EA Richa
JKC Whelan
J Witter

Corporate and Investment Banking

SD Hain
SM Shapiro

Investec Bank Limited

Annual Financial Statements

*Directorate and corporate information for the year ended 31 March 2000
(continued)*

Secretary and registered office

S Noik
2nd Floor
100 Grayston Drive
Sandown
Sandton
2196

P.O. Box 785700
Sandton
2146

AUDITORS

KPMG Inc.
Ernst & Young

Declaration by Company Secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2000, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

S.Noik
Group Secretary

Date:

Report of the independent auditors

To the members of Investec Bank Limited

We have audited the annual financial statements and Group annual financial statements set out on pages 5 to 31 for the year ended 31 March 2000. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material mis-statement.

An audit includes:

- Examining on a test basis, evidence supporting the amounts and disclosures in the financial statements.
- Assessing the accounting principles used and significant estimates made by management.
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion, the financial statements fairly present in all material respects, the financial position of the Company and of the Group at 31 March 2000 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act.

Ernst & Young
Chartered Accountants (SA)
Registered Accountants & Auditors

KPMG Inc.
Chartered Accountants (SA)
Registered Accountants & Auditors

Investec Bank Limited

Accounting policies

for the year ended 31 March 2000

Basis of presentation

The annual financial statements have been prepared on the historical cost basis, unless otherwise indicated, in conformity with Statements of Generally Accepted Accounting Practice.

The following are the principal accounting policies, which are consistent with those of the previous year except for changes in the accounting treatment of foreign entities, associates and the reclassification of general provisions for doubtful debts on the balance sheet (refer to note 19 for further details).

Basis of consolidation

The Group annual financial statements incorporate the financial results of the Group and its subsidiaries. All subsidiaries in which the Group holds more than one half of the voting rights or over which it exercises control are consolidated from the effective dates of acquisition and up to the effective dates of disposal.

Goodwill arising on the acquisition of subsidiaries is written off against income, over a period not exceeding 20 years. Negative goodwill arising on the acquisition of monetary assets is taken to income in the year of acquisition.

The effect of all intergroup transactions has been eliminated from the annual financial statements.

The results of operating subsidiaries have been equity accounted in the company.

Foreign entities

The net assets of foreign subsidiaries have been translated at the ruling exchange rates on the reporting date.

The translation difference is included in secondary reserves, as part of revaluation reserves.

Goodwill arising on the acquisition of foreign entities is translated at historical rates.

Foreign currency transactions

Foreign exchange balances and trading positions, including spot and forward exchange contracts, are valued at closing market rates and profits and losses are included in the income statement.

Investec Bank Limited

Accounting policies (continued)

for the year ended 31 March 2000

Interest bearing securities

All interest bearing securities are marked to market and gains and losses recognised in the income statement, except where the instrument is part of a synthetic product. The accounting policy with regard to synthetic products is detailed under Derivatives.

Securities sold subject to repurchase agreements are recorded as assets. Obligations for the repurchase of these securities are included under deposits and other accounts.

Securities purchased under an agreement to resell the securities at a future date are reflected in the balance sheet as cash and short-term funds.

Stock borrowing and lending transactions that are not cash collateralised are not included in the balance sheet, but are disclosed as assets under management.

Derivatives

The Group is a participant in the markets for financial instruments such as futures, interest rate swaps, options and related repurchase agreements. Open positions are marked to market and profit and losses are included in the income statement.

Profit and losses relating to financial instruments that are designated as hedges are recognised on the same basis as the hedged asset or liability.

Synthetic products are treated as financial instruments in their own right and are marked to market. Gains and losses are included in the income statement. These synthetic products consist of a combination of financial instruments, held to maturity, which result in known future cash flows.

Equity investments

Listed equity investments are stated at market value. Unlisted equity investments are stated at the lower of cost or directors' valuation, where no formal market exists.

Profits and losses arising from the revaluation of trading investments are included in income.

Group associated companies, where material, are accounted for on the equity basis.

The excess of market value of long-term investments over cost, determined on a portfolio basis, is taken to reserves, whilst any deficit arising is reflected in the income statement. On disposal of such investments, the revaluation is reversed and the full difference between cost and the amount realised is shown in the income statement.

Investec Bank Limited

Accounting policies (continued)

for the year ended 31 March 2000

Other investments

Other investments are valued at market value where a formal market exists or in the case of investments such as insurance policies or equity funds at the value of the underlying investments. Where no formal market exists investments are valued at the lower of cost or directors' valuation.

Instalment credit, leases and rental agreements

Amounts outstanding on these contracts, net of unearned finance charges, are included in advances and other accounts. Finance charges on lease and instalment sale transactions are credited to income in proportion to the capital balances outstanding.

Specific and general provisions

Advances and other accounts is disclosed net of specific and general provisions. Specific provisions for bad and doubtful debts are made against identified doubtful advances, including amounts in respect of interest that is not serviced. The charge for provision for bad and doubtful debts in the income statement includes the unserviced interest, which has been transferred to specific provisions.

A general provision is maintained against advances not specifically identified as doubtful.

Property and equipment

Property and equipment are stated at original cost. Depreciation is provided on a straight line basis over their useful lives. Leasehold improvements are amortised over the remaining period of the leases. Freehold land and investment properties are stated at cost and are not depreciated.

The annual rates used to depreciate assets are as follows:

Computer equipment	33%
Infrastructure	20%
Pool vehicles	20%
Office equipment	20%
Furniture and fittings	10%

Investec Bank Limited

Accounting policies (continued)

for the year ended 31 March 2000

Deferred taxation

Deferred taxation is provided on the comprehensive basis using the liability method on timing differences arising from the recognition of income and expenditure in different periods for accounting and tax purposes. Deferred tax assets are only accounted for when, in the opinion of the directors, recovery is assured beyond reasonable doubt.

Trust and fiduciary activities

The Group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the Bank, they are not reflected on the balance sheet but are included at market value as part of assets under management.

Other income

Other income includes trading income, commissions, fees and investment income, net of profit sharing arrangements, which are income based.

Trading income is shown net of the funding cost of the underlying positions and includes the unrealized profits on trading portfolios, which are marked to market daily.

Commissions and fees include fees earned from providing advisory services, portfolio management and the arranging of financing for clients. All such commissions and fees are recognized as revenue when the related services are performed.

Investment income includes realised profits and losses on disposal of investments and dividends received.

Retirement benefits

The Group provides a pension fund, governed by the Pension Fund Act, 1956 and a disability fund for the benefit of employees. Membership of these funds is compulsory for all employees. The Group pension fund is structured as a money *purchase scheme* and accordingly can have no *funding deficit*. The scheme provides that at all times an employee will receive from the fund the amount that has been contributed together with the Group's contribution after two years of service) plus interest and capital appreciation. Life cover is incorporated in the scheme.

Investec Bank Limited

Accounting policies (continued)

for the year ended 31 March 2000

Retirement benefits (continued)

The Group also offers the optional benefits of a provident fund and a deferred compensation fund. The funds are administered by Alexander Forbes Consultants and Actuaries (Iv) (Pty) Limited. The Group has no liabilities for other post retirement benefits.

All employer contributions are charged to the income statement and included under personnel remuneration.

Early application of Statements of Generally Accepted Accounting Practice

The following Statements of Generally Accepted Accounting Practice have been applied prior to the effective date specified in the respective statement:

AC 101 – Presentation of financial statements

AC 128 – Impairment of assets

AC 129 – Intangible assets

AC 130 – Provisions, contingent liabilities and contingent assets

AC 131 – Business combinations

AC 132 – Consolidated financial statements and accounting for investments in subsidiaries

Comparative figures

Comparative figures are restated where necessary to allow for more meaningful comparison.

Investec Bank Limited

Balance sheets

at 31 March 2000

(R millions)	Note	Group		Company	
		2000	1999	2000	1999
Assets					
Cash and short-term funds	1	72 997	36 630	12 427	6 200
Short-term negotiable securities	2	39 043	37 014	4 527	4 301
Investment and trading securities	3	8 637	7 731	3 017	2 508
Other assets	4	7 150	4 781	153	749
Advances	5	32 720	21 537	12 490	9 888
Loans to group companies	6	-	-	462	-
Subsidiary companies	7	-	-	8 760	5 194
Associated companies	8	13	264	4	162
Fixed assets	9	950	860	145	134
Intangible assets	10	2 421	2 120	-	-
		163 931	110 937	41 985	29 136
Equity and Liabilities					
Capital and Reserves					
Ordinary share capital	11	14	12	14	12
Debentures	12	2 039	1 539	2 039	1 539
Reserves	13	5 419	4 703	5 048	4 233
		7 472	6 254	7 101	5 784
Interest of minority shareholders in subsidiaries		291	560	-	-
Total shareholders funds		7 763	6 814	7 101	5 784
Liabilities					
Deposits and other accounts	14	155 407	102 299	34 827	22 885
Loans from group companies	6	466	1 646	-	419
Taxation	15	295	178	57	48
		163 931	110 937	41 985	29 136

Investec Bank Limited

Income statements

For the year ended 31 March 2000

(R millions)	Note	Group		Company	
		2000	1999	2000	1999
Interest received	16.1	9 729	9 419	3 632	3 869
Interest paid	16.2	8 341	8 240	3 256	3 506
Net interest income		1 388	1 179	376	363
Provision for bad and doubtful debts		211	223	166	206
		1 177	956	210	157
Other income	17	2 990	2 021	1 582	1 185
Total income		4 167	2 977	1 792	1 342
Operating expenses	17	2 571	1 890	709	547
Income before exceptional items		1 596	1 087	1 083	795
Exceptional items	17	166	(8)	-	(80)
Income before taxation		1 430	1 095	1 083	875
Taxation	18	421	242	89	60
Net income		1 009	853	994	815
Earnings attributable to minority shareholders		15	38	-	-
		994	815	994	815
Debenture interest		223	78	223	78
Earnings attributable to ordinary shareholders		771	737	771	737

Investec Bank Limited

Cash flow statement

For the year ended 31 March 2000

(R millions)	Note	Group		Company	
		2000	1999	2000	1999
Cash flow from operating activities					
Cash generated by operating activities	22.1	1 923	1 384	668	461
Taxation paid	22.2	(236)	(194)	(80)	(43)
Cash available from operating activities		1 687	1 190	588	418
Ordinary dividends paid	22.3	(328)	(71)	(328)	(71)
Debenture and bond interest paid		(223)	(78)	(223)	(78)
Net cash inflow from operating activities		1 136	1 041	37	269
Cash utilised in investing activities					
Net cash or cash equivalents acquired	22.4	5 819	(1 635)	(2 613)	(4 068)
Net investment in fixed assets		(182)	(150)	(52)	(36)
Net cash outflow from investing activities		5 637	(1 785)	(2 665)	(4 104)
Cash flow from banking activities					
Movement in deposits and other accounts		42 881	18 152	11 942	5 455
Movement in income earning assets	22.5	(12 931)	(21 784)	(2 907)	(4 344)
Net cash inflow from banking activities		29 950	(3 630)	9 035	1 111
Cash flow from financing activities					
Proceeds on issue of ordinary shares		201	-	201	-
Issue of bonds		500	1 257	500	1 257
Net increase/(decrease) in loans to/(from) group companies		(1 180)	2 007	(881)	3 144
		(479)	3 264	(180)	4 401
Net increase in cash and short-term funds		36 244	(1 110)	6 227	1 677
Cash and short-term funds at beginning of year	22.6	36 753	37 740	6 200	4 523
Cash and short-term funds at end of year		72 997	36 630	12 427	6 200

Investec Bank Limited

Statement of changes in shareholders' funds

For the year ended 31 March 2000

(R millions)	<i>Note</i>	Group 2000	1999	Company 2000	1999
Share capital					
Balance at beginning of year		12	12	12	12
Issue of shares		2	-	2	-
Balance at end of year		<u>14</u>	12	<u>14</u>	12
Debentures					
Balance at beginning of year		1 539	282	1 539	282
Issue of debentures		500	1 257	500	1 257
	11	<u>2 039</u>	1 539	<u>2 039</u>	1 539
Share premium					
Balance at beginning of year		2 536	2 536	2 536	2 536
Issue of shares		199	-	199	-
Balance at end of year	12	<u>2 735</u>	2 536	<u>2 735</u>	2 536
General reserves					
Balance at beginning of year		1 300	827	1 164	617
Prior year adjustment-interest rate differential	19		(119)		(119)
Earnings attributable to ordinary shareholders		771	737	771	737
Dividends	20	(328)	(71)	(328)	(71)
Negative goodwill written off		-	(74)	-	-
Transfer from secondary reserves		19	-	-	-
Balance at end of year	13	<u>1 762</u>	1 300	<u>1 607</u>	1 164
Secondary reserves					
Balance at beginning of year		867	854	533	371
Prior year adjustments:	19				
Interest rate differential		-	119	-	119
Mark to market of associated companies		-	(4)	-	-
Reclassification of general provisions		-	(129)	-	(79)
Transfer to general reserves		(19)	-	-	-
Movement in revaluations		74	27	173	122
Balance at end of year	13	<u>922</u>	867	<u>706</u>	533
		<u>7 472</u>	6 254	<u>7 101</u>	5 784

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000

(R millions)	Group		Company	
	2000	1999	2000	1999
1. Cash and short-term funds				
Cash and gold coins	25	2	-	1
Balances with Central bank	6 147	2 617	2 700	732
Balances with other banks	22 750	12 275	7 203	3 207
Loans under resale agreements	34 131	14 645	-	-
Secured stock lending	6 543	4 830	-	-
Other short-term funds	3 401	2 261	2 524	2 260
	72 997	36 630	12 427	6 200
2. Short-term negotiable securities				
Analysis by portfolio				
Investment	1 361	790	1 226	722
Trading	37 682	36 224	3 301	3 579
	39 043	37 014	4 527	4 301
3. Investment and trading securities				
Category analysis				
Government and government guaranteed	3 787	2 033	1 210	700
Listed securities	2 070	1 744	768	1 214
Unlisted securities and investments	2 780	3 954	1 039	594
	8 637	7 731	3 017	2 508
Analysis by portfolio				
Liquid assets	3 894	2 265	1 020	105
Trading	500	401	384	923
Investment	4 243	5 065	1 613	1 480
	8 637	7 731	3 017	2 508
4. Other assets				
Settlement debtors	5 552	3 157	42	5
Other debtors and prepayments	1 598	1 624	111	744
	7 150	4 781	153	749

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group		Company	
	2000	1999	2000	1999
5. Advances				
Category analysis				
Commercial property loans	4 030	3 161	3 170	2 737
Residential mortgages	5 154	3 262	2 330	1 881
Leases and instalment debtors	2 342	2 212	1 120	1 260
Corporate and public sector loans and advances	11 722	9 015	2 908	1 470
Margin lending	5 327	394	593	54
Other private bank lending	2 706	1 032	1 136	838
Other loans and advances	2 251	3 191	1 683	2 078
	33 532	22 267	12 940	10 318
Specific provisions against doubtful debts	515	494	319	295
General provisions against doubtful debts	297	236	131	135
	32 720	21 537	12 490	9 888
Maturity analysis				
On demand to one month	10 678	5 304	1 005	735
One month to six months	3 250	3 034	1 162	704
Six months to one year	2 350	953	1 256	324
One year to five years	8 379	7 042	4 654	4 175
Greater than five years	8 875	5 934	4 863	4 380
	33 532	22 267	12 490	10 318
6. Loans to/(from) group companies				
Loans to holding company – Investec Group Limited	199	1 484	1 789	1 474
Loans (from) fellow subsidiaries	(665)	(3 130)	(1 327)	(1 893)
	(466)	(1 646)	462	(419)
7. Subsidiary companies				
Shares at valuation	-	-	9 057	7 475
Amounts owing (to)/by subsidiaries	-	-	(297)	(2 281)
	-	-	8 760	5 194
8. Associated companies				
Listed shares at cost	16	267	4	162
Equity accounted share of retained earnings	(3)	(3)	-	-
	13	264	4	162

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group 2000	1999	Company 2000	1999
9. Fixed assets				
Operational properties and leasehold improvements				
-Cost	705	669	-	-
-Accumulated depreciation	105	91	-	-
Net book value at end of year	600	578	-	-
Vehicles, furniture and equipment				
-Cost	644	601	287	238
-Accumulated depreciation	305	323	144	106
Net book value at end of year	339	278	143	132
Investment properties at cost	11	4	2	2
A register of investment and operational properties is available for inspection at the registered office of the company				
Net book value at end of year	950	860	145	134
10. Intangible assets				
Goodwill				
Balance at beginning of year	2 120	120	-	-
Amount on acquisition	467	2 131	-	-
Negative goodwill written off	15	15	-	-
Goodwill amortised	(181)	(146)	-	-
Balance at end of year	2 421	2 120	-	-
11. Ordinary share capital				
Authorised				
105 000 000 (1999 – 105 000 000) ordinary shares of 50 cents each	53	53	53	53
Issued				
27 000 000 (1999 – 25 000 000) ordinary shares of 50 cents each	14	12	14	12
The unissued shares are under the control of the directors until the next annual general meeting.				

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group 2000	1999	Company 2000	1999
12. Debentures				
12.1 Compulsorily convertible debentures				
Authorised				
10 000 000 (1999 – 10 000 000) unsecured subordinated compulsorily convertible debentures of 50 cents each.	5	5	5	5
5 000 000 (1999 – 5 000 000) unsecured subordinated compulsorily convertible debentures of 50 cents each.	3	3	3	3
1 000 000 (1999 – 1 000 000) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents each.	1	1	1	1
1 500 000 (1999 – 1 500 000) Class B unsecured subordinated compulsorily convertible debentures of 50 cents each	1	1	1	1
Issued				
3 573 994 (1999 – 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R78.50 each	282	282	282	282
Interest is payable six monthly in arrears on 31 January and 31 July of each year at a rate of 15,25%.				
The compulsorily convertible debentures will automatically convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company at its discretion may at the request of the holder convert at an earlier date, but not before 31 July 2002.				
The Investec Bank Limited shares arising out of conversion have been sold forward by the holder thereof to Investec Holdings Limited in exchange for 4 033 507 Investec Holdings Limited ordinary shares. The Investec Bank Limited shares have been simultaneously sold by Investec Holdings Limited to Investec Group Limited in exchange for 3 573 994 Investec Group Limited ordinary shares.				

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group 2000	1999	Company 2000	1999
12. Debentures (continued)				
12.1 Compulsorily convertible debentures (continued)				
5 000 000 (1999 – 5 000 000) Class A unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50 each, net of issue expenses	797	797	797	797
1 000 000 (1999 – 1 000 000) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50 each	160	160	160	160
1 500 000 (1999 – 1 500 000) Class B unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R199.50 each	300	300	300	300

Interest is payable six monthly in arrears on 15 June and 15 December of each year at a rate of 15% for Class A and Class A Series II and 12% for Class B debentures.

The Class A and Class A Series II debentures will convert into Investec Bank Limited ordinary shares on a 3.5 for one basis on 15 December 2004. Class B debentures will convert on a 2.8 for one basis on the same day resulting in the issue of 2 250 714 Investec Bank Limited shares.

The 2 250 714 Investec Bank Limited shares arising out of the conversion have been sold forward by the holders thereof to Investec Group Limited in exchange for 7 500 000 Investec Group Limited ordinary shares, of which 6 800 000 have been simultaneously sold to Investec Holdings Limited in exchange for 7 480 000 Investec Holdings Limited ordinary shares.

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group		Company	
	2000	1999	2000	1999
12. Debentures (continued)				
12.1 Compulsorily convertible debentures (continued)				
The above debentures may be redeemed at an earlier date by agreement between the company and the debenture holders holding at least 75% of the debentures then in issue.				
Total compulsorily convertible debentures	1539	1539	1539	1539
12.2 IV01 Bond 2012				
Issued				
500 000 000 (1999 – Nil) local registered unsecured subordinated bonds due 2012.	500	-	500	-
Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16%. The settlement date of the bonds is 31 March 2012.				
Total compulsorily convertible and/or redeemable debentures/bonds	2039	1539	2039	1539
13. Reserves				
Reserves comprise:				
Share premium	2 735	2 536	2 735	2 536
General reserves	1 762	1 300	1 607	1 164
Secondary reserves	922	867	706	533
	5 419	4 703	5 048	4 233
Secondary reserves comprise:				
Revaluation reserves	1 149	1 094	706	533
Goodwill written off	(227)	(227)	-	-
	922	867	706	533

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group		Company	
	2000	1999	2000	1999
14. Deposits and other accounts				
Category analysis				
Deposits and loans from banks	12 719	9 291	3 985	1 862
Demand and saving deposits	21 029	14 352	6 734	5 645
Fixed and notice deposits	36 209	16 465	13 524	9 360
Negotiable certificates of deposit	9 553	5 257	9 064	5 197
Other deposits and loan accounts	3 478	2 700	361	61
Liabilities in respect of repurchase agreements	53 653	37 575	-	-
Stock lending	5 843	7 654	-	-
Creditors and other accounts	12 923	9 005	1 159	760
	155 407	102 299	34 827	22 885
Maturity analysis				
On demand to one month	99 780	65 446	18 198	10 996
One month to six months	40 705	27 159	12 182	8 723
Six months to one year	7 635	6 649	2 431	1 586
Greater than one year	7 287	3 045	2 016	1 580
	155 407	102 299	34 827	22 885
15. Taxation				
Taxation payable	301	117	19	10
Deferred taxation liability	48	70	38	38
Deferred taxation asset	(54)	(9)	-	-
	295	178	57	48
16. Interest				
16.1 Interest received				
Cash and short-term funds	4 930	4 896	951	817
Short-term negotiable funds	353	595	297	387
Investment and trading securities	357	426	89	81
Advances	3 267	3 321	1 974	2 172
Intercompany loans	719	(10)	247	255
	9 626	9 228	3 558	3 712
Foreign currency gains	167	214	75	157
Foreign currency losses	(64)	(23)	(1)	-
	9 729	9 419	3 632	3 869

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group		Company	
	2000	1999	2000	1999
16. Interest (continued)				
16.2 Interest paid				
Demand and saving deposits	1 327	2 346	714	848
Fixed and notice deposits	2 212	1 819	1 408	1 548
Negotiable certificates of deposits	812	498	716	583
Repurchase agreements	2 844	2 884	-	2
Other deposits and loan accounts	357	689	6	139
Intercompany loans	789	4	412	386
	8 341	8 240	3 256	3 506
17. Other income, operating expenses and exceptional items				
Other income comprises				
Net trading profit	274	165	155	88
Deal income	539	202	232	161
Annuity fees and commissions	1 673	1 287	191	159
Dividends received	33	45	314	78
Investment income	461	319	68	120
Equity accounted income of subsidiaries	-	-	622	576
Equity accounted income of associates	10	3	-	3
	2 990	2 021	1 582	1 185
Operating expenses comprise				
Personnel remuneration	1 347	1 046	386	319
Pension and provident fund contributions	96	77	24	18
Auditors remuneration	20	18	8	15
audit fees	15	16	8	15
fees for other services	5	2	-	-
Directors' emoluments paid by subsidiary* (*non executive directors receive market-related fees based on attendance at meetings)				
Executive directors	4	-	1	7
remuneration	4	-	1	7
other benefits	-	-	-	-
Depreciation	116	74	41	36
Premises	210	115	51	22
Equipment	187	129	13	18
Business expenses	462	339	135	76
Marketing expenses	129	92	50	36
	2 571	1 890	709	547

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group		Company	
	2000	1999	2000	1999
17. Other income, operating expenses and exceptional items (continued)				
Exceptional items comprise				
Net surplus on disposal of subsidiaries and associates	-	(63)	-	(80)
Goodwill amortised	181	146	-	-
Negative goodwill written off	(15)	(91)	-	-
	166	(8)	-	(80)
18. Taxation				
18.1 Tax charge for the year				
Taxation on income				
South African normal taxation				
- current	25	8	-	-
- prior year overprovision	-	-	-	(13)
- deferred	-	1	-	8
Secondary taxation on companies	3	2	-	-
Total South African taxation	28	11	-	(5)
Foreign taxation	286	126	-	-
- United Kingdom and Europe	151	86	-	-
- United States of America	100	9	-	-
- Israel	31	29	-	-
- Other	4	2	-	-
Total taxation on income	314	137	-	(5)
Transaction and other taxation				
Tax related charges	60	33	65	36
Foreign tax related charges	19	8	-	-
Regional services council levies	10	16	7	7
Stamp duty	-	1	-	-
Value added tax charge on expenditure, net of input credits	18	47	17	22
Total transaction and other taxation	107	105	89	65
Total taxation	421	242	89	60

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group 2000	1999	Company 2000	1999
18. Taxation (continued)				
18.2 Tax rate reconciliation				
Income before taxation as per income statement	1 430	1 095	1 083	875
Less				
- Debenture interest	(223)	(78)	(223)	(78)
- Transaction and other taxation	(107)	(105)	(89)	(65)
	1 100	912	771	732
Total taxation on income	314	137	-	(5)
Less secondary tax on companies	(3)	(2)	-	-
Normal taxation	311	135	-	(5)
Effective rate of taxation on income	28%	15%	0%	(1%)
The standard rate of South African normal taxation has been affected by				
- dividend income	1%	4%	12%	10%
- accumulated tax losses	6%	3%	0%	0%
- foreign earnings	(1%)	12%	0%	0%
- change in tax rate	0%	(1%)	0%	0%
- other permanent differences	(4%)	9%	18%	26%
- prior year adjustments	0%	(7%)	0%	0%
	30%	35%	30%	35%

19. Changes in accounting policies

During the year the Group changed its accounting policies, applied retrospectively, with respect to the following:

19.1 Interest rate differential

Previously, a portion of the exchange difference arising on translation of the net assets of foreign subsidiaries was recognised as interest income, being compensation for the differential in interest rates between foreign and local markets. In compliance with the accounting statement on effects of changes in foreign exchange rates, the entire exchange difference arising on translation of foreign entities is included in secondary reserves.

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group 2000	1999	Company 2000	1999
19. Changes in accounting policies (continued)				
19.2 Mark to market of associated companies				
In accordance with the revised statement on accounting for investments in associates, associated companies are no longer recorded at market value. Gains and losses on marking to market the associated companies carrying value were previously taken directly to secondary reserves. Thus the change in policy has no effect on recognised profits.				
19.3 Classification of general provisions				
General provisions are no longer recognised as an element of secondary reserves. On the balance sheet, general provisions are netted off against advances, as detailed in note 5.				
Effect on income				
Interest rate differential			-	-
-Gross	(130)	(94)	(130)	(94)
-Taxation	32	24	32	24
- Net effect on income	(98)	(70)	(98)	(70)
Restatement of opening retained earnings				
- Gross	(213)	(119)	(213)	(119)
- Taxation	24	-	24	-
- Net effect on opening retained earnings	(189)	(119)	(189)	(119)
20. Ordinary dividends				
Declared and paid	328	71	328	71

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group		Company	
	2000	1999	2000	1999
21. Contingent liabilities				
Guarantees and letters of credit	3 856	4 440	2 284	4 269
Acceptances on behalf of clients	381	141	-	141
Forward repurchase agreements	2 582	2 213	-	-
Other	140	494	18	220
	6 959	7 288	2 302	4 630
21.1 Included in deposits and other accounts for the Group are funding preference shares issued by subsidiaries to the value of R 2 925 million (1999 – R 2 639 million) in respect of which Investec Bank Limited has granted a put option to the holders in the event of default by the issuer.				
21.2 Preference shares to the value of R669 million (1999 – R 481 million) have been issued between Group companies in respect of which Investec Bank Limited has granted a put option.				
22. Notes to the cash flow statement				
22.1 Cash generated by operating activities				
Net income before taxation	1 430	1 095	1 083	875
Adjustments for non-cash items:				
Depreciation	116	74	41	36
Provision for bad and doubtful debts	211	223	166	206
Exceptional items	166	(8)	-	(80)
Equity accounted income from subsidiaries	-	-	(622)	(576)
	1 923	1 384	668	461
22.2 Taxation paid				
Taxation balances at beginning of year	(178)	(130)	(48)	(31)
Deferred tax asset raised on acquisitions	68	-	-	-
Amounts charged to income statement	(421)	(242)	(89)	(60)
Taxation balances at end of year	295	178	57	48
	(236)	(194)	(80)	(43)
22.3 Ordinary dividends paid				
Amounts unpaid at beginning of year	-	-	-	-
Declared from reserves	(328)	(71)	(328)	(71)
Amounts unpaid at end of year	-	-	-	-
	(328)	(71)	(328)	(71)

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

(R millions)	Group		Company	
	2000	1999	2000	1999
22. Notes to the cash flow statement (cont.)				
22.4 Net cash or cash equivalents acquired				
Investment in subsidiaries	-	-	(2 613)	(4 131)
Deposits and other accounts	9 998	5 236	-	-
Investment and trading securities	(1 267)	(1 483)	-	-
Advances	(2 365)	(3 190)	-	-
Fixed assets	(23)	(130)	-	-
Deferred tax asset	(68)	-	-	-
Minority shareholders on acquisition	11	-	-	-
Goodwill	(467)	(2 131)	-	-
Profit on disposal of subsidiaries	-	63	-	63
	5 819	(1 635)	(2 613)	(4 131)
22.4 Increase in income earning assets				
Short term negotiable securities	(1 958)	(17 455)	(226)	(2 259)
Investment and trading securities	376	(1 244)	(509)	(1 239)
Advances and other assets	(11 349)	(3 085)	(2 172)	(846)
	(12 931)	(21 784)	(2 907)	(4 344)
22.5 Cash and short term funds – opening balance				
Cash and short term funds	36 630	36 335	12 427	6 200
Effect of exchange rates	123	1 405	-	-
	36 753	37 740	12 427	6 200
23. Assets under management			Group	
			2000	1999
Unit trust funds			405	164
Properties managed for third parties			530	694
Portfolios administered			114 273	85 196
Acceptances on behalf of clients			31	135
Off balance sheet funding activities			23 441	14 213
			138 680	100 402
On balance sheet assets			163 931	110 937
			302 611	211 339

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

24. Derivative instruments

(R millions)	Over the counter		Exchange traded		Total	
	Notional Principal	Fair Value	Notional Principal	Fair Value	Notional Principal	Fair Value
Group						
Interest rate instruments	240 330	310	1 593	-	241 923	310
Currency instruments	63 187	56	-	-	63 187	56
Equity instruments	1 029	17	4 271	7	5 300	24
	<u>304 546</u>	<u>383</u>	<u>5 864</u>	<u>7</u>	<u>310 410</u>	<u>390</u>
Company						
Interest rate instruments	240 330	310	1 593	-	241 923	310
Currency instruments	55 214	(112)	-	-	55 214	(112)
Equity instruments	1 029	17	4 271	7	5 300	24
	<u>296 573</u>	<u>215</u>	<u>5 864</u>	<u>7</u>	<u>302 437</u>	<u>222</u>

Derivative instruments

Derivative instruments have been classified into dealing and hedging transactions. Hedging transactions are those used to reduce price and interest rate risk in the activities of the bank. All other derivatives are entered into for proprietary trading purposes. The above table shows the Group's proprietary trading exposures.

Notional principal

The notional principal gives an indication of the Group's activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. This figure cannot be used in assessing the market risk associated with the position.

Fair value

The fair value of a derivative financial instrument represents the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out by the Group in an orderly market transaction at year end. Fair values are obtained from quoted market prices and instrument pricing models where appropriate.

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2000 (continued)

24. Derivative instruments (continued)

Instrument categorisation

The derivative instruments have been categorised as follows:

Interest rate instruments

Bond options, forward rate agreements, interest rate swaps, swaptions, interest rate options, interest futures and currency swaptions.

Currency instruments

Forward contracts, FX options and FX futures.

Equity instruments:

Futures, warrants and equity options.

Investec Bank Limited

Subsidiaries

For the year ended 31 March 2000

Principal subsidiary companies	Nature of business	Issued share capital	Holding %	Shares at book value R million
Directly held				
Investec Bank (Mauritius) Limited [■]	Banking Institution	R630 105 458	100	702
Investec Limited	Investment holding	R15 113 776	100	119
Investec SA [□]	Investment holding	£456 019 644	100	5 741
Investec Securities Limited	Stockbroking	R172 000	100	132
Reichmans Limited	Trade financing	R58 700 007	100	188
Investec (Israel) BV [#]	Banking institution	\$7 000 000	67	256
Investec Holdings Australia Limited [°]	Banking institution	AU\$80 000 005	100	302
Investec Holdings (Botswana) Ltd ^a	Holding company	Pula54 000 000	100	60
Marvel Resources Limited [⊕]	Financing company	\$79 875 856	100	524
Securities Investment Bank Ltd	Banking institution	R592 923 553	97.5	510
Secfin Finance Ltd	Investment Holding	R20 600 000	100	36
Securities Equities (Pty) Ltd	Investment Holding	R200 000 000	100	153
Sechold Finance Services (Pty) Ltd	Investment holding	R1 000	100	104
KWJ Investments (Pty) Ltd	Investment Holding	R1 000	100	61
AEL Investment Holdings (Pty) Ltd	Investment Holding	R1 000	100	122
Fortune Securities (Pty) Ltd	Investment Holding	R 1 000	100	31
Other subsidiaries				16
				9 057
Indirectly held				
Investec Bank (UK) Ltd*	Banking institution	£329 365 000	100	
Guinness Mahon Holdings Ltd*	Holding company	£75 333 000	100	
Investec Insurance (UK) Ltd*	Insurance broking	£950 000	100	
Investec 1 Ltd*	Investment holding	£13 181 677	100	
Investec Group (UK) PLC*	Holding company	£488 038 082	100	
Investec Group Investments (UK) Ltd*	Investment holding	£15 400 000	100	
Carr Shepards Crosthwaite Ltd*	Stockbroking and portfolio management	£10 461 000	100	
Gandon Capital Markets Ltd [◇]	Banking institution	IEP3 500 012	100	

Investec Bank Limited

Subsidiaries

For the year ended 31 March 2000 (continued)

	Nature of business	Issued share capital	Holding
Indirectly held (continued)			
Investec Ernst and Company [⊕]	Stockbroking and portfolio management	\$36 197 088	100
Investec Ltd	Investment holding	R15 113 776	100

Investec Clali Bank's year-end is 31 December in line with Israeli statutory requirements.

Details of subsidiary and associated companies that are not material to the financial position of the Group are not stated above.

* British ■ Mauritius □ Luxembourg ° Australia

^a Botswana ✧ Ireland ⊕ USA