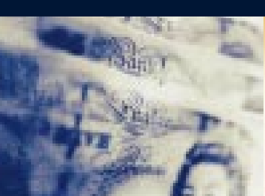
Investec Bank (UK) Limited | Annual Report 2000



Investec

Mission Statement

"We aspire to be one of the world's great specialist banking groups, driven by commitment to our core philosophies and values."

Philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance

Values

- We demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust
- We will break china for the client, having the tenacity and confidence to challenge convention
- We show concern for people, support our colleagues and encourage growth and development
- We thrive on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment
- We believe that open and honest debate is the appropriate process to test decisions, seek consensus and accept responsibility
- We are creative individuals who co-operate and collaborate unselfishly in pursuit of Group performance
- We respect the dignity and worth of the individual through openness and tolerance of difference and by the sincere, consistent and considerate manner in which we interact
- We require talented people with passion, energy and stamina, who exercise common sense in achieving effective performance in a high pressure, multitask environment
- We promote entrepreneurial flair and the freedom to operate within the context of risk consciousness, sound judgement and the obligation to do things properly

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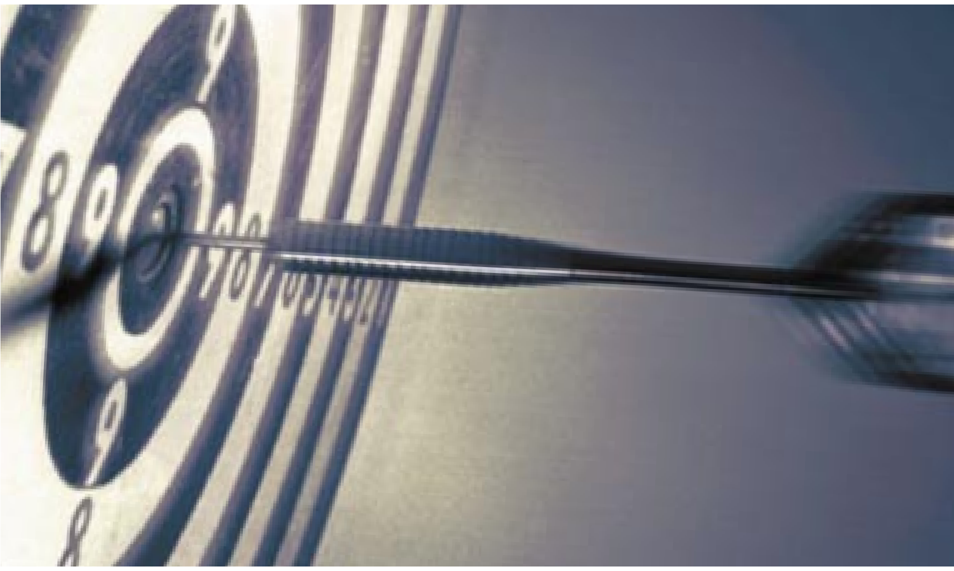


Financial Highlights

	2000	1999	Increase
Net interest income (£000)	40,103	27,728	44.6%
Profit before tax (£000)	56,784	14,663	287.3%
Capital resources at year end (£m)	406	357	13.7%
Total assets (£m)	8,176	5,688	43.7%

Capital adequacy ratio

	2000	1999
Capital and reserves to risk-weighted assets	23.3%	21.7%

Eight year summary

For the years ended 31 March	2000	1999	1998	1997	1996	1995	1994	1993
Profit before tax (£000)	56,784	14,663	5,454	4,262	3,421	3,108	2,797	2,045
Capital resources (£m)	406	357	162	55	51	38	35	32
Total assets (£m)	8,176	5,688	4,885	375	324	301	274	260
Customer loans* (£m)	684	459	312	199	167	156	118	106
Customer deposits* (£m)	1,333	622	406	304	245	232	208	200

* Excludes wholesale customer loans and deposits that reside in the trading book.

Directorate and Corporate Information

Directors

Bas Kardol* (Chairman)
John Abell*
George Alford*
Perry Crosthwaite
Bradley Fried (Chief Operating Officer)
Hugh Herman*
Michael Jameson-Till
Bernard Kantor*
Ian Kantor*
Sir Chips Keswick*
Stephen Koseff*
Alan Tapnack (Chief Executive Officer)
Ian Wohlman

* Non-executive

Secretary
Richard Vardy

Auditors
Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Registered Office
2 Gresham Street
London
EC2V 7QP

Registered Number
489604

Senior Management

Private Banking
Leon Blitz
Chris Loker
Paul Stevens

Specialised Finance, Treasury and Financial Markets
Steve Elliott
James McKenzie
John Barbour
Chris Morris
Paul Unsworth
Andrew Neill
Linden Miles

Private Equity
Rob Cohen

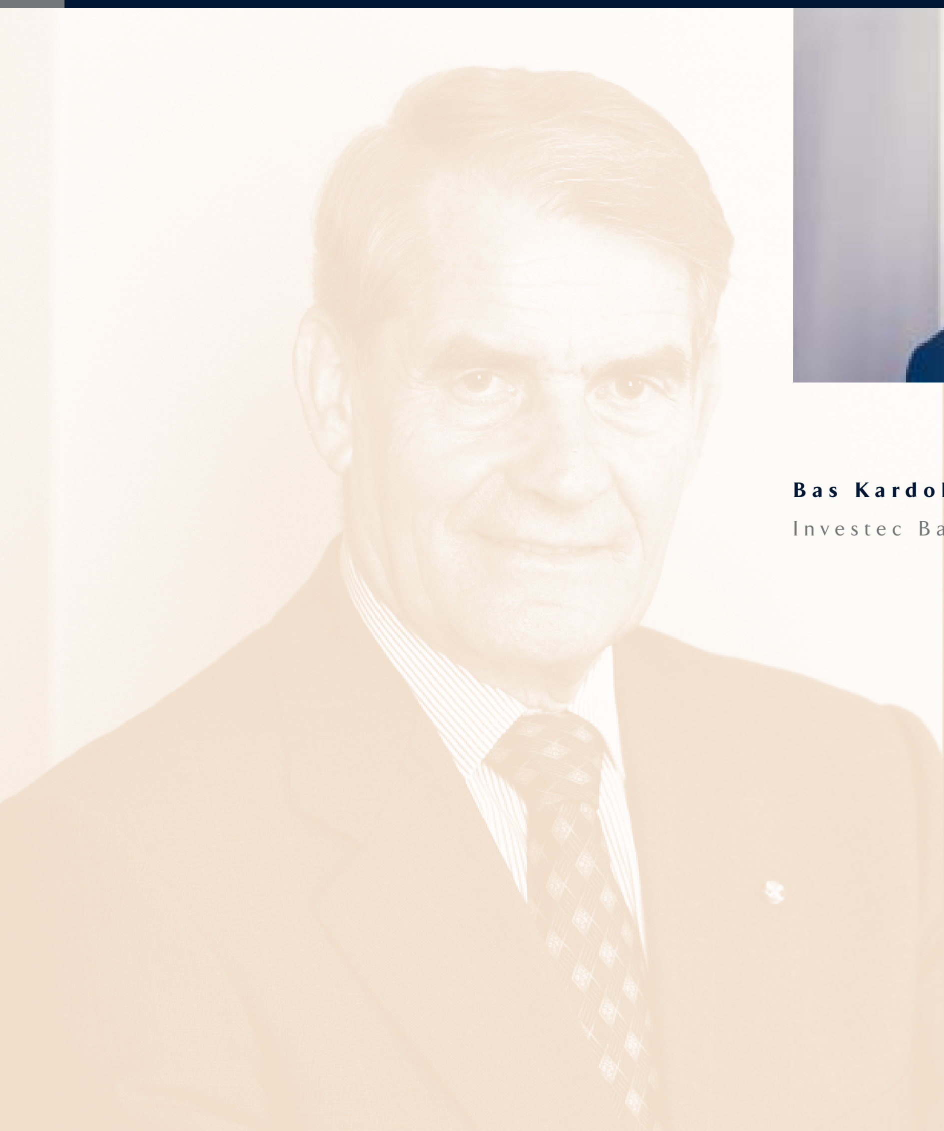
Securities
Brian Newman
Charles Hue Williams
David Johnson
Clive Richardson

Corporate Finance
James Grace
Jag Mundi

Emerging Markets
David Kantor

Chairman's Statement

"The year's performance was achieved overwhelmingly through organic growth, building on the foundations laid in the previous year."



Bas Kardol Chairman
Investec Bank (UK) Limited

Pleasing performance by integrated new businesses

Last year I reported that the Bank was in a better position than ever to achieve strong growth. The introduction of Corporate Finance and Institutional Broking, in particular, presented new opportunities for the Bank going forward. This year I am delighted to report that profit before tax grew from £14.7 million to £56.8 million in the first full year of operation of our integrated new businesses. Over the past eight years, Investec Bank (UK) Ltd has achieved a compound growth rate of 60% per annum in pre-tax profits, and a growth in shareholder's funds from £32 million to £406 million.

The businesses acquired as part of Guinness Mahon Holdings plc and Hambros PLC during the previous financial year, including specifically Corporate Finance and Institutional Broking, now merged under the name of Investec Henderson Crosthwaite, performed strongly. All our businesses performed satisfactorily with Specialised Finance, Treasury & Financial Markets, which includes the repo and stock lending operations, doing particularly well.

While these achievements reflect the efforts of a management team and staff who laid the foundations for growth in the business during the previous financial year, and energetically built on those foundations in the year under review, we must acknowledge the attractive business conditions that prevailed, particularly during the second half of the year. The UK economy grew robustly, securities markets were active, and the Technology, Media and Telecom (TMT) sectors added to the euphoria of the markets in the closing months of the year. Property prices continued to be buoyant, and activity in this market remained strong during a period of gradual increases in interest rates, initiated by the Monetary Policy Committee in an attempt to damp down the economy and contain inflation within their 2.5% target level.

Going forward, the UK economy continues to look sound, with inflation well under control and low unemployment. Interest rates, although higher than last year, appear close to their peak. Certainly the era of boom and bust appears to be in the past.

A year of strong organic growth

During the year under review the Bank made two acquisitions. The purchase of part of the banking business of Kleinwort Benson Private Bank was completed in the third quarter of the year and has added critical mass to the private banking business of the Bank. The Group's acquisition of the structured finance business of Dublin-based Gandon Capital Markets was formally completed at the year-end but control was effectively gained on 1 June 1999. This transaction contributed some £0.8 million to pre-tax profits of the Bank after amortisation of goodwill. The year's performance was, therefore, achieved overwhelmingly through organic growth, building on the foundations laid in the previous year. The investment banking business and the offshore private banking businesses were successfully integrated into the Bank and contributed significantly towards these results. Stronger links were forged with the Investec Group's private banking businesses worldwide and with its investment banking businesses in South Africa, Israel and the US. Although the number of cross-border transactions was limited during the period under review, these initiatives augur well for the coming year.

The results for the year benefited from carefully considered strategic positions taken by the house in selected TMT stocks. These have largely been turned to account since the year-end. In general, Investec Henderson Crosthwaite consistently delivered

Chairman's Statement continued

successful companies in the TMT sector to the market. It is pleasing to note that the division, having gained a serious reputation in this sector, is able to be discerning in its selection of clients in this market.

Future opportunities and strengthened management

The acquisition of Gandon Capital Markets in Dublin will provide the impetus for growth in our structured finance business in the UK. This represents one of the legs of the new businesses that I expected last year to achieve strong growth. Together with the investment banking business, where market-making in our house stocks will be added to existing capabilities, structured finance will bolster our overall capability going forward.

During the year under review, we strengthened management through the appointment of Bradley Fried, who joined us from McKinsey & Co in New York, as Chief Operating Officer of the Bank. Bradley has taken over responsibility for all the front-line operations in the Bank. In 1999/2000, Steve Elliott returned to the UK to head the Specialised Finance, Treasury and Financial Markets business. I welcome Bradley and Steve, and express my hope that they will enjoy a long and satisfying career with the Bank. I should also like to take this opportunity to thank Barry Kalkhoven, who left the Group in the second quarter of last year, for his contribution to the Bank during his three year term of office.

The relocation of the whole business into No. 2 Gresham Street in the City of London was completed in the first quarter of the period under review. In a year characterised by building systems and integrating teams, the very strong result reported could not have been achieved without enormous energy from management and staff. However, the high expectations that we have for the business, and its management and staff, will not abate. In thanking our people for a truly outstanding result for the year under review, I also express confidence that they will lead the Bank forward to a further year of strong growth. We have set a high standard of performance for the new Millennium. We will grasp the future challenges and opportunities that will enable us to continue developing the Bank successfully in the years ahead.

Bas Kardol
Chairman
14 July 2000

"In a year characterised by building systems and integrating teams, the very strong result could not have been achieved without enormous energy from management and staff."

Chief Executive Officer's and Chief Operating Officer's Review

"As focused as we are on growth, the Group is also conscious of achieving acceptable returns. Over the past year, the Bank achieved a strong improvement in both pre-tax profit and return on capital."

Alan Tapnack Chief Executive Officer
Investec Bank (UK) Limited

Building for growth and returns

The financial year under review can best be characterised by the theme “building for growth and returns”. Operating for the first full year out of our new UK headquarters, management across all key operating divisions concentrated on developing and implementing growth strategies. However, as focused as we are on growth, the Group is also conscious of achieving acceptable returns. Over the past year, the Bank recorded a strong improvement in both areas. Profit before tax in 1999/2000 increased by 287%, growing from £14.7 million to £56.8 million, and before tax return on capital increased from 12% to 18%.

While the Bank concentrated largely on organic growth during the year, two acquisitions have provided a significant boost to our future plans. Firstly, we acquired part of the banking business of Kleinwort Benson Private Bank. This acquisition served primarily to enhance our critical mass, providing the Bank with an additional loan portfolio of £132 million and deposits of £263 million. Secondly, we acquired Gandon Capital Markets in Ireland. This business, which now functions as a branch of the Bank, had an impact on pre-tax profit for the year under review of some £0.8 million. Our intention is to closely align our Irish branch with the UK operations, building a full service business in all core areas of activity.

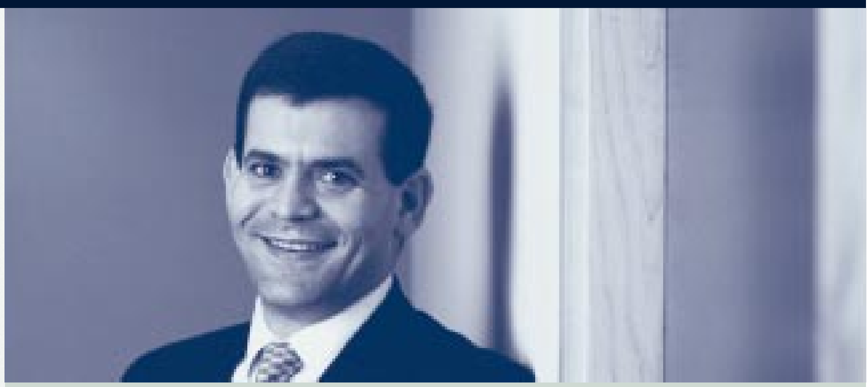
Highlights and key initiatives

Investec Henderson Crosthwaite, our Investment Banking business, generated significantly enhanced results (pre-tax profits growth in excess of 300% over the prior period of nine months under Investec’s ownership). More fully described later in the Review of Operations section, the success of this franchise is based essentially on four factors: the quality of our clients, our focus on client service, the division’s niche sector focus and the management of the securities and corporate finance function as a unified equities business. Recognising that the investment banking industry is extremely competitive, and is largely consolidated, we have adopted a boutique strategy in this area. Over the past year we have selectively hired top-tier analysts, salespeople and corporate financiers and have produced rewarding results for our clients. We see the industry as becoming ever more competitive and we do not plan to operate in those areas where we will be unable to have client impact, or earn acceptable returns. Rather, we look to perpetuate our niche approach to building focused teams of first-class practitioners working with first-class clients.

Our Private Banking business experienced solid growth (pre-tax profits growth of 24% over the prior year) as a result of numerous initiatives introduced during the year. The Private Bank now operates under a unified Investec brand across all jurisdictions (UK, Jersey, Guernsey and Switzerland). While the sector is clearly competitive, the market is significantly more fragmented than investment or wholesale banking. Accordingly, Investec has begun to build a reputation as a strong relationship-based house that delivers institutional quality solutions to private clients. The year was characterised by the harmonisation of products, processes and systems across our multiple acquisitions and jurisdictions to ensure a robust growth platform going forward. Toward the end of the financial year, our direct banking unit launched an exciting e-commerce initiative, in collaboration with Intuit Services Europe, to deliver advice-based services to mass affluent clients. We have taken the view that we will compete only in those areas that require distinctive technologies or know-how. This is particularly true of e-commerce, which easily lends itself to price-based competition. Over the course of 2000/2001 we plan to introduce our new electronic commerce offering to the market and anticipate a positive contribution in 2001/2002.

Chief Executive Officer's and Chief Operating Officer's Review continued

"The Investec Group's sharpest point of competitive differentiation is its distinctive culture, philosophies and values. Over the past year, our people have committed themselves to these values and achieved an extraordinary result."



Bradley Fried Chief Operating Officer
Investec Bank (UK) Limited

Our Specialised Finance, Treasury & Financial Markets business had a strong year, (pre-tax profits growth of 120% over the prior year). An important initiative undertaken during the year was the increased focus on Project and Infrastructure Finance. This led to our being appointed as advisor on the funding for the redevelopment of Wembley Stadium following the role we took in advising on the acquisition of the stadium in the previous year. The acquisition of Gandon Capital Markets enhances Financial Products and Specialist Treasury skills in our European operation and paves the way for knowledge transfer across jurisdictions. Structured solutions will become an increasingly important area of focus in the year ahead.

Technology update

As a result of the extensive project work preceding Y2K, the Bank achieved a smooth and uninterrupted transition into the new Millennium. In addition to the Y2K preparation, the Bank focused on the development of major systems during the year. Significant initiatives included work on our new core banking system, Equation III, as well as development of hardware and software interfaces to facilitate risk management and our e-commerce initiatives. All of our businesses are critically dependent on technology development, and we are investing in this to ensure that we are at the leading edge of thinking and implementation.

Business going forward

We have always relied on a combination of organic growth and acquisitions to drive our Group forward. In so doing, we seek to build a balanced portfolio of mature and growth businesses. It is this balance that generates the appropriate mix of returns and growth for which we constantly strive as well as spreading risk by its portfolio effect. The acquisitions of prior years have been integrated into the Bank's structures, and our core business platforms are largely in place. While our management team is clearly focused on delivering organic growth across the Bank, we remain committed to our policy of building critical mass, and enhancing our skills and know-how through selective acquisitions when the right opportunities present themselves.

Conclusion

To all our colleagues, who have moved the Bank forward so significantly this year, we express our sincere thanks. The Investec Group's sharpest point of competitive differentiation is its distinctive culture, philosophies and values. Over the last year, our people have committed themselves to these values and achieved an extraordinary result, and we salute them for this.

To our clients and counterparties who have placed their trust in us, we say thank you for your confidence. We hope that we have served, and will continue to serve you, with distinction.

Our thanks are also extended to our Chairman and members of the Board for their unstinting and enthusiastic support. We look forward to a year of growth, excitement and challenges.

Alan Tapnack
Chief Executive Officer
14 July 2000

Bradley Fried
Chief Operating Officer
14 July 2000

Review of Operations



"The strong performance of Investec Henderson Crosthwaite reflected the expansion and high quality of our corporate client list."

INVESTMENT BANKING

Buoyant equity markets and a growing list of strong client relationships boosted the performance of Investec Henderson Crosthwaite (IHC), our corporate finance and institutional broking business. We won significant new clients during the year as our strategic decision to focus on specific market sectors paid off.

Based primarily in London, we work closely with colleagues in New York, Israel and South Africa. Through Investec Henderson Crosthwaite Securities, we offer securities research, sales and trading to major institutional fund managers, and fund-raising capabilities for our corporate clients. Corporate Finance provides a wide range of financial advice to our corporate clients on fund raising, initial public offerings, mergers and acquisitions, restructuring and private equity.

Sector focus boosts results

Our strategic decision to focus on selected sectors in which we have a well-developed expertise bolstered trading in 1999/2000. In particular, our skills and knowledge in technology, media and telecommunications (TMT) benefited corporate finance and institutional broking activities. After a slow start to the year, the second half of 1999 saw a dramatic switch of investor interest towards growth sectors, especially TMT shares. The boom caused an upsurge in trading volumes and an increase in corporate deal flow. In its first full year as part of the Investec Group, IHC reported a strong increase in profits to £15.3 million compared with £3.6 million for the nine months to March 1999.

The strong performance also reflected the expansion and high quality of our corporate client list. The number of clients to whom we offer advice grew by some 25% during the year. Clients included many of the top performing small capitalisation stocks. The healthy nature of our client list was reflected in a 280% rise in its average market capitalisation to £230 million.

We conducted 32 fund raisings, worth a total value of £720 million. Our M&A business included the advisory role in Bidvest's £122 million acquisition of the UK food distribution operations of Bookers plc, which we undertook jointly with Investec's South African Corporate Finance team.

Continued growth expected in 2000/2001

The increasing quality of our client list, and our strong competitive position in the specialised industry sectors we have targeted, are expected to underpin continued growth. This will be complemented by expansion of our M&A capacity and the introduction of market making in our house stocks.

SPECIALISED FINANCE, TREASURY & FINANCIAL MARKETS

This division (previously Wholesale Markets) performed well during the period under review, its profits doubling from £6 million to £13 million. During the year, the existing businesses in Bond Repo, Money Market, Corporate Sales, Stock Lending and Foreign Exchange were integrated into the Treasury area and the addition of a specialist Financial Products team to this will considerably enhance the operation. We also created a Specialised Finance team, boosting our expertise in Project and Infrastructure Finance with a Structured Finance team. Combined with the existing Asset Finance capability, these initiatives provide a robust platform for future business development and revenue growth.

Review of Operations continued

A significant development was the acquisition of Dublin-based Gandon Capital Markets (“Gandon”). This increased the critical mass and expertise of our Specialised Finance and Financial Products businesses, while also making a positive contribution of £0.8 million to profits.

Treasury and Financial Markets

Market volatility assists profits

The turn in the UK interest rate cycle, from declining rates to rising rates, combined with widespread concerns about the ability of global financial markets to cope with the change to the year 2000, caused instability in Sterling markets. Our Repo and Money Markets desks took full advantage of this and produced exceptional results.

Foreign Exchange enjoyed a year of expansion. Our team doubled in number and, following a successful 1998/1999, broadened and diversified its client base. While our deal-flow was historically predominantly Rand-based, revenue now derives approximately equally from the Rand and other major currencies. Investec now makes prices in these currencies to a growing number of banks, and has established a valuable niche in the UK corporate market.

Stock lending, an area in which Investec is an established intermediary, was another area in which we sharpened the focus of our operations. Following a disappointing entry into Eurozone equity lending, we have refocused the business to follow the two major equity settlement systems, CREST and the New York DTC. Our principal areas of business are now UK and Irish equities, ADRs and US domestic stocks.

During the year we also introduced a Financial Products team. The team’s objective is to focus on the provision of structured credit transactions and investment products, debt solutions, and the enhancement of our Treasury capabilities. There is now continuous co-operation between this division and the Financial Products teams in South Africa and Ireland. The Group’s experience in Financial Products activities in South Africa has been a success which the Bank intends to emulate in the UK and Europe.

Realising the importance of relationships, we have appointed a representative in London to manage financial institution relationships in coordination with our other offices in South Africa, Ireland, the US, Israel and Mauritius. The Financial Institutions Group seeks to consolidate existing and new relationships, worldwide, that provide the Group with products and services, to the mutual benefit of Investec and our counterparties.

Specialised Finance

Project and Infrastructure Finance in growing demand

The UK government’s continuing need to seek additional value for money in public services through the public private partnership (PPP) initiative led to additional demand on the Bank’s Project and Infrastructure Finance division in the year. We are increasing our staff to enhance our standard of service to existing clients, and to extend our range of advice and funding to other PPP sectors.

The benefits of PFI/PPP are becoming increasingly accepted abroad. In recognition of this, joint marketing initiatives have been established in Ireland and South Africa combining the expertise of London with those jurisdictions.

Gandon Capital Markets

Gandon is based exclusively within the Republic of Ireland, although many of our clients are from other parts of the globe (including Canada, Korea and the European mainland). Gandon presently has two target markets. The first is the medium-sized corporate market, which is served by a variety of units, including Rate Risk, Corporate Banking and Structured Finance. The other is high net worth individuals, who are targeted by the Private Banking unit. This business is, however, being developed to mirror the four chief operating areas of the Bank.

Given the development of new business activities, and the expansion of activity in existing areas, Gandon's prospects in the new financial year are good. This is particularly the case given the current strong level of economic activity in the Irish economy and building activity in the Eurozone generally. The assets and liabilities of Gandon are held in the newly-formed Irish branch of the Bank.

Asset Finance provides growth platform

Asset Finance benefited from continued consolidation in the UK leasing market, a development that has generated useful opportunities for niche market operators. Our business offers leasing and hire purchase facilities and loans to public sector bodies and select corporate clients. Lease finance is made available to more than 2,000 schools and colleges, and over 50 corporates. In addition, we make loans for infrastructure improvements and manage, as agent bank, syndicated Local Authority loans.

In the Local Authorities sector, secondary leases on assets owned by the division contributed significantly to its performance. The overall profitability of Asset Finance was satisfactory and strict control of costs raised the contribution per employee significantly.

PRIVATE BANKING

Rising equity markets, a surging UK property market, and a euphoric period for "dot.com" listings presented opportunities to serve the growing wealthy community. We have concentrated our efforts to yield attractive returns for our clients, and achieved notable successes on their behalf in 1999/2000.

At the same time, we restructured the business, transforming our product-driven focus to a more client-oriented and product-enabled approach. We successfully integrated the business we acquired from Kleinwort Benson Private Bank, and continued to expand and grow our core private banking activities.

Good performance driven by offshore activity

Private and direct banking activities performed ahead of budget, up 24% on the prior year, with our key revenue drivers being the offshore businesses and the UK-based Private Banking and Property Financing businesses. Offshore, Guernsey (bank and trust company) and the Jersey bank made strong contributions.

We have exited a number of non-core activities acquired in 1998 and will continue to exit operations that do not fit into our strategic objectives. Remaining components of the acquired Guinness Mahon group have been integrated into the Investec brand, while a number of duplicate products, offered under the Guinness Mahon label, have been rationalised.

Investment in staff and products begins to yield results

During the year under review, we expanded our distribution capability to include Israel, Hong Kong, Singapore and Australia and have extended our product range by marketing investment services provided by Investec Guinness Flight and Carr Sheppards Crosthwaite. Card-based products have been extended to include Investec Bank Channel Islands.

Review of Operations continued

"Specialised Finance, Treasury and Financial Markets performed well during the period under review with profits doubling from £6 million to £13 million."

Enhancing services with technology

Investec Connect is an umbrella name for the various technology-related distribution channels we have undertaken. The division aims to deliver products and services to clients using existing and emerging virtual channels such as the internet, telecoms and Wireless Application Protocol (WAP).

The foundations for this initiative have been laid with the release of Quicken Online, a collaborative development with Intuit Services Europe. Phase one of this project will deliver an advice-based and content-rich internet presence, utilising this web-based personal financial management facility, allowing clients to aggregate all their financial affairs in one place.

Retail deposits up

In the face of strong competition from new entrants into the retail market, and the increase in online financial services offerings, we grew our retail deposit book organically by 20% across the product range, as well as adding some £263 million of deposits from the Kleinwort Benson acquisition. Margins in this business have been under pressure throughout the year and this is expected to continue. The business continually innovates products to ensure that our offering is competitive and responds to changes in our clients' needs and the tax environment.

Future prospects

All of our Private Banking businesses anticipate continuing growth. We intend to carry on building our private banking business by acquiring clients, developing the product set and delivery mechanism, building the team, and improving IT capabilities. Internet banking will significantly enhance our offering, and the rollout of our new banking system will have a positive impact in future years.

PRIVATE EQUITY AND PROPERTY INVESTMENTS

Equity investments realigned profitably

Investec Group Investments continued to divest itself of the direct investment portfolio acquired from Hambros PLC. Under-performing assets were disposed of or written down, and operating costs were cut realising highly satisfactory gains.

During the year we made £11 million of new investments, including two new direct investments.

High exit prices, but entry prices expensive

The robust economic environment provided a favourable background for selling businesses at attractive valuations. We were able to realise some of our mature direct investments and our Private Equity Funds took the opportunity to make a number of attractive exits.

By the same token, good investment opportunities for our Private Equity Funds were more difficult to find as entry prices rose to historically high levels. In this environment of high valuations, each Fund maintains a clearly defined investment strategy, closely aligned to the core competencies of its management team.

Seeking enhanced investment gains in 2001

Our portfolio should continue to produce investment gains as we follow our existing commitments and harvest the successes within our portfolios. We will make selective new investments and develop related products for our clients, and further reduce costs. This strategy will, we believe, continue to produce enhanced performance.

Review of Operations continued

Investec Property and Investec Taylor Rose

UK property performs well

Conditions in the UK property market became increasingly favourable in 1999. The predicted recession, stemming from the upheaval in world stock markets in the previous autumn, did not materialise. As confidence returned, UK property looked an attractive investment as low borrowing rates were coupled with higher property yields. By the second half of the year private and institutional investors were competing for stock. Institutions have been trying to rebuild previously underweight positions. Tenant demand also recovered during the course of the year and Central London office markets showed rental growth of 10% – 15%.

Reduction in property holdings

These conditions allowed us to judiciously divest ourselves of investment properties acquired as part of the Hambros PLC acquisition. Significant profits arose as we reduced the portfolio from £85 million to £25 million. Our property consulting service, Investec Taylor Rose, enjoyed a successful year, as well as contributing professional expertise to the Bank as a whole.

Property likely to continue to perform

Prospects for the existing property portfolio are encouraging. The asset class is likely to perform well in the absence of any major reverse in the stock market. We are now focusing on acquisitions where we can add value over a relatively short time through refurbishment, development, or intensive management. We also intend to deliver our buying and active management services to private clients by way of syndication.

Risk Management Review

"We aim to promote a culture of risk awareness throughout the business to ensure that all risks are fully understood, correctly measured, and prudently managed."

Risk Management Review continued

Promoting a culture of risk awareness

Risk Management is a centralised function that covers all of the Bank's businesses. We aim to promote a culture of risk awareness throughout the business and provide general management with appropriate information to ensure that all risks are fully understood, correctly measured, and prudently managed.

Risk Management policy is set at the highest level. The Board of Directors approves policy with respect to credit risk, market risk and liquidity, although it delegates day-to-day monitoring and control responsibilities to the various risk management committees. Risk Management reports to the Chief Executive Officer and has a strong interface with Group Risk in Johannesburg. Group Risk assists in the evaluation of some of the larger transactions, participates in various UK Committees, and is jointly involved in the development of the Bank's risk systems.

Risk Management is integral to Investec and has been actively involved in all acquisitions undertaken by the Bank, and has representation on all major strategic and operational forums. There has been a significant investment in people and systems over the past year to keep abreast of the risks in a rapidly growing organisation.

The framework for managing the risks associated with our businesses is constantly evolving to meet the Bank's changing business activities, markets, and products, technological developments, and the developing corporate governance standards.

The main Risk Management committees that cover the Bank's businesses and other, more general, risks are as follows:

Credit Committee

This forum sanctions all counterparty, country, trading, market and liquidity limits. It regularly reviews loan performance, adequacy of provisions, and ensures that credit policy is prudent, taking into account changing market trends.

Asset & Liability Committee

This forum sets the policy for liquidity and interest rate mismatch. It regularly reviews the Bank's balance sheet to ensure it is prudently positioned, taking into account agreed policies, prevailing markets, and business growth projections.

Risk Committee

This forum reviews the broader risks that the Group faces across its various business units. It ensures risks are evaluated correctly, managed properly, and that management of risk receives sufficient resource.

Audit Committee

This committee reviews the internal audit programme and completed internal and external audit reports. It considers the major findings and ensures the appropriate recommendations are implemented. It reviews the annual financial statements, making appropriate recommendations to the Board of Directors. It ensures that management establishes adequate arrangements to comply with regulatory and financial reporting requirements.

New Product Forum

This forum makes sure that all business risks are evaluated before any new product is developed, or a new market entered, and that these risks are properly managed.

Engagement and Underwriting Committees

These forums relate to Investment Banking. The Engagement Committee ensures proper client due diligence is carried out prior to any new broking or advisory relationship. The Underwriting Committee ensures all relevant risks are evaluated and the proposed share underwriting meets internal policies and regulatory requirements before a commitment is made.

The major risks associated with the Bank's businesses are:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

Credit Risk

Credit Risk is the risk that companies, financial institutions and other counterparties will be unable to meet their obligations to the Bank. Credit risk arises principally from lending, but also from other transactions involving on- and off-balance sheet instruments.

Risk Management has responsibility for developing and implementing policies and procedures to ensure that all exposures are properly measured and controlled. These include geographic, product, market, and individual counterparty concentrations. All exposures are checked daily against approved limits, independently of each business unit, and excesses are reported to the Executive of the Bank.

Tiered levels of credit committees make certain that all credit exposures are authorised at the appropriate level of seniority. The main UK Group Credit Committee includes executive directors and senior management independent of the line managerial function. Credit committees come to a unanimous consensus before authorising a credit exposure and each approval is signed by a valid quorum. Additionally, exposures beyond a certain threshold are presented to Group Risk in Johannesburg.

Credit limits on all lending, including treasury and interbank lines, are reviewed at least annually. Arrears policy is strictly controlled. The size of our balance sheet is such that it is possible to look regularly at each individual exposure to evaluate whether specific provisions are necessary and adequate. An Arrears Credit Committee regularly reviews delinquent facilities. It ensures agreed strategy for remedial action is implemented and that specific provisions are taken where relevant. Additionally, a general provision is held to cover any unforeseen events, which are always inherent in taking counterparty exposures.

Overall, the Bank is focused in the type of business it pursues and is expert in its chosen sectors. The majority of lending, excluding interbank placements, is secured on assets and is amortising. The main geographical credit exposure is to the UK domestic market, Europe and the United States.

During the past financial year, a substantial investment was made in installing an enhanced counterparty credit system. The first phase has been implemented and this automatically captures, measures and monitors all types of credit exposure to Banks and other Financial Institutions. These exposures can be examined by legal entity, product, or internal business area on either an individual or Group basis. Exposures are marked to market daily by a dedicated price risk system.

Liquidity Risk

Liquidity risk arises from the inability of a bank to meet its obligations arising from the withdrawal of customer deposits or interbank lines, the drawdown of customer facilities and asset expansion.

Risk Management Review continued

The Bank's liquidity policy covers Sterling and currency activities, and ensures the prudent management of liquidity and the adherence to regulatory guidelines. The development and implementation of this policy is the responsibility of the Asset and Liability Committee (ALCO). Central Treasury looks after day-to-day liquidity management.

Limits on potential cash flow mismatches over defined time horizons are the principal basis of liquidity control. Limits are also placed upon the value of deposits taken from a single source, monthly and in aggregate. A dedicated system is used to monitor and stress test the Bank's liquidity position against different scenarios.

Generally, interbank or wholesale deposits do not fund risk assets in the Private Bank. Retail and Private Client deposits remain the principal source of stable and well diversified funding for Private Banking assets.

Market Risk

Market risk is the risk that changes in interest rates, or other prices and volatilities, will have an adverse impact on the Bank's financial condition and results. Market risk is managed by identifying and quantifying all risks, on the basis of current and future expectations, and ensuring that trading occurs within well-defined parameters.

Monitoring and measuring market risk

An independent, centralised function monitors this risk. Trading activities are monitored through the establishment of appropriate limits. The risk appetite of the Bank for its chosen markets determines these, along with products traded, liquidity in those areas and desired returns.

To enable market risk to be more accurately measured, and ensure compliance with approved limits, a comprehensive price risk system has been installed. This marks all positions to market from recognised live data feeds. These positions are also automatically fed into individual counterparty lines to provide accurate exposure information.

Market risk is evaluated using a combination of Value at Risk (V@R) and stress testing. V@R is a summary measure of potential losses, over a given time horizon, with a specified confidence level. V@R is calculated using historical simulations. A series of stress tests is applied to determine the market risk for parallel shifts and twists in the underlying yield curves, basis risk between yield curves, and extreme market conditions. Daily reports are produced containing this V@R and stress test information.

Daily profitability is also analysed to ensure all revenue streams are covered.

(i) Interest Rate Risk

The Bank is exposed to interest rate risk from the Money Market, and its Gilt and Euro Repo trading operations.

Money Market and Gilt Repo Trading Operation

The risk exposure for a 50 basis points parallel shift in the yield curves, as at year-end was £806,550. The 95% one day V@R for the year ended 31st March 2000, was:

	V@R
Highest	£671,344
Lowest	£127,591
Average	£362,754
As at year end 31 March 2000	£220,707

Euro Repo Trading Operation

The risk exposure for a 10 basis points parallel shift in the yield curves, as at year-end, was £167,844.

Interest rate mismatch

The interest rate mismatch on the banking book, including the effect of interest rate contracts used for hedging purposes, as at the year-end is stated in the table below.

Interest Rate Mismatch

Year end 31 March 2000	0-3 months £000	3-6 months £000	6-9 months £000	9-12 months £000	1-5 years £000	Non-rate items £000	**Total £000**
Assets							
Cash & balances at central banks	424,392	0	0	0	0	0	424,392
Loans & advances to banks	384,967	505	0	0	0	0	385,472
Loans & advances to customers	608,283	26,469	1,487	1,441	45,857	0	683,536
Debt securities	362,830	3,132	1,004	0	0	0	366,966
	1,780,472	30,106	2,491	1,441	45,857	0	1,860,366
Liabilities							
Deposits by banks	179,316	0	0	0	0	0	179,316
Customer accounts	1,242,282	44,834	1,279	27,353	17,706	0	1,333,453
Subordinated debt	39,300	0	0	0	0	0	39,300
Capital & net non-rate items	0	0	0	0	0	308,297	308,297
	1,460,898	44,834	1,279	27,353	17,706	308,297	1,860,366
Mismatch	319,574	(14,728)	1,212	(25,912)	28,151	(308,297)	
Cumulative mismatch	319,574	304,846	306,058	280,146	308,297	0	

Risk Management continued

Comparative Interest Rate Mismatch

Year end 31 March 1999	0-3 months £000	3-6 months £000	6-9 months £000	9-12 months £000	1-5 years £000	Non-rate items £000	**Total £000**
Assets							
Cash & balances at central banks	129,765	0	0	0	0	0	129,765
Loans & advances to banks	67,291	0	0	0	0	0	67,291
Loans & advances to customers	441,848	2,104	1,426	2,386	10,861	0	458,625
Debt securities	260,812	11,829	0	0	0	0	272,641
	899,716	13,933	1,426	2,386	10,861	0	928,322
Liabilities							
Deposits by banks	159,186	4,686	0	0	0	0	163,872
Customer accounts	553,284	6,635	9,156	20,761	31,928	0	621,764
Subordinated debt	21,300	0	0	0	18,000	0	39,300
Capital & net non-rate items	0	0	0	0	0	103,386	103,386
	733,770	11,321	9,156	20,761	49,928	103,386	928,322
Mismatch	165,946	2,612	(7,730)	(18,375)	(39,067)	(103,386)	
Cumulative mismatch	165,946	168,558	160,828	142,453	103,386	0	

(ii) Currency Risk

Currency risk arising from the Bank's commercial banking and lending activities is transferred to and managed by the Bank's foreign exchange trading business. The net aggregate open position in foreign currency at year-end was £2.25 million against a limit of £3.18 million.

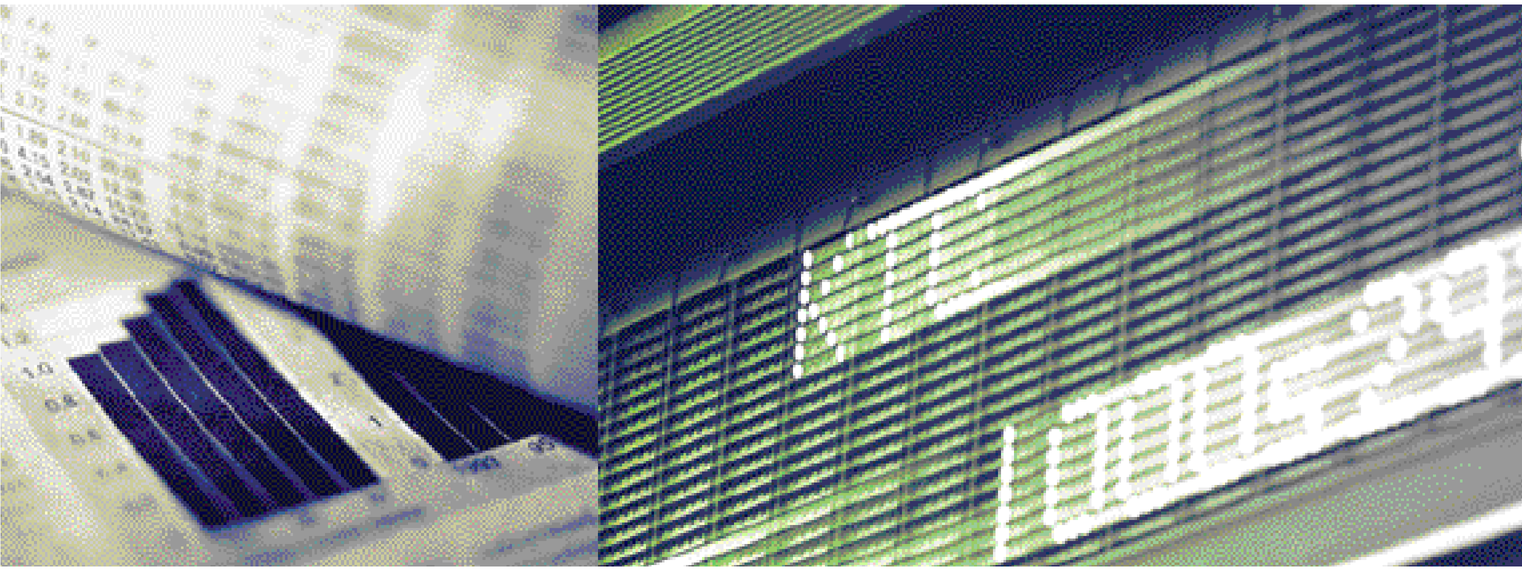
The Bank does have certain investments in foreign subsidiaries. These currency investments are not hedged and at year-end amounted to £5,223,000 (Swiss Francs £4,862,000 and US Dollars £361,000).

Operational Risk

Operational risk is the risk of unforeseen losses due to systems failure, human error or inadequate controls and procedures. Internal Audit carries out a regular review of all operational areas to ensure operational risks are properly controlled. Additionally, contingency plans are in place to enable business continuity in the event of serious disruptions to business operations.

Managing operational risk is an important feature of sound overall risk management, and is subject to ongoing development within the Bank. A dedicated operational risk committee has been established and is working in conjunction with the auditors to promote a risk matrix for the business.

Index to the Financial Statements



Directors' Report

The directors present their report and financial statements for the year ended 31 March 2000.

Principal activities

The principal activities of Investec Bank (UK) Limited are investment banking, specialised finance, treasury and financial markets, private banking, private equity and property investments.

Share capital

On 31 March 2000, 7,000,000 ordinary shares were issued to Investec Group (UK) PLC at par value.

Results and dividends

The results for the year are shown on page 30. Movements in reserves are shown in note 24 to the financial statements. The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2000 (1999 – £ Nil).

Directors and their interests

The current directors of the Bank are listed on page 3. Messrs Potter, Kalkhoven, Wakelin and Hickey resigned from the Board with effect from 30 April 1999, 31 August 1999, 1 October 1999 and 8 December 1999, respectively. On 22 July 1999, Mr Bradley Fried was appointed a director and Chief Operating Officer of the Bank. Sir Chippendale Keswick and Mr George Alford were appointed non-executive directors of the Bank on 1 March 2000 and 5 April 2000, respectively. All the other directors served throughout the year under review.

None of the directors had any interests in the Bank or in any Group companies requiring disclosure under Schedule 7 of the Companies Act 1985.

Creditor payment policy

The Group's standard practice is to agree the terms of payment with suppliers at the time of contract and to make payments within the agreed credit term subject to satisfactory performance.

Employees

The Group policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled every effort is made to ensure their continued employment. The Group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group's operations, and motivating staff involvement in the Group's performance by means of Employee Share Schemes.

Environment

The Group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice amongst its employees and within the communities in which it operates.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors. A resolution proposing their re-appointment as auditors will be submitted to the annual general meeting.

By order of the Board

Richard Vardy
Secretary
14 July 2000

Statement of Directors' Responsibilities in Respect of the Financial Statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors to the Members of Investec Bank (UK) Limited

Report of the auditors to the members of Investec Bank (UK) Limited

We have audited the accounts on pages 30 to 55 which have been prepared under the historical cost convention and the accounting policies set out on pages 33 to 35.

Respective responsibilities of directors and auditors

As described on page 28, the Bank's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Bank and of the Group as at 31 March 2000, and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London
14 July 2000

Consolidated Profit and Loss Account

For the year ended 31 March 2000	Notes	2000 £000	1999 £000
Interest receivable:			
– interest receivable and similar income arising from debt securities		214,375	193,000
– other interest receivable and similar income		251,751	203,740
Less: interest payable		(426,023)	(369,012)
Net interest income		40,103	27,728
Fees and commissions receivable		56,157	5,289
Dealing profits	2	9,102	2,017
Other operating income	2	5,602	3,100
Operating income		110,964	38,134
Administrative expenses	3	(75,802)	(18,747)
Depreciation and amortisation:			
– tangible fixed assets	16	(2,794)	(1,052)
– goodwill	15	376	–
Provision for bad and doubtful debts	11	1,747	(3,672)
Operating profit		34,491	14,663
Gains on disposal of equity investments		20,871	–
Gains on disposal of investment properties		1,422	–
Group profit on ordinary activities before taxation		56,784	14,663
Tax on Group profit on ordinary activities	5	(14,413)	(3,043)
Retained profit for the year		42,371	11,620
Profit on ordinary activities before tax, and before amortisation of goodwill, includes:			
– for acquired operations		2,060	6,315

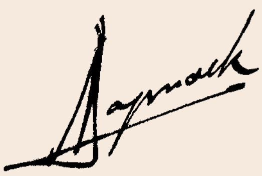
Statement of Recognised Gains and Losses

	Notes	2000 £000	1999 £000
Retained profit for the year		42,371	11,620
Currency translation differences on foreign currency net investments		(1,206)	(226)
Total recognised gains for the year		41,165	11,394

Consolidated Balance Sheet

At 31 March 2000	Notes	2000 £000	1999 £000
Assets			
Cash and balances at central banks	7	424,392	129,765
Treasury bills and other eligible bills	8	28,951	62,405
Loans and advances to banks	9	2,113,935	674,207
Loans and advances to customers	10	1,791,614	1,048,011
Debt securities	12	3,495,414	3,459,020
Equity shares	13	38,653	84,565
Intangible fixed assets	15	10,517	–
Tangible fixed assets	16	27,923	101,606
Other assets	17	244,358	128,633
		8,175,757	5,688,212
Liabilities			
Deposits by banks	18	3,647,950	3,054,453
Customer accounts	19	3,790,353	2,026,412
Other liabilities	20	331,876	249,886
		7,770,179	5,330,751
Capital resources			
Subordinated debt	22	39,300	39,300
Minority interests – equity		907	955
Equity shareholder's funds	25	365,371	317,206
Called up share capital	23	292,000	285,000
Share premium account	24	37,365	37,365
Profit and loss account	24	36,006	(5,159)
		405,578	357,461
		8,175,757	5,688,212
Memorandum items			
Contingent liabilities	28	68,093	28,695
Commitments	31	314,577	248,036
		382,670	276,731

The financial statements on pages 30 to 55 were approved by the Board of Directors on 14 July 2000 and signed on its behalf by:



Director

Balance Sheet

At 31 March 2000	Notes	2000 £000	1999 £000
Assets			
Cash and balances at central banks	7	360,582	95,672
Treasury bills and other eligible bills	8	28,951	62,405
Loans and advances to banks	9	2,091,796	618,076
Loans and advances to customers	10	1,766,000	1,028,552
Debt securities	12	3,415,002	3,422,974
Equity shares	13	26,144	39,340
Shares in Group undertakings	14	104,044	153,259
Intangible fixed assets	15	17,516	–
Tangible fixed assets	16	18,998	21,115
Other assets	17	221,344	30,290
		8,050,377	5,471,683
Liabilities			
Deposits by banks	18	3,734,606	3,148,874
Customer accounts	19	3,631,951	1,823,254
Other liabilities	20	305,987	145,444
		7,672,544	5,117,572
Capital resources			
Subordinated debt	22	39,300	39,300
Equity shareholder's funds	25	338,533	314,811
Called up share capital	23	292,000	285,000
Share premium account	24	37,365	37,365
Profit and loss account	24	9,168	(7,554)
		377,833	354,111
		8,050,377	5,471,683
Memorandum items			
Contingent liabilities	28	38,379	23,861
Commitments	31	292,140	247,774
		330,519	271,635

The financial statements on pages 30 to 55 were approved by the Board of Directors on 14 July 2000 and signed on its behalf by:

Director

Notes to the Financial Statements

at 31 March 2000

1 ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below.

Basis of presentation in the 2000 Annual Report

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets. These financial statements have been prepared in compliance with Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of Investec Bank (UK) Limited and its subsidiary undertakings made up to 31 March 2000. Goodwill arising on acquisition (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised as an intangible fixed asset and amortised on a straight line basis over its expected useful life, subject to a maximum period of 20 years.

Negative goodwill arising in respect of acquisitions is included within intangible fixed assets and released to the profit and loss account in the periods in which the assets acquired are expected to be recovered.

Investments in subsidiaries

Investments in subsidiaries are shown at cost less any impairment in value.

Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into Sterling at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

In the Group financial statements, exchange differences arising from the translation of the opening net assets of foreign subsidiaries at closing rates of exchange are taken to reserves.

Income and expense recognition

Interest receivable and payable is accrued over the period of the related loans and deposits. Interest receivable, which is overdue and in the view of management may not be collected is removed from income and suspended.

Fees and commissions include fees earned from providing advisory services and arranging of financing for clients. All such fees and commissions are credited to income when the related service is performed. Equity shares received in lieu of corporate finance fees are included in dealing securities and valued accordingly.

Tangible fixed assets

Fixed assets are stated at cost, less depreciation provided on a straight line basis at rates calculated to write off the assets over their anticipated useful lives. Premiums on leases are stated at cost and are amortised over the unexpired period of the lease. The depreciation rates used are as follows:

Leasehold property	– Over the remaining period of the lease
Leasehold improvements	– 5%
Computer hardware and software	– 33%
Furniture and fittings	– 20%
Motor vehicles	– 25%

Securities

Investment securities are stated at cost less any provision for impairment in value. Any premium or discount, representing the difference between cost and redemption proceeds, is being amortised over the period to redemption.

Dealing and market making securities are stated at market value.

Notes to the Financial Statements

at 31 March 2000

1 ACCOUNTING POLICIES continued

Repurchase agreements are treated as loans and deposits collateralised by negotiable securities. Accordingly, securities sold under agreements to repurchase are treated as assets and the related obligation as a liability. Conversely, securities purchased under agreements to resell are not treated as assets but instead the related advance is included as an asset.

Wholesale money market loans and deposits are stated at market value and profits and losses arising from this revaluation are taken to the profit and loss account.

Netting

Sale and repurchase transactions where the assets and liabilities are not separate, as defined by Financial Reporting Standard No. 5 – Reporting the Substance of Transactions – have been netted and the resultant net liability is included on the balance sheet.

Financial investments

Financial investments are unlisted investments other than debt securities and are stated at cost less provision for any impairment in value.

Stock borrowing and lending

Stock borrowing and lending transactions are reflected in assets and liabilities to the extent that the respective collateral given or received is in cash. Transactions against non-cash collateral are disclosed in note 26 to the financial statements.

Loans and advances

Commercial loans and advances are stated in the balance sheet after deduction of amounts which, in the opinion of the directors, are required as specific or general provisions.

Specific provisions are made against advances when recovery is doubtful. In addition, general provisions are maintained to cover losses which, although not specifically identified, are known to be present in any portfolio of bank advances. A number of complex and changing factors are collectively weighed by management in determining the adequacy of the provisions. These factors include management's views of the extent of existing risks in the loan portfolio and of prevailing economic conditions.

The aggregate provisions which are made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating income. Doubtful debts are written off in part or in whole when the extent of the loss incurred has been determined.

Finance leases

Assets leased to customers are accounted for as finance leases where the minimum lease payments receivable, discounted at the prevailing interest rate, amount to substantially all of the fair value of the equipment on lease at inception.

The difference between the total of the minimum lease payments receivable and the fair value of the equipment on lease at inception represents finance income which is recognised over the period of the lease so as to give a constant rate of return on the net cash investment in the lease.

The investment in finance leases is included in loans and advances to customers at the total of the minimum lease payments receivable under such leases less finance income allocated to future periods.

Operating leases

All other leases of assets to customers are classified as operating leases. Equipment on an operating lease is capitalised as a fixed asset and is stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis to write off the cost over the primary lease term.

Arranged leases

Arranged leases are operating leases where, prior to commencement of the lease, the Group sells the rental stream of the primary lease period to a financial institution. The Group generally retains its interest in the residual benefits of the leased equipment after the end of the primary lease period.

1 ACCOUNTING POLICIES continued

The residual benefits are attributed a residual value which, based on management's experience and judgement, is the minimum prudently expected to be realisable after the end of the primary lease period. Residual values are regularly reviewed and are stated at the revised attributed values.

The difference between the proceeds from the sale of the rental stream and the cost of the leased equipment (net of the residual value) is included in net interest income.

Derivatives (off-balance sheet financial instruments)

Transactions are undertaken in derivative instruments for trading and non-trading purposes. Derivative contracts include futures, options, currency and interest rate contracts and forward rate agreements. Trading derivatives are stated at market value at the balance sheet date. Resulting profits and losses are taken to income.

Interest rate contracts are used to hedge certain risks inherent in the Group's balance sheet. Profits and losses arising on these contracts, measured on an accrual accounting basis, are reported in net interest income as part of the yield on the hedged transaction.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Provision is made for deferred taxation to allow for timing differences between the recognition of certain items of income and expense for tax and accounting purposes, using the liability method. Deferred tax is calculated at the rate at which it is anticipated the timing differences will reverse.

Pension plan costs

Pension plan costs in respect of members of defined contribution (money purchase) schemes are charged to profit and loss as they fall due. The Group has both contributory and non-contributory schemes in operation.

The expected cost of pensions in respect of defined benefit schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes.

Dealing properties

Dealing properties have been valued at the lower of cost and net realisable value.

Properties awaiting disposal

During the year a decision was made to dispose of the Group's investment property portfolio. Properties still owned as at 31st March 2000 have been transferred to Other Assets.

Properties awaiting disposal are shown at the lower of carrying value and anticipated sale proceeds.

Bank's own profit and loss account

The Bank has taken advantage of the exemption in S230 of the Companies Act 1985 not to present its own profit and loss account. The Bank's profit for the year, determined in accordance with the Act, was £16,722,000 (1999 – £10,300,000).

Notes to the Financial Statements

at 31 March 2000

2 OPERATING INCOME

	Group 2000 £000	Group 1999 £000
Dealing profits		
Interest rate instruments	424	41
Foreign exchange contracts	2,408	1,941
Development properties	2,718	–
Equities and other	3,552	35
	9,102	2,017

Other operating income

Included in other operating income is property rental income of £4,153,000 (1999 – £nil).

3 ADMINISTRATIVE EXPENSES

	Group 2000 £000	**Bank 2000 £000**	Group 1999 £000	Bank 1999 £000
Staff costs				
Wages and salaries	44,004	37,422	8,353	7,357
Social security costs	4,081	3,744	840	784
Other pension costs	2,283	1,872	717	626
Auditors' remuneration				
Audit services	399	232	172	128
Other services	253	178	102	92
Premises and equipment (excluding depreciation)	8,830	7,795	2,701	2,128
Other administrative expenses	15,952	14,453	5,862	5,535
	75,802	65,696	18,747	16,650

	2000 No.	1999 No.
Average monthly number of employees		
The average number of persons employed by the Group during the year was made up as follows:		
Investment banking	113	24
Specialised finance, treasury and financial products	74	46
Private banking	180	74
Private equity and property investments	14	–
Central services	128	59
	509	203

3 ADMINISTRATIVE EXPENSES continued

Other pension costs include £791,736 (1999 – £50,272) in respect of defined benefit schemes. The scheme is a non-contributory defined benefit scheme and its assets are held in separate trustee administered funds. The scheme is subject to a formal valuation triennially. The details of the most recent valuation, which was carried out as at 31 December 1996, by a qualified actuary are disclosed in the accounts of Investec Holdings (UK) Limited, the Bank's ultimate parent company in the United Kingdom.

4 EMOLUMENTS OF DIRECTORS

	2000 £000	1999 £000
Aggregate emoluments (excluding pension contributions)	1,534	443
Contributions to Bank pension schemes	112	46
	1,646	489
Number of directors in money purchase pension scheme	4	3
Number of directors in defined benefits scheme	1	–

Emoluments of the highest paid director were £357,859 (1999 – £172,470) excluding £20,394 (1999 – £28,519) of defined contributions to the Bank's pension scheme.

The aggregate emoluments include £51,500 in respect of compensation for loss of office paid to directors who left the Bank during the year.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group 2000 £000	**Bank 2000 £000**	Group 1999 £000	Bank 1999 £000
Corporation tax	12,202	8,930	2,213	2,213
Deferred taxation	892	–	600	–
Overseas taxes	1,319	163	230	–
	14,413	9,093	3,043	2,213

The effective tax rate for the year of 25% (1999 – 21%) is lower than the standard rate of UK Corporation Tax as a result of the utilisation of losses brought forward and Group loss relief and the crystalisation of deferred tax assets not previously recognised. As at 31 March 2000 the Group had estimated tax losses of £18,929,000 available for utilisation against future taxable income. The majority of these losses arise from Guinness Mahon & Co Limited and, in future years, they may only be used against a proportion of the profits arising from banking and treasury activities.

Notes to the Financial Statements

at 31 March 2000

6 SEGMENTAL AND CURRENCY ANALYSIS

	Group 2000 £000	Group 1999 £000
Operating income		
Investment banking	40,321	1,952
Specialised finance, treasury & financial markets	23,669	12,851
Private banking	26,338	16,818
Private equity and property investments	10,989	–
Central services	9,647	6,513
	110,964	38,134
Profit on ordinary activities before taxation		
Investment banking	15,269	604
Specialised finance, treasury & financial markets	13,265	5,985
Private banking	8,219	6,603
Private equity and property investments	19,341	–
Central services	690	1,471
	56,784	14,663
Total assets		
Investment banking	177,602	90,595
Specialised finance, treasury & financial markets	6,939,612	4,754,083
Private banking	954,046	649,603
Private equity and property investments	104,497	193,931
	8,175,757	5,688,212
Net assets		
Investment banking	13,274	3,878
Specialised finance, treasury & financial markets	196,823	120,898
Private banking	144,127	126,333
Private equity and property investments	51,354	106,352
	405,578	357,461
Total assets currency analysis		
Denominated in Sterling	6,949,069	5,236,485
Denominated in foreign currencies	1,226,688	451,727
	8,175,757	5,688,212
Total liabilities in currency analysis		
Denominated in Sterling	6,963,307	5,282,145
Denominated in foreign currencies	1,212,450	406,067
	8,175,757	5,688,212

Substantially all of the business of the Bank and Group is transacted within the United Kingdom and Eire.

6 SEGMENTAL AND CURRENCY ANALYSIS continued

The segmental analysis includes the following amounts for acquired operations:

	Group	
	2000	1999
	£000	£000
Operating income		
Investment banking	–	1,952
Specialised finance, treasury & financial markets	4,191	8,616
Private banking	3,271	2,895
Private equity and property investments	–	–
	7,462	13,463
Profit on ordinary activities before taxation		
Investment banking	–	604
Specialised finance, treasury & financial markets	1,631	3,281
Private banking	429	2,430
Private equity and property investments	–	–
	2,060	6,315
Total assets		
Investment banking	–	90,595
Specialised finance, treasury & financial markets	599,795	–
Private banking	154,685	218,804
Private equity and property investments	–	193,931
	754,480	503,330

7 CASH AND BALANCES AT CENTRAL BANKS

Cash and balances at central banks comprise balances with both central and other banks, money at call and at short notice, including deposits placed with banks with a maturity of less than eight days from the balance sheet date.

The Group is required to maintain balances with central banks which amounted to £1,526,000 (1999 – £296,000) at the balance sheet date.

8 TREASURY BILLS AND OTHER ELIGIBLE BILLS

The Group held eligible bills amounting to £28,951,000 (1999 – £62,405,000) within its trading book.

The unrealised gain included in the carrying value of the bills amounts to £ 71,000 (1999 – £212,000).

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at 31 March 2000

9 LOANS AND ADVANCES TO BANKS

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Remaining maturity:				
Eight days to three months	1,981,074	1,958,073	479,809	418,678
Three months to one year	132,861	133,723	194,398	199,398
	2,113,935	2,091,796	674,207	618,076
Balance with Group companies	139	5,000	–	5,000
Loans and advances to banks comprise:				
Trading book	1,728,463	1,728,463	606,916	606,916
Banking book	385,472	363,333	67,291	11,160
	2,113,935	2,091,796	674,207	618,076

Trading book loans of £1,662,555,000 (1999 – £606,916,000) are secured with government securities under sale and repurchase agreements.

10 LOANS AND ADVANCES TO CUSTOMERS

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Demand to three months	1,009,525	1,004,150	575,990	554,452
Three months to one year	329,857	326,711	194,511	186,891
One year to five years	158,010	140,906	154,985	125,410
Over five years	316,245	314,009	141,231	179,954
Provision for bad and doubtful debts	(22,023)	(19,776)	(18,706)	(18,155)
	1,791,614	1,766,000	1,048,011	1,028,552
Balances with Group companies	64,413	92,885	68,923	107,398
Loans and advances to customers comprise:				
Trading book	1,108,078	1,108,078	589,386	589,386
Banking book	683,536	657,922	458,625	439,166
	1,791,614	1,766,000	1,048,011	1,028,552

Included in trading book loans and advances to customers are loans of £640,612,000 (1999 – £287,996,000) which are secured with government securities under sale and repurchase agreements.

11 PROVISION FOR BAD AND DOUBTFUL DEBTS

Group	**Specific 2000 £000**	**General 2000 £000**	**Total 2000 £000**	Specific 1999 £000	General 1999 £000	Total 1999 £000
At beginning of year	11,650	7,056	18,706	2,016	2,588	4,604
Charged against income	(1,788)	2,896	1,108	589	380	969
Purchased	4,487	2,034	6,521	9,768	4,088	13,856
Utilised	(4,301)	(11)	(4,312)	(723)	–	(723)
At end of year	10,048	11,975	22,023	11,650	7,056	18,706

Bank	**Specific 2000 £000**	**General 2000 £000**	**Total 2000 £000**	Specific 1999 £000	General 1999 £000	Total 1999 £000
At beginning of year	11,650	6,505	18,155	2,016	2,497	4,513
Charged against income	(1,788)	2,889	1,101	589	180	769
Purchased	2,787	2,034	4,821	9,768	3,828	13,596
Utilised	(4,301)	–	(4,301)	(723)	–	(723)
At end of year	8,348	11,428	19,776	11,650	6,505	18,155

Group	**2000 £000**	1999 £000
The (release)/charge for bad and doubtful debts in the consolidated profit and loss account comprises:		
Charged against income, as above	1,108	969
Write off/(recovery) of a debt directly to the income statement	26	(178)
Reversal of a provision made in the prior year against equity positions acquired following the failure of a counterparty	(2,881)	2,881
	(1,747)	3,672

Included within the year-end specific provision balance for both Group and Bank is an amount of £877,000 (1999 – £372,000) of interest in suspense.

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at 31 March 2000

12 DEBT SECURITIES

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Dealing and market making securities at market value				
Issued by public bodies				
– Government securities	29,458	29,458	–	–
Issued by other issuers				
– Unlisted bank and building society certificates of deposit	3,098,990	3,098,990	3,186,379	3,186,379
	3,128,448	3,128,448	3,186,379	3,186,379
Investment securities at cost				
Unlisted bank and building society certificates of deposit	366,966	286,554	265,774	229,728
Other debt securities – unlisted	–	–	6,867	6,867
Total debt securities	3,495,414	3,415,002	3,459,020	3,422,974

All the above securities have a maturity date less than one year from the balance sheet date.

The cost of dealing and market making securities has not been disclosed as it cannot be determined without unreasonable expense.

The cost of the investment securities, all of which are held in the banking book, does not differ materially from the fair value.

13 EQUITY SHARES

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Dealing securities at market value				
Listed on a recognised UK exchange	4,483	4,483	33,186	33,186
Unlisted	1,100	1,100	–	–
Investment securities at cost				
Listed on a recognised UK exchange	1,289	533	2,859	–
Unlisted	31,781	20,028	48,520	6,154
	38,653	26,144	84,565	39,340
Investment securities:				
At beginning of year	51,379	6,154	–	–
Additions	10,470	1,711	–	–
Release of provision	1,660	–	–	–
Disposals	(24,974)	(3,459)	–	–
Intergroup transfers	(5,268)	16,155	51,379	6,154
Exchange movements	(197)	–	–	–
At end of year	33,070	20,561	51,379	6,154

The cost of dealing securities and listed investment securities held does not differ materially from the fair value.

14 SHARES IN GROUP UNDERTAKINGS

	2000 £000	1999 £000
At beginning of year	153,259	53,440
Additions	65	99,819
Disposals	(34,780)	–
Dividend declared by subsidiary out of pre-acquisition reserves	(14,500)	–
At end of year	104,044	153,259

All subsidiary undertakings are unlisted. On 31 March 2000 the Bank's investment in its subsidiary, Investec Property PLC, was disposed of at book value to another Group company as part of a corporate restructure.

Principal subsidiary undertakings of Investec Bank (UK) Limited	Nature of business	Country of Incorporation	Interest
Clive Discount Company Limited	Dormant (previously wholesale money markets intermediary)	England	100%
Guinness Flight Trustees Sarl*	Trust company	Guernsey	100%
Guinness Mahon & Co Limited	Holding company (previously banking)	England	100%
Guinness Mahon Trust Corporation Limited*	Trust company	England	100%
Henderson Crosthwaite Institutional Brokers Limited	Dormant (previously broking)	England	100%
Investec Asset Finance PLC	Leasing	England	100%
Investec Bank (Channel Islands) Limited* (formerly Guinness Mahon Guernsey Limited)	Banking	Guernsey	100%
Investec Bank (Jersey) Limited	Banking	Jersey	100%
Investec Bank (Switzerland) AG* (formerly Bank Guinness Mahon Flight AG)	Banking	Switzerland	100%
Investec Group Investments (UK) Limited	Investment holding company	England	100%
Investec Property Services Limited (trading as Taylor Rose)	Commercial property agency	England	100%

Investments in these undertakings are held directly by the Bank except where marked *. All the above subsidiary undertakings are included in the consolidated financial statements.

Notes to the Financial Statements

at 31 March 2000

15 INTANGIBLE FIXED ASSETS

Goodwill	Group Cost £000	Bank Cost £000
At beginning of year	–	–
Additions	18,841	19,388
Negative goodwill arising on recognition of a deferred tax asset on the prior year acquisition of a subsidiary	(8,700)	–
Disposals	(91)	–
At end of year	10,050	19,388

	Group Accumulated amortisation £000	Bank Accumulated amortisation £000
At beginning of year	–	–
Release/(charge) to profit and loss account	376	(1,872)
Disposals	91	–
At end of year	467	(1,872)
Net book value at end of year	10,517	17,516

Additions represent goodwill arising on current year acquisitions, as outlined in note 27, and include £91,000 of capitalised costs in respect of a prior year acquisition. Goodwill is being amortised over periods of between five and ten years.

16 TANGIBLE FIXED ASSETS

Group	Operating lease assets £000	Freehold property £000	Leasehold property £000	Leasehold improve-ments £000	Furniture, fittings and motor vehicles £000	Computer equipment £000	Total £000
Cost or valuation:							
At beginning of year	8,435	79,665	76	12,953	8,956	7,657	117,742
By transfer or acquisition	–	–	–	(237)	(45)	559	277
By reclassification	–	(23,478)	–	–	–	–	(23,478)
Additions	2,507	–	–	4,603	1,712	1,451	10,273
Disposals	(1,742)	(55,950)	(76)	(1,964)	(6,069)	(3,710)	(69,511)
At end of year	9,200	237	–	15,355	4,554	5,957	35,303

16 TANGIBLE FIXED ASSETS continued

Group	Operating lease assets £000	Freehold property £000	Leasehold property £000	Leasehold improvements £000	Furniture, fittings and motor vehicles £000	Computer equipment £000	**Total £000**
Depreciation and amortisation:							
At beginning of year	(1,460)	–	(45)	(3,107)	(6,919)	(4,605)	(16,136)
By transfer or acquisition	–	(17)	(31)	17	215	(362)	(178)
Charge for year	(486)	–	–	(633)	(799)	(1,362)	(3,280)
Written off	–	–	–	–	(63)	–	(63)
Disposals	718	–	76	1,912	5,969	3,602	12,277
At end of year	(1,228)	(17)	–	(1,811)	(1,597)	(2,727)	(7,380)
Net book value at end of year	7,972	220	–	13,544	2,957	3,230	27,923
Net book value at beginning of year	6,975	79,665	31	9,846	2,037	3,052	101,606

Depreciation and amortisation as disclosed in the profit and loss account on page 30 does not include the charge for the year of £486,000 (1999 – £449,000) on assets subject to operating leases, which is netted within other operating income.

During the year a decision was made to dispose of the Group's investment property portfolio. Properties still owned as at 31 March 2000 have been transferred to Other Assets.

Bank	Freehold property £000	Leasehold property £000	Leasehold improvements £000	Furniture, fittings and motor vehicles £000	Computer equipment £000	**Total £000**
Cost or valuation:						
At beginning of year	7,200	76	11,473	8,041	6,688	33,478
By transfer or acquisition	–	–	–	(373)	608	235
Additions	–	–	4,585	1,562	1,359	7,506
Disposals	(7,200)	(76)	(1,905)	(5,931)	(3,458)	(18,570)
At end of year	–	–	14,153	3,299	5,197	22,649

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at 31 March 2000

16 TANGIBLE FIXED ASSETS continued

Bank	Freehold property £000	Leasehold property £000	Leasehold improvements £000	Furniture, fittings and motor vehicles £000	Computer equipment £000	**Total £000**
Depreciation and amortisation:						
At beginning of year	–	(45)	(1,904)	(6,384)	(4,030)	(12,363)
By transfer or acquisition	–	(31)	–	258	(276)	(49)
Charge for year	–	–	(618)	(636)	(1,266)	(2,520)
Written off	–	–	–	(63)	–	(63)
Disposals	–	76	1,904	5,906	3,458	11,344
At end of year	–	–	(618)	(919)	(2,114)	(3,651)
Net book value at end of year	–	–	13,535	2,380	3,083	18,998
Net book value at beginning of year	7,200	31	9,569	1,657	2,658	21,115

17 OTHER ASSETS

	Group 2000 £000	**Bank 2000 £000**	Group 1999 £000	Bank 1999 £000
Trade debtors	164,885	164,222	84,303	1,228
Deferred tax asset (see note 21)	7,000	–	–	–
Other debtors	28,661	19,307	8,977	4,781
Development properties	389	–	8,714	–
Properties awaiting disposal	23,478	18,908	–	–
Prepayments and accrued interest	19,945	18,907	26,639	24,281
	244,358	221,344	128,633	30,290

18 DEPOSITS BY BANKS

	Group 2000 £000	**Bank 2000 £000**	Group 1999 £000	Bank 1999 £000
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	840,587	840,587	1,227,807	1,292,448
Demand to three months	2,166,944	2,253,600	1,051,146	1,083,926
Three months to one year	623,204	623,204	775,500	772,500
One year to five years	17,215	17,215	–	–
	3,647,950	3,734,606	3,054,453	3,148,874

18 DEPOSITS BY BANKS continued

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Deposits by banks comprise:				
Trading book	3,468,634	3,468,634	2,890,580	2,890,580
Banking book	179,316	265,972	163,873	258,294
	3,647,950	3,734,606	3,054,453	3,148,874
Balances with Group companies	31,493	138,790	41,763	141,839

Trading book deposits by banks include deposits of £2,979,034,000 (1999 – £2,722,611,000) secured with government securities under sale and repurchase agreements.

Dealing and market making securities with a value of £70,660,000 (1999 – £84,450,000) are used to secure deposits by banks.

19 CUSTOMER ACCOUNTS

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
With agreed maturity date or periods of notice, by remaining maturity:				
Repayable on demand	932,458	932,458	1,396,799	1,240,672
Demand to three months	2,548,485	2,399,705	543,536	496,775
Three months to one year	286,114	276,492	52,022	52,083
One year to five years	23,296	23,296	31,797	31,466
Over five years	–	–	2,258	2,258
	3,790,353	3,631,951	2,026,412	1,823,254
Customer accounts comprise:				
Trading book	2,456,900	2,456,900	1,404,648	1,404,648
Banking book	1,333,453	1,175,051	621,764	418,606
	3,790,353	3,631,951	2,026,412	1,823,254
Balances with Group companies	87,379	173,010	63,837	28,400

Trading book deposits by customers include deposits of £1,265,457,000 (1999 – £574,371,000) secured with government securities under sale and repurchase agreements.

Dealing and market making securities with a value of £5,350,000 (1999 – £103,600,000) are used to secure deposits by customers.

Notes to the Financial Statements

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20 OTHER LIABILITIES

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Trade creditors	163,102	163,102	146,822	62,000
Short positions in securities	–	–	8,332	8,332
Provision for deferred tax (see note 21)	1,066	–	1,874	–
Other creditors	45,157	28,947	17,076	6,585
Current corporation tax	12,345	7,109	5,538	3,063
Accruals and deferred income	110,206	106,829	70,244	65,464
	331,876	305,987	249,886	145,444

21 DEFERRED TAXATION

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Deferred tax asset	7,000	–	–	–
Provision for deferred taxation	1,066	–	1,874	–

The Group has recognised a deferred tax asset for the first time this year. £8.7 million was recognised in respect of the acquisition of Guinness Mahon Group (see note 15). £1.7 million of this has crystallised in the year. The deferred tax carried forward as at 31 March 2000 is £7 million. These deferred tax assets mainly arise in the leasing companies acquired in 1998 and are due to the capital allowances available for fixed assets for tax purposes exceeding the accounting net book value of the related net investment in the finance lease.

Of the deferred tax liabilities carried forward of £1,066,000, £655,000 relates to the excess of the book values of fixed assets over the available capital allowances in the Group's other leasing operations. The remaining £411,000 relates to the recognition of the Group's share of partnership profits, on which corporation tax will be payable in the future.

As at 31 March 2000 the Group had unrecognised deferred tax assets of £5 million which mainly relate to incentive payments which have been provided but for which no tax deduction has yet been recognised and to the excess of capital allowances available over book values of assets. These assets have not been recognised because they are not expected to be recoverable with reasonable certainty, or without replacement.

22 SUBORDINATED DEBT

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Variable rate notes:				
At beginning of year	39,300	39,300	47,500	28,000
Movements during the year:				
Issue of loan note	39,300	39,300	11,300	11,300
Redemption of loan notes	(39,300)	(39,300)	(19,500)	–
At end of year	39,300	39,300	39,300	39,300

22 SUBORDINATED DEBT continued

During the year the £10,000,000 held by Investec N.V. and the £29,300,000 held by Guinness Mahon Holdings Limited were repaid and replaced by £39,300,000 of new subordinated debt issued to Investec Holdings (UK) Limited. Interest is payable at Sterling LIBOR plus 2.125%. The loans can be terminated by the lender giving five years and two days notice. At the date of signature of the financial statements no such notice has been received. The final maturity date of the loan note is 31 March 2050.

Claims in respect of the subordinated loan capital are not secured and are subordinate to the claims of all other creditors.

23 CALLED UP SHARE CAPITAL

Group	**2000 £000**	1999 £000
Authorised		
Ordinary shares of £1 each – 1,000,000,000 (1999 – 1,000,000,000)	1,000,000	1,000,000
Issued, allotted and fully paid – 292,000,000 (1999 – 285,000,000)		
At beginning of year	285,000	98,538
Issued during year	7,000	186,462
At end of year	292,000	285,000

The Company issued 7,000,000 (1999 – 186,461,543) ordinary shares of £1 with a nominal value of £7,000,000 (1999 – £186,461,543) and at a premium of £nil (1999 – £5,288,460) for the purpose of financing the acquisition of Group undertakings as disclosed within the Chief Executive's Officer's and Chief Operating Officer's Review.

24 RESERVES

	Group 2000 £000	**Bank 2000 £000**	Group 1999 £000	Bank 1999 £000
Share premium account				
At beginning of year	37,365	37,365	32,077	32,077
On shares issued in year	–	–	5,288	5,288
At end of year	37,365	37,365	37,365	37,365
Profit and loss account				
At beginning of year	(5,159)	(7,554)	(16,553)	(17,854)
Retained profit for the year	42,371	16,722	11,620	10,300
Currency translation differences on foreign currency net investments	(1,206)	–	(226)	–
At end of year	36,006	9,168	(5,159)	(7,554)

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25 RECONCILIATION OF SHAREHOLDER'S EQUITY

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Retained profit for the year	42,371	16,722	11,620	10,300
New share capital subscribed	7,000	7,000	191,750	191,750
Currency translation differences on foreign currency net investments	(1,206)	–	(226)	–
Opening shareholder's equity	317,206	314,811	114,062	112,761
Closing shareholder's equity	365,371	338,533	317,206	314,811

26 STOCK BORROWING AND LENDING

Group	2000 £000	1999 £000
Stock borrowed against non-cash collateral	6,230,374	5,284,779
Stock lent against non-cash collateral	5,615,238	5,001,794

The Group borrows and lends stock against cash and non-cash collateral. The cash collateral is included on the balance sheet as appropriate in either loans, deposits or customer accounts.

Non-cash collateral is in the form of gilts, equities, certificates of deposit and other equivalent stock.

27 SUMMARY OF THE EFFECT OF THE ACQUISITIONS

During the year the Group agreed to acquire certain assets and liabilities of two banking operations. As disclosed in the Chief Executive Officer's and Chief Operating Officer's Review these related to:

1 the Irish banking operations of an overseas institution. The effective date of the acquisition was 1 June 1999. These assets and liabilities were transferred into an Irish branch of the Bank.

2 the purchase of a private banking book from another UK institution. This was an acquisition of various assets and liabilities during the second half of the financial year.

The separate assets and liabilities at the dates of acquisition and total consideration paid are set out in the table below.

The Group also made the following acquisitions of subsidiary undertakings during the year which were satisfied by the payment of cash and accounted for on an acquisition basis:

	Date
Guinness Flight Trustees Sarl	1 April 1999
Guinness Mahon Loan Recoveries Limited	26 March 2000
HEV (Holdings) Limited	1 April 1999

For these acquisitions, the assets and liabilities at the dates of acquisition and total consideration paid have been combined in the table below.

27 SUMMARY OF THE EFFECT OF THE ACQUISITIONS continued

The fair values attributed to the net tangible assets acquired were:

	Irish branch acquisition £000	Private banking book acquired £000	Other acquisitions £000	**Total £000**
Investment and trading securities	31,772	–	35	31,807
Loans and advances to banks	447,573	130,937	4,720	583,230
Loans and advances to customers	365,460	132,159	1,650	499,269
Other assets	8,306	–	1,384	9,690
Total assets	853,111	263,096	7,789	1,123,996
Deposits by banks	(317,925)	–	–	(317,925)
Customer accounts	(525,994)	(263,096)	–	(789,090)
Other liabilities	(10,757)	–	(5,872)	(16,629)
Total liabilities	(854,676)	(263,096)	(5,872)	(1,123,644)
Fair value of net assets	(1,565)	–	1,917	352
Fair value of consideration	8,469	9,727	906	19,102
Premium on acquisition	10,034	9,727	(1,011)	18,750

The book values of the assets and liabilities acquired do not differ materially from the fair values.

The profit/(loss) after tax for the period from the beginning of its financial year to date of acquisition for each of the acquired companies is as follows:

	Start date of financial year	Period to date acquired £000	Previous financial period £000
Guinness Flight Trustees Sarl	1 April 1999	–	329
Guinness Mahon Loan Recoveries Limited	1 April 1999	11	(4,681)
HEV (Holdings) Limited	1 January 1999	–	1,146

In respect of the two acquisitions of assets and liabilities noted above it is not possible to identify prior period results as they formed parts of other institutions.

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28 CONTINGENT LIABILITIES

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Guarantees and irrevocable Letters of Credit	58,803	38,379	28,695	23,861
Other contingent liabilities	9,290	–	–	–
	68,093	38,379	28,695	23,861

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

The other contingent liabilities relate to indemnities and warranties issued by Group companies in respect of taxation and other matters on disposal of various shareholdings.

29 DIRECTORS' AND OFFICERS' LOANS

As permitted by the Companies Act 1985, loans to one director (1999 – one) existed during the year. The amount at the end of the year was £50,138 (1999 – £28,639).

30 RELATED PARTY TRANSACTIONS

As the Bank is a 100% subsidiary undertaking, and consolidated financial statements for its ultimate parent, Investec Holdings Limited, are publicly available, Group transactions have not been disclosed pursuant to the exemptions permitted in Financial Reporting Standard No. 8.

Apart from the transaction disclosed in Note 29 above, the directors are not aware of any other transactions requiring disclosure.

31 COMMITMENTS

	Group 2000 £000	Bank 2000 £000	Group 1999 £000	Bank 1999 £000
Forward repurchase agreements	246,838	246,838	221,276	221,276
Undrawn facilities	67,739	45,302	26,760	26,498
	314,577	292,140	248,036	247,774

The Group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business.

32 FINANCIAL INSTRUMENTS

A. FRS 13 disclosure

Certain disclosures required by FRS 13 have been included in the Risk Management Review section of the financial statements on pages 19 to 24.

B. Fair values

The Group's trading book comprises treasury bills, settlement accounts, debt securities, equity shares, short positions in securities, derivatives as well as secured customer loans and deposits. All amounts are included in the balance sheet at fair value.

The fair values of listed and publicly traded securities held for non-trading book purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note. The fair values of other non-trading book balances approximate to their carrying value in the balance sheet where a liquid and active market exists as defined by FRS 13.

33 DERIVATIVES (OFF-BALANCE SHEET FINANCIAL INSTRUMENTS)

The Group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures and options, swaps and forward rate agreements. All futures and option contracts are exchange traded. All interest rate contracts are transacted with other financial institutions.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The replacement cost, which is considered to be the fair value, represents the cost of replacing contracts with positive values calculated at market rates current at the balance sheet date. The credit risk weighted amount, which is calculated according to rules set by the Financial Services Authority, is based on the replacement cost, but also takes into account measures of the extent of potential future credit exposure and the nature of the counterparty.

The notional principal amounts and maturity profiles of derivatives held as at 31 March are as follows:

Group		**2000**				1999	
	Up to 1 year £000	**1 to 5 years £000**	**More than 5 years £000**	**Total £000**	Up to 1 year £000	1 to 5 years £000	Total £000
Interest rate contracts:							
Caps and floors	–	10,997	6,104	17,101	1,054	2,000	3,054
Swaps	110,350	259,514	26,669	396,533	39,651	54,244	93,895
Futures	1,202	–	–	1,202	–	–	–
	111,552	270,511	32,773	414,836	40,705	56,244	96,949
Foreign exchange contracts:							
Forward contracts	1,277,452	47,922	716	1,326,090	581,556	–	581,556
Options	19,315	–	–	19,315	–	–	–
	1,296,767	47,922	716	1,345,405	581,556	–	581,556

Notes to the Financial Statements

at 31 March 2000

33 DERIVATIVES (OFF-BALANCE SHEET FINANCIAL INSTRUMENTS) continued

Bank	2000 Up to 1 year £000	2000 1 to 5 years £000	2000 More than 5 years £000	2000 Total £000	1999 Up to 1 year £000	1999 1 to 5 years £000	1999 Total £000
Interest rate contracts:							
Caps and floors	–	10,997	6,104	17,101	1,054	2,000	3,054
Swaps	110,350	260,048	26,669	397,067	39,651	54,244	93,895
Futures	1,202	–	–	1,202	–	–	–
	111,552	271,045	32,773	415,370	40,705	56,244	96,949
Foreign exchange contracts:							
Forward contracts	1,279,188	47,922	716	1,327,826	581,556	–	581,556
Options	19,315	–	–	19,315	–	–	–
	1,298,503	47,922	716	1,347,141	581,556	–	581,556

The risk weighted amount and replacement cost of these contracts are as follows:

Group	2000 Credit risk weighted amount £000	2000 Replacement cost £000	1999 Credit risk weighted amount £000	1999 Replacement cost £000
Interest rate related contracts	3,143	4,249	333	1,277
Exchange rate related contracts	12,479	23,309	2,959	7,845
	15,622	27,558	3,292	9,122

Bank	2000 Credit risk weighted amount £000	2000 Replacement cost £000	1999 Credit risk weighted amount £000	1999 Replacement cost £000
Interest rate related contracts	3,148	4,271	333	1,277
Exchange rate related contracts	12,398	23,258	2,959	7,845
	15,546	27,529	3,292	9,122

As at the end of the year all of the interest rate contracts were held to hedge risks inherent in the Group's balance sheet. As at 31 March 1999, £59,550,000 of contracts with a replacement cost of £1,173,000 were held as hedging instruments.

34 HEDGING INSTRUMENTS

Mark to market gains and losses on derivatives used for hedging are recognised in line with the underlying items which are being hedged. At 31 March 2000, the unrecognised gains on derivatives used for hedging were £4,271,000 and unrecognised losses were £2,570,000.

Of the unrecognised gains of £4,271,000, £107,000 is expected to be recognised in the year ending 31 March 2001 and £4,164,000 in subsequent years. Of the unrecognised losses of £2,570,000, £76,000 is expected to be recognised in the year to 31 March 2001 and £2,494,000 in subsequent years. These values have been calculated by reference to the ultimate maturity date of the derivatives.

35 ULTIMATE PARENT COMPANY

The ultimate parent company, and controlling party, is Investec Holdings Limited, a company incorporated in the Republic of South Africa and quoted on the Johannesburg Stock Exchange.

The consolidated financial statements of this group are available to the public and may be obtained from Investec Group Limited's principal place of business: 100 Grayston Drive, Sandown, Sandton, 2196, South Africa, or from Investec Bank (UK) Limited at 2 Gresham Street, London EC2V 7QP.

The parent undertaking of the largest group in the United Kingdom which includes the Bank and for which group financial statements are prepared is Investec Holdings (UK) Limited, a company registered in England and Wales. Copies of the group financial statements are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

The Bank has taken advantage of the exemption in Financial Reporting Standard 1 (revised) not to present its own cash flow statement. The Bank's ultimate holding company, Investec Holdings Limited, registered in South Africa includes a cash flow statement in its published financial statements.

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Mission Statement

"We aspire to be one of the world's great specialist banking groups, driven by our commitment to our core philosophies and values"

Philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance

Values

- We demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.
- We will break china for the client, having the tenacity and confidence to challenge convention.
- We show concern for people, support our colleagues and encourage growth and development.
- We thrive on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment.
- We believe that open and honest debate is the appropriate process to test decisions, seek consensus and accept responsibility.
- We are creative individuals who cooperate and collaborate unselfishly in pursuit of Group performance.
- We respect the dignity and worth of the individual through openness and tolerance of difference and by the sincere, consistent and considerate manner in which we interact.
- We require talented people with passion, energy and stamina, who exercise common sense in achieving effective performance in a high pressure, multi-task environment.
- We promote entrepreneurial flair and the freedom to operate within the context of risk consciousness, sound judgement and the obligation to do things properly.

Since inception as a small finance company in 1974, the development of Investec has followed a carefully chartered course. Based on the core philosophy of building well-defined businesses focused on serving the needs of select market niches, Investec's steady expansion in the years since then has been firmly rooted in the recognition of a clearly defined strategy for the Group.

History of Significant Events

1980

Investec acquires a banking licence. This enables it to expand its activities beyond leasing and instalment finance into such areas as corporate and professional banking, treasury, corporate finance and project finance. Regional offices are opened in Durban and Cape Town and a network of international contacts is established.

1986

Having enjoyed a close relationship with Metboard Limited, a trust company established in 1937, Investec and Metboard are merged. This development adds portfolio management, a participating mortgage bond scheme and an in-house unit trust to the growing range of products and services offered by Investec.

Investec Holdings Limited is listed on the Johannesburg Stock Exchange (JSE).

1988

In a major restructure, Investec Bank Limited (now Investec Group Limited) is listed separately. An important consequence of this listing is to place control in the hands of Investec management and staff.

1990

Investec acquisitions include property management company I Kuper & Company (Pty) Limited, Corporate Merchant Bank Limited (formerly Hill Samuel Merchant Bank Limited) and leading trade finance company Reichmans Limited.

1991

Investec forges a strategic alliance with life assurance company Fedsure Holdings Limited, through the creation of significant cross shareholdings. This alliance results in an increase in the capital and extension of the range of financial products and services of both groups.

1992

Investec acquires London-based Allied Trust Bank Limited (ATB) – the first international acquisition by the Group.

1993

Investec acquires South Africa's oldest confirming house, Gerber Goldschmidt Finance (Pty) Limited.

1994

Investec acquires control of the listed securities trading group, Sechold Limited (Sechold).

1995

Investec acquires fleet management company APA Network Consultants (Pty) Limited, since renamed Investec Fleet Management. Investec's wholly owned subsidiary Reichmans acquires GDM Finance Limited.

Sechold is delisted.

Investec acquires London-based Clive Discount Company Limited (Clive), further enhancing Investec's capability as a niche player within the UK securities market and supporting its ability to distribute South African financial instruments internationally.

Investec acquires the money broking operations of Cazenove & Company, subsequently merged into Clive.

Investec acquires stockbroking company Solms & Company Inc. and becomes an active member of the JSE.

1996

Investec acquires local stockbroker, Fergusson Bros. Limited. This is then integrated with other trading activities to form Investec Securities Limited.

Investec Bank (Jersey) Limited, a private bank based in Jersey, is established, a development motivated by the need to give clients even greater offshore advantages.

Investec acquires a controlling interest in Israel General Bank Limited, the eighth largest bank in Israel. The acquisition is motivated by a desire to cement the already strong relationship and to develop some of the obvious synergies between South Africa and Israel.

Investec acquires London-based stockbroker and private client portfolio management company, Carr Sheppards Limited.

1997

ATB is renamed Investec Bank (UK) Limited.

Investec and Credit Suisse First Boston enter into an agreement relating to corporate finance activities, the stated intention of which is for the two banks to work together on cross-border mergers and acquisitions, corporate restructuring and privatisations.

The Group restructures, with all banking operations falling under Investec Merchant Bank Limited. Investec Bank Limited is renamed Investec Group Limited and Investec Merchant Bank Limited is renamed Investec Bank Limited.

History of Significant Events

Investec establishes a grass roots operation in Australia.

Investec acquires the Mauritian-based bank, Banque Privée Edmond de Rothschild (Ocean Indien) Ltée.

Investec opens representative offices in Hong Kong and establishes an effective gateway into South East Asia.

The Group establishes asset management operations in Botswana and Namibia. Listings on the Namibian and Botswana Stock Exchanges follow. Investec Securities (Botswana) (Pty) Limited is registered and a licence to trade is approved.

NDH Bank Limited, one of the Sechold banks, is sold to Capital Alliance Group.

1998

Investec acquires New York-based registered broker-dealer Ernst & Company.

All Clive trading operations are merged into Investec Bank (UK) Limited.

Investec acquires, from the Bank of Yokohama, Guinness Mahon Holdings PLC (Guinness Mahon). The purchase includes 42% of Guinness Flight Hambro Asset Management Limited (GFH).

Investec acquires Hambros PLC which includes a further 42% of GFH.

Investec sells Investec Fleet Management (Pty) Ltd. to ABN Amro Lease Holding N.V.

Investec acquires management's stake in Guinness Flight Hambro.

Investec sells District Securities Bank Limited, one of the trading banks acquired under Sechold, to R. Cadiz & Company.

Investec Australia acquires local fund managers the ACSIS Group of Companies.

Guinness Flight Hambro Asset Management merges with Investec Asset Management and is renamed Investec Guinness Flight Limited.

Ernst & Company acquires New York retail broker Stuart Coleman & Company.

1999

Investec Bank (UK) Limited and the banking business of Guinness Mahon merge. Investec Bank (UK) Limited now also incorporates Investec Henderson Crosthwaite, Investec Private Equity and Investec Insurance.

The private client portfolio management and stockbroking activities of Henderson Crosthwaite merge with Carr Sheppards and the company is renamed Carr Sheppards Crosthwaite Limited.

Investec sells Securities Investment Bank Limited into Saflife Limited (subsequently renamed SIB Holdings Limited).

Investec acquires the Johannesburg Retail Stockbroking division of HSBC Simpson McKie (Pty) Limited.

Ernst & Company is rebranded Investec Ernst & Company.

Israel General Bank is rebranded Investec Clali Bank Ltd.

Investec purchases Gandon Capital Markets, based in Dublin, Ireland, from GE Capital. The acquisition is an important link into the Irish corporate and institutional market and further enhances Investec's international structured finance and treasury capabilities.

Investec Bank (UK) Ltd expands its private banking services with the acquisition of part of the banking business of Kleinwort Benson Private Bank.

Investec Ernst & Company acquires the retail broking firm of the Royce Investment Group on Long Island, United States.

2000

Investec buys the professional banking advances book of Mercantile Bank Limited in South Africa.

The private and corporate stockbroking businesses of Investec Securities and Investec Integrated Investments (formerly HSBC Simpson McKie Johannesburg Retail) merge, creating one of South Africa's largest private and corporate client stockbroking and investment management businesses. The combined entity will operate under the "Investec Securities" brand.

Investec Guinness Flight is rebranded Investec Asset Management.

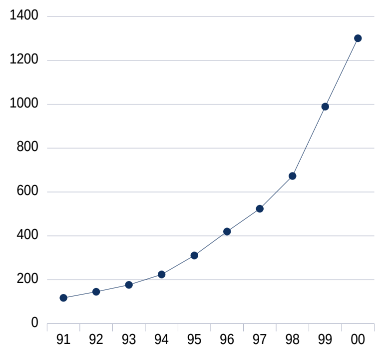
Investec acquires certain of the assets of Global Capital Limited (including a controlling stake in SIB Holdings Limited).

Investec makes an offer to acquire 100% of SIB Holdings Limited.

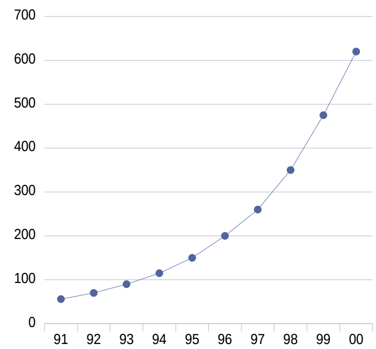
Financial Highlights

Investec Group Limited	2000	1999	% increase
Headline earnings attributable to ordinary shareholders (R'millions)	1 046,5	786,9	33,0
Headline earnings per share (cents)	1 300,9	989,6	31,5
Diluted headline earnings per share (cents)	1 300,6	989,1	31,5
Dividends per share (cents)	620,0	475,0	30,5
Net tangible asset value per share (R)	56,4	53,6	5,0
Total assets (R'billions)	165,3	111,8	47,9
Assets under management (R'billions)	476,2	343,4	38,8
Capital and reserves to total assets	4,8%	6,9%	
Capital adequacy ratio			
Capital and reserves to risk-weighted assets*	12,0%	13,9%	
Investec Holdings Limited			
Headline earnings attributable to ordinary shareholders (R'millions)	466,1	345,4	35,1
Headline earnings per share (cents)	1 143,2	848,9	34,7
Diluted headline earnings per share (cents)	1 143,2	848,9	34,7
Dividends per share (cents)	560,0	425,0	31,8
Total assets (R'billions)	165,3	111,8	47,9
Assets under management (R'billions)	476,2	343,4	38,3

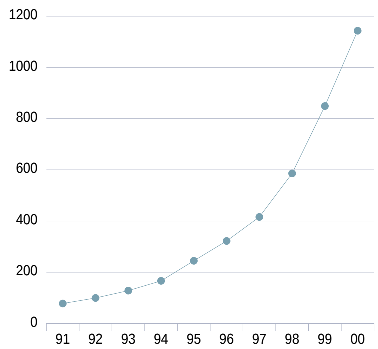
Investec Group Limited diluted headline earnings per share (cents)



Investec Group Limited dividends per share (cents)



Investec Holdings Limited diluted headline earnings per share (cents)



* Refer to page 135 for further details.

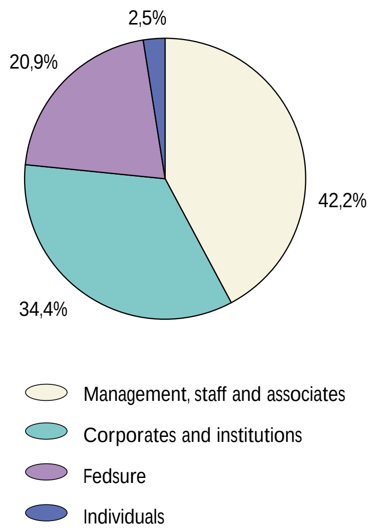
Financial Review – US Dollar

Millions Balance sheets at 31 March	Investec Group 2000	 1999	 1998
Assets			
Cash and short-term funds	11 152	5 927	7 227
Short-term negotiable securities	5 954	5 978	3 637
Investment and trading securities	1 361	1 266	1 086
Other assets	1 113	786	630
Advances	5 038	3 505	3 306
Associated companies	63	100	50
Fixed assets	162	149	138
Intangible assets	373	347	32
	25 216	18 058	16 106
Equity and liabilities			
Capital and reserves			
Ordinary shareholders' funds	908	871	788
Preference share capital, convertible debentures and bonds	261	277	57
	1 169	1 148	845
Interest of minority shareholders in subsidiaries	44	90	192
Total shareholders' funds	1 213	1 238	1 037
Liabilities			
Deposits and other accounts	23 901	16 744	15 022
Taxation	55	37	12
Shareholders for ordinary dividend	47	39	35
	25 216	18 058	16 106
Income statements for the years ended 31 March			
Net interest income after bad and doubtful debts	186	158	133
Other income	493	356	196
Total income	679	514	329
Operating expenses	426	333	201
Exceptional items	25	6	3
Income before taxation	228	175	125
Taxation	70	46	33
Income after taxation	158	129	92
Share of income of associated companies	16	13	16
Net income	174	142	108
Earnings attributable to minority shareholders	2	6	5
Debenture and convertible bond interest	37	15	9
Earnings attributable to ordinary shareholders	135	121	94
Earnings per share (cents)	167,1	152,7	129,7
Headline earnings per share (cents)	198,4	159,8	133,8
Diluted headline earnings per share (cents)	198,4	159,7	133,7
Dividends per share (cents)	94,6	76,7	69,5
The following exchange rates were used to convert the Rand denominated Balance sheets and Income statements:			
Rands to US Dollar	6,557	6,192	5,034

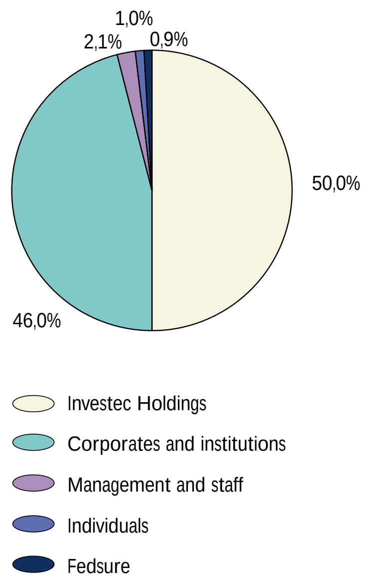
Shareholder Analysis

Investec is an independent banking group, with management and staff owning a significant stake in both Investec Group Limited and its holding company, Investec Holdings Limited. The direct interest of management and staff in the fortunes of the Group continues to play an important role in its performance.

INVESTEC HOLDINGS
(fully diluted)



INVESTEC GROUP
(fully diluted)



INVESTEC GROUP ORDINARY SHARES

Number of shareholders	Holdings	% of total shareholders	Number of shares	% of issued share capital
2 477	1 - 500	80,7	348 518	0,4
244	501 - 1 000	7,9	191 803	0,2
233	1 001 - 5 000	7,6	547 668	0,7
37	5001 - 10 000	1,2	267 644	0,3
47	10 001 - 50 000	1,5	996 164	1,3
11	50 001 - 100 000	0,4	733 193	0,9
21	100 001 and over	0,7	77 490 318	96,2
3 070		100	80 575 308	100

Shareholder Analysis

INVESTEC HOLDINGS ORDINARY SHARES

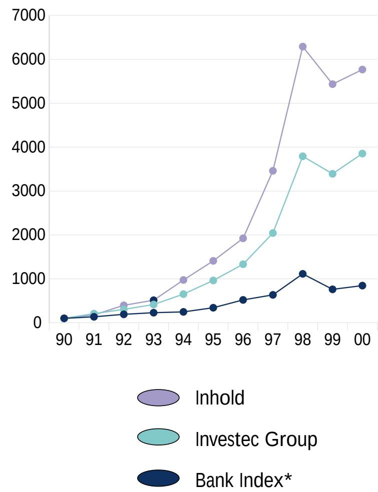
Number of shareholders	Holdings	% of total shareholders	Number of shares	% of issued share capital
1 438	1 - 500	71,6	185 748	0,5
188	501 - 1 000	9,4	142 143	0,3
248	1 001 - 5 000	12,3	563 864	1,4
53	5001 - 10 000	2,6	376 838	0,9
49	10 001 - 50 000	2,4	1 087 034	2,7
8	50 001 - 100 000	0,4	558 387	1,4
26	100 001 and over	1,3	37 855 781	92,8
2 010		100	40 769 795	100

SHARE PERFORMANCE

Investec Group's share price has increased from 375 cents on 1 April 1988 to R260,20 on 31 March 2000. This steady growth in the share price has resulted in a 10-year compound growth rate of 44,1% compared with 23,8% compound growth in the Bank Index over the same period.

Investec has enjoyed an excellent rating from the investment community, with the increase in its share price exceeding growth in earnings and dividends, both in absolute terms and relative to the Bank Index. As a result of the rating of its underlying investment, Inhold's share price has increased from 375 cents on 1 April 1988 to R225,00 on 31 March 2000, a 10-year compound growth rate of 50,0%.

Relative Share Price Index 1990 = 100



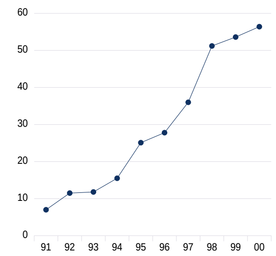
* Prior to 1998 the graph shows the Bank and Financial Services Index. In March 1999 the index was split, and the figures from 1999 show the Banks Index only.

Ten-Year Review

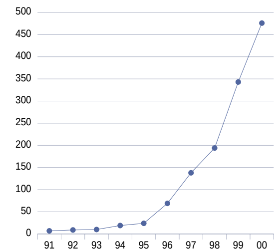
For the year ended 31 March	10-year Rand compound growth	2000 US$[g]	2000 Rand	1999 Rand	1998	1997	1996	1995	1994	1993	1992	1991
INVESTEC GROUP LIMITED												
Profits[a]												
Headline earnings attributable to ordinary shareholders (millions)	50,1%	159,6	1 047	787	487	341	235	148	80	54	33	24
Return on average shareholders' funds		24,2%	24,2%	18,7%	15,7%	16,4%	15,5%	15,0%	17,2%	17,9%	17,8%	22,4%
Return on average risk-weighted assets		2,8	2,8	2,5	2,5	2,5	2,5	2,3	2,0	1,8	1,4[b]	1,5[b]
Balance sheet												
Total assets (billions)	62,8%	25	165	112	82	62	47	15	11	6	4	3
Total shareholders' funds (millions)[c]	57,8%	1 214	7 959	7 667	5 219	3 500	2 289	1 829	909	492	378	162
Cash and short-term funds as a percentage of total assets[d]		67,8%	67,8%	65,9%	67,5%	69,5%	74,6%	44,8%	47,6%	31,3%	23,5%	29,7%
Assets under management (billions)	60,6%	73	476	343	194	138	69	24	19	10	9	7
Share statistics												
Diluted headline earnings per share (cents)	31,0%	198,4	1 300,6	989,1	672,9	523,8	419,8	310,7	224,2	176,8	145,4	117,6
Dividends per share (cents)	31,5%	94,6	620	475	350	260	200	150	115	90	70	56
Dividend cover (times)		2,1	2,1	2,3	2,2	2,2	2,2	2,2	2,2	2,1	2,2	2,1
Net tangible asset value per share (Rands)[e]	40,3%	8,6	56,4	53,6	51,2	36,0	27,8	25,1	15,5	11,8	11,5	7,0
Share price (cents)	44,1%	3 968	26 020	22 900	25 600	13 800	9 000	6 500	4 500	2 800	2 050	1 400
Number of shares in issue on a fully converted basis (millions)[e]		92,6	92,6	92,5	79,9	77,0	69,0	60,0	47,4	40,0	32,9	23,0
Weighted number of shares in issue on a diluted basis (millions)		80,5	80,5	79,5	77,7	72,4	63,4	53,3	41,7	35,6	25,8	22,3
Market capitalisation on a diluted basis (millions)[f]	65,6%	3 674,7	24 095	21 178	20 451	10 619	6 205	3 900	2 132	1 120	674	322
Number of employees in the Group			4 441	3 721	2 706	2 238	1 659	1 345	1 067	826	806	704
Net contribution per employee based on average number of employees (thousands)	27,1%	49	320	307	270	240	178	139	108	78	47	38
INVESTEC HOLDINGS LIMITED												
Profits[a]												
Headline earnings attributable to ordinary shareholders (millions)	46,8%	71	466	345	228	160	107	65	34	24	20	16
Share statistics												
Diluted headline earnings per share (cents)	35,8%	174,3	1 143,2	848,9	586,0	415,8	332,0	244,6	166,3	128,1	99,4	77,8
Dividends per share (cents)	39,5%	85,4	560	425	300	220	150	96	72	56	36	28
Dividend cover (times)		2,0	2,0	2,0	2,0	1,9	2,4	2,7	2,2	2,2	2,8	2,8
Share price (cents)	50,0%	3 431,3	22 500	21 200	24 540	13 500	7 500	5 500	3 800	2 000	1 525	710
Number of shares in issue on a fully converted basis (millions)		52,3	52,3	46,3	44,6	40,6	36,5	33,0	26,0	23,1	20,0	20,0
Weighted number of shares in issue on a diluted basis (millions)		40,8	40,8	40,7	43,0	38,0	34,8	29,8	23,9	22,4	20,0	20,0
Market capitalisation on a diluted basis (millions)[f]	65,1%	1 794	11 763	10 081	10 933	5 477	2 740	1 815	988	462	305	142

a. Calculations are based on profits excluding exceptional items.
b. Calculations are based on average total assets.
c. Total shareholders' funds include all convertible instruments and minority shareholders' interest in subsidiaries.
d. Cash and short-term funds include short-term negotiable securities.
e. Calculation is based on the number of shares in issue assuming conversion of all debentures.
f. The convertible debentures have been valued at the market price of ordinary shares at 31 March.
g. US Dollar information is converted at a rate of R6,5570 to one US Dollar.

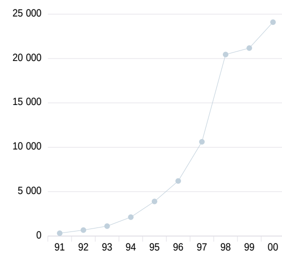
Investec Group Limited net tangible asset value per share (Rand)



Investec Group Limited assets under management (R'billion)



Investec Group Limited market capitalisation (R'million)



Directorate Investec Group Limited

Reg. No. 1925/002833/06

Executive Directors

Hugh S Herman (59)
BA LLB
Chairman
Director of Investec Holdings Limited, Fedsure Holdings Limited, Investec Investment Trust Limited, Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited

Stephen Koseff (48)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer
Director of Fedsure Holdings Limited, The Bidvest Group Limited, Investec Holdings Limited and Investec Investment Trust Limited.

Bernard Kantor (50)
Managing Director
Director of Investec Holdings Limited.

David M Lawrence (49)
BA(Econ) (Hons) MCom
Managing Director of Corporate and Investment Banking.

Bradley Tapnack (53)
BCom CA(SA)
Chief Financial Officer

Non-Executive Directors

Sam E Abrahams (61)
FCA CA(SA)
Director of Super Group Limited, Foschini Limited and Relyant Retail Limited

Arnold I Basserabie (55)
BSc FIA ASA FILPA
Group Chief Executive of Fedsure Holdings Limited. Director of Del Monte Royal Foods Limited and Investec Holdings Limited. Chairman of Saambou Holdings Limited and Thebe Financial Holdings Limited.

Dr Hilton K Davies (67)
BCom D Econ (Sc)
Director of Boart Longyear Limited, LTA Limited and Autopage Holdings Limited. Chairman of Allied Technologies and BGW Growth Consultants (Pty) Ltd.

Graham H Davin (44)
BCom BAcc CA(SA) MBA
Director of Investec Holdings Limited. Director and Chief Financial Officer of Insinger SA. Director of Bank Insinger de Beaufort NV.

Donn E Jowell (58)
BCom LLB
Senior Partner of Jowell, Glyn & Marais Inc. Director of Anglovaal Mining Limited.

Ian R Kantor (53)
BSc(Eng) MBA
Chairman of Investec Holdings Limited. Chief Executive Officer of Insinger SA and Bank Insinger de Beaufort NV.

David H Mitchell (66)
Deputy Chairman of Fedsure Holdings Limited. Director of DF Corlett Construction Group and Investec Holdings Limited.

Daphne R Motsepe (43)
BR B Compt MBA
Director of Highveld Steel and Vanadium Corporation Ltd

Dr Morley Z Nkosi (65)
BSc MBA PhD
Director of Avmin Limited.

Dr F van Zyl Slabbert (60)
DPhil.
Chairman of Adcorp Holdings Limited and CTP Holdings Limited.

Peter R S Thomas (55)
CA(SA)
Director of Investec Holdings Limited.

Group Audit Committee

Sam E Abrahams (61)
FCA CA(SA)
Non-Executive Director of Investec Group Limited.

Arnold I Basserabie (55)
BSc FIA ASA FILPA
Non-Executive Director of Investec Holdings Limited and Investec Group Limited.

Jonathan Blackmore (34)*
BCom CA(SA)
Partner of Ernst & Young

Glynn R Burger (43)
BAcc CA(SA) H Dip BDP MBL
Group Risk Manager of Investec Group Limited and Director of Investec Holdings Limited.

Ruth Credo (43)*
BCom CA(SA)
Accounts and Finance Manager.

Graham H Davin (44)
BCom BAcc CA(SA) MBA
Non-Executive Director of Investec Holdings Limited and Investec Group Limited.

Colin Fiddes (40)*
BCom BAcc CA(SA)
Group Compliance Officer.

Donn E Jowell (58)
Chairman
BCom LLB
Senior Partner of Jowell, Glyn & Marais Inc.

Stephen Koseff (48)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer of Investec Group Limited and Director of Investec Holdings Limited.

John Louw (47)*
BCom CA(SA)
Partner of KPMG Inc.

Bill McClure (57)*
CA(SA)
Partner of Ernst & Young.

Tracy Middlemiss (36)*
BCom BAcc CA(SA)
Partner of KPMG Inc.

Simon Shapiro (41)*
BCom (Hons) MBA
Chief Technology Officer.

Bradley Tapnack (53)
BCom CA(SA)
Chief Financial Officer and Director of Investec Group Limited.

Peter R S Thomas (55)
CA(SA)
Non-Executive Director of Investec Holdings Limited and Investec Group Limited.

*By invitation

Directorate Investec Holdings Limited

Reg. No. 1985/005574/06

Directors

Ian R Kantor (53)
BSc(Eng) MBA
Chairman
Director of Investec Group Limited. Chief Executive Officer of Insinger SA and Bank Insinger de Beaufort NV.

Bas Kardol (Dutch) (73)
Deputy Chairman
Chairman of Insinger SA.

Arnold I Basserabie (55)
BSc FIA ASA FILPA
Group Chief Executive of Fedsure Holdings Limited. Director of Del Monte Royal Foods Limited and Investec Group Limited. Chairman of Saambou Holdings Limited and Thebe Financial Holdings Limited.

Glynn R Burger (43)
BAcc CA(SA) H Dip BDP MBL
Director of Investec Bank Limited.

Graham H Davin (44)
BCom BAcc CA(SA) MBA
Director of Investec Group Limited. Director and Chief Financial Officer of Insinger SA. Director of Bank Insinger de Beaufort NV.

Hugh S Herman (59)
BA LLB
Chairman of Investec Group Limited. Director of Fedsure Holdings Limited, Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

Bernard Kantor (50)
Managing Director of Investec Group Limited.

Stephen Koseff (48)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer of Investec Group Limited. Director of Fedsure Holdings Limited and The Bidvest Group Limited.

David H Mitchell (66)
Deputy Chairman of Fedsure Holdings Limited. Director of DF Corlett Construction Group and Investec Group Limited.

Peter R S Thomas (55)
CA(SA)
Director of Investec Group Limited.

Directorate Investec Bank Limited

Investec Bank Limited Executive Directors

Stephen Koseff (48)
Chief Executive Officer
BCom CA(SA) H Dip BDP MBA

Bernard Kantor (50)
Managing Director

Reg S Berkowitz (63)
Natal Law Certificate

Glynn R Burger (43)
BAcc CA(SA) H Dip BDP MBL

Richard P M A Forlee (39)
BCom CA(SA) MBA

Sam Hackner (44)
BCom (Hons) CA(SA)

David M Lawrence (49)
BA(Econ) (Hons) MCom

Andy W J Leith (40)
BCom CA(SA)

M Carole L Mason†† (39)
BA (Econ) (Hons) MSc (Econ)

Bradley Tapnack (53)
BCom CA(SA)

Non-Executive Directors

Hugh S Herman (59)
Non-Executive Chairman
BA LLB

Sam E Abrahams (61)
FCA CA(SA)

Arnold I Basserabie (55)
BSc FIA ASA FILPA

Graham H Davin (44)
BCom BAcc CA(SA) MBA

Donn E Jowell (58)
BCom LLB

Ian R Kantor (53)
BSc (Eng) MBA

David Kuper (65)

Renosi D Mokate (42)
BA MA PhD

Dr Morley Z Nkosi (65)
BSc MBA PhD

Peter R S Thomas (55)
CA(SA)

Russel A P Upton (65)
CA(SA)

†† Irish

Directorate

Investec Bank (UK) Limited

Bas Kardol (73)
Chairman

Michael Jameson-Till (55)
Deputy Managing Director

Bradley Fried (34)
Chief Operating Officer
BCom CA(SA) MBA

Alan Tapnack (53)
Chief Executive Officer
BCom CA(SA)

John Abell (68)
MA (Hons)

George Alford (51)
FCIS, FIPD, MSI

Peregrine Crosthwaite (51)
MSI

Hugh S Herman (59)
BA LLB

Bernard Kantor (50)

Ian R Kantor (53)
BSc(Eng) MBA

Sir Chips Chippendale Keswick (60)

Stephen Koseff (48)
BCom CA(SA) H Dip BDP MBA

Ian Wohlman (45)
ACIB

Investec Clali Bank Limited

Hugh S Herman (59)
Chairman
BA LLB

Johnathan Irroni (50)
Managing Director and
Chief Executive Officer.
BA

Talya Aharoni (49)
MBA

Yoseff Ben-Shalom (44)
MBA

David Golan (59)
MBA

Michael Herzberg (62)
LLB

Bernard Kantor (50)

Stephen Koseff (48)
BCom CA(SA) H Dip BDP MBA

Mordechai Limon (76)
MBA

Zeev Rotem (44)
Ph.D

Daniel Rothschild (54)
MSA

Zvi Zur (77)

Directorate

Investec Ernst & Company

William Behrens (61)
BA (Econ)

William Burdett (60)
BSc (Hons)

Daniel Cristofano (66)
BS Finance

Hugh S Herman (59)
BA LLB

Bernard Kantor (50)

Stephen Koseff (48)
BCom CA(SA) H Dip BDP MBA

Derek Solomon (49)
BCom (Hons) CA(SA)

Investec Asset Management (Pty) Limited

Howard E Flight (51)**
Joint Chairman
MA MBA

Timothy W N Guinness (52)**
Joint Chairman
BA(Hons) MA MBA

Hendrik J du Toit (38)
Chief Executive Officer
BCom (Hons) MCom MPhil

Gail Boon (32)
BA (Hons) MBA

George H F Brits (40)
PhD MBA

Brett N Comley (41)
BCom CA(SA)

Elsabé de Vries (37)
BAcc BCompt (Hons), CTA

Domenico Ferrini (31)
BCom

Jeremy B Gardiner (35)
BCom (Hons)

Hugh S Herman (59)*
BA LLB

Roelof C Horne (37)
BCom (Hons) CA(SA)

Bernard Kantor (50)*

Stephen Koseff (48)*
BCom CA(SA) H Dip BDP MBA

David L Liddell (40)**
MA (Cambridge) ACA

Kim M McFarland (36)**
BAcc, CA(SA), MBA

John T McNab (34)
BEng, MEng, CFA

Mark Samuelson (35)
BCom

Johan H P van der Merwe (35)
BCom (Hons), CA(SA), M Phil

Piet G Viljoen (38)
BCom (Hons), CFA

* Non-executive
** British

Investec Asset Management Limited

Howard E Flight (51)**
Joint Chairman
MA MBA

Timothy W N Guinness (52)**
Joint Chairman
BA (Hons) MA MBA

Hendrik J du Toit (38)
Chief Executive Officer
BCom (Hons) MCom MPhil

William T J Griffin (72)** *
FCA MA

Hugh S Herman (59)*
BA LLB

Bernard Kantor (50)*

Stephen Koseff (48)*
BCom CA(SA) H Dip BDP MBA

David L Liddell (40)
MA CA (ACA)

Investec Assurance Limited

Hendrik J du Toit (38)
Chief Executive Officer
MCom MPhil

Brett N Comley (41)
BCom CA(SA)

Hugh S Herman (59)*
BA LLB

Roelof C Horne (37)
BCom (Hons) CA(SA)

Bernard Kantor (50)*

Stephen Koseff (48)*
BCom CA(SA) HDip BDP MBA

Kim M McFarland (36)**
BAcc CA(SA) MBA

Mark I Samuelson (35)
BCom

J K Ciaran Whelan (37)
CA(Irish) HDip Tax

* Non-executive
** British

By its nature, the single most important asset for any bank - its good name - is incapable of inclusion in its balance sheet. Reputation and the confidence this inspires is the cardinal element in any successful banking group.

Chairman's Statement

– Hugh Herman

This is an age characterised by an explosion of information and high technology. It is also a period increasingly identified with the creation of instant fortunes, many of them grown out of the promise of a future reliant on both technology and communications. So it is as well to reflect that businesses which best stand the tests of time and the vagaries of economics, are those that have been built with painstaking deliberation. In very few instances do companies that have emerged magically into the limelight also possess the quality of longevity. By contrast, in the 26 years since Investec was first established, the Group has survived to pursue its goals with prudence and entrepreneurial ability.

These three decades have been a period of volatility and change. Not only did this period witness a total about-turn in South Africa's national political dispensation but it also invited a return to global respectability and competition. Consequently, the aim of Investec - to create an international banking group - has been achieved against all odds.

The achievement of this goal is one matter. Laurels, however, are short-lived. Investec's next task, arguably much more complex, is to consolidate its world businesses and then to expand them. Here at Investec we are critically aware that relaxation is an indulgence few enterprises can afford. The aspiration to be one of the great specialist banking groups will continue to be pursued with vigour and enterprise.

Results

Over the financial year ended 31 March 2000 the Investec Group delivered another landmark result. Headline earnings and operating income exceeded R1 billion for the first time and the Group is now able to point to a 10-year record of compound growth in diluted headline earnings of 31,5% a year.

Headline earnings rose by a third to R1 047 million; diluted headline earnings rose to 1 300.6 cents per share. A final dividend of 382,5 cents was declared. The total distribution for the year was 620 cents a share, an increase of 30,5% on that for 1999.

The Group's overall performance was powerfully influenced by its geographical spread, and strong equity markets in the US and UK were significant in underpinning this. This was the 21st successive year in which the Group posted a strong performance. More than any other feature, it is this factor that has concentrated so much international attention on the broader Group's continuing successes. A more detailed breakdown and analysis of results is contained in the review submitted by the Chief Executive Officer and Managing Director.

Economic conditions

The last year of the millennium was characterised by a recovery in emerging markets from the substantial setbacks that occurred between 1997 and 1998. Indeed, world trade over 1999 expanded by 4,5%, driven primarily by significant economic growth in the US and the recovery in Asian markets. Trade in developing countries grew by 8,5%.

The early portion of the financial year was characterised in South Africa by continuing high real rates of interest, in part at least a legacy of the emerging markets crisis. International investor caution towards emerging markets curbed foreign investment in South African equities; domestic investment was similarly restrained.

By the end of 1999, however, the understandable timidity of foreign investors towards emerging markets began to turn and one result was that substantial market gains were recorded. The economic climate in South Africa was further encouraged by a persistent reduction in interest rates which fell 10% from their peak in 1998. Faced with a subdued domestic appetite for borrowings, commercial banks continued to cut their prime overdraft rates and by March 2000 these stood at 14,5% - their lowest level since September 1994. At the same time the predominant rate on mortgage loans reduced steadily and also stood at 14,5% in March 2000.

The annual budgetary report of the Minister of Finance and an outline of governmental requirements for the next year were widely acclaimed. This was accompanied by determined moves towards the introduction of inflation targeting.

Despite these "good news" factors, however, domestic markets struggled to regain their previous highs. This may be ascribed to the increasing appetite of investors for

Chairman's Statement

– Hugh Herman

growing exposure to "New Economy" stocks. As a result, local South African markets ended the financial year subdued in the face of extremely volatile global markets. These were everywhere punctuated by sharp swings in market sentiment as investors grappled with the enticements and uncertainties of the so-called high technology sectors.

Developments

Much was made in the last years of the nineties of the dire consequences awaiting companies that failed to make adequate provision for the changeover to the year 2000. As it turned out, the Group's preparations were well orchestrated and all stages of the comprehensive global year 2000 project have proceeded smoothly.

I have already referred to the attention being accorded the Group in respect of its growing international status. In part this resulted from a series of acquisitions made over 1998 and 1999, when Investec in the UK bought control of a number of diverse businesses. Integration of those businesses was effectively completed during financial 2000 and the United Kingdom operation now resembles closely that of Investec Johannesburg. As a newly integrated operation, Investec Bank (UK) performed strongly over financial 2000 and a core focus this year will be to consolidate on this platform.

Acquisitions have continued, although at a reduced rate. During the 2000 financial year Gandon Capital Markets, based in Ireland, was bought from GE Capital, and Investec Bank (UK) acquired part of Kleinwort Benson Private Bank. Investec Ernst & Company (USA) bought the assets of the Royce Investment Group Inc. Investec also acquired certain of the assets of Global Capital Limited, including a controlling stake in SIB Holdings Limited.

Branding

A matter of considerable importance over the current year was the project to re-brand Investec's corporate identity, which was launched at the end of June. The purpose of this exercise was to promote the Investec corporate brand globally. The project was undertaken on the basis that it is easier and more cost-efficient to build a single brand spanning the continents than to promote multiple brands linked by a common thread.

South Africa

I have made it clear that the Group's primary focus is on internationalising its businesses. Nevertheless, it would be wrong to deduce that this means any lessening of its commitment to South Africa. On the contrary, the Investec Group is anxious to expand its activities in its country of birth wherever this is possible and prudent.

This commitment is underlined by Investec South Africa's purchase of the professional banking business of Mercantile Bank in a deal valued at R500 million. It is also significant that we are building a new regional office in Cape Town at a cost of R140 million. It is intended to provide operating divisions with adequate space while enhancing productivity, as well as emphasise Investec's presence and increase its business in the region.

A further significant South African development has been the implementation of a comprehensive employment equity project. Investec has embraced employment equity and to help achieve its objectives, has embarked on a number of internal initiatives, details of which are given elsewhere in this annual report.

Corporate social investment

It is our view that no major South African company can be committed to national development without investing significantly in social upliftment programmes. A contrary view is that this should be handled by shareholders acting individually. The Investec board believes, however, that, since the company's activities effectively act as a collection point, this is the level from which contributions should be made.

In Investec's case, our emphasis in the past year has been on various educational, charitable and welfare initiatives. An important forthcoming social investment programme is The Business Place, which will offer entrepreneurs access to finance, information, networking and support.

The extent to which we believe that it is important that the Investec Group should be actively engaged in the problems of the sub-continent as a whole is illustrated, for example, in the donation of R1 million to victims of the recent floods that devastated Mozambique.

The Group continues to support a wide range of social investment projects and organisations. These include the job creation project of the Business Trust, Business Against Crime (an initiative designed to assist in the campaign to reduce the country's high crime rate), and the SA Foundation's Business Initiative. Details of the Group's corporate social investment programme are available elsewhere in this report.

Prospects

South Africa's second fully democratic election in June 1999, the retirement of President Nelson Mandela and the appointment of Thabo Mbeki as his elected successor, once again focused international attention on the country. Indeed, the peaceful transition from one president to another is a feature missing from many other African countries. The successful transfer of civil power in South Africa once again underlines the extent to which this country is increasingly being seen as the continent's bellwether.

President Mbeki subsequently reaffirmed his government's commitment to the previous government's broadly based and conservative economic strategy. He stressed his intention to create a more investor-friendly environment by addressing labour market rigidities, reducing corporate tax rates and creating an investment council that would include respected international businessmen.

A further element of change of importance to the international community was the retirement after a long term of office of Dr Chris Stals, Governor of the Reserve Bank. One of his principal achievements was the significant and sustained reduction in inflation, now at its lowest level since 1972, and which all business leaders hope will be his enduring legacy.

His replacement as Governor by Tito Mboweni, previously Minister of Labour, was viewed initially with concern. This was on the grounds that, because he was previously a leading member of the ruling political party, the bank's cherished "independence" would be undermined. As it turns out, however, Governor Mboweni's public embrace of prudent monetary policies has earned him the immediate support of domestic and international investors.

In addition, the new Governor's commitment to stricter control of money supply through measures such as inflation targeting (specifically a target of between 3% and 6%) has increased support for government policies. It has also added to the "feel good" factor now evident among many business sectors. Further wage restraint by the public and private sectors and the rapid implementation of the recent deals with the European Community and the sub-continent's countries (SADCC) will give added impetus to the downward trend in inflation (which is forecast to average 5% in 2000, compared with 5,2% in 1999).

I have already referred to the welcome accorded to Finance Minister Trevor Manuel's budget for 2000/2001. His intentions were considered stimulatory but responsible; his commitment to tax reform was well received by the business community. The announcement that the Minister intends introducing a capital gains tax with effect from 2001 attracted some criticism but this was offset by concessions on individual income tax and the intention to provide relief through a graduated tax system for small, medium and micro enterprises. In addition, the Minister also raised the offshore allowance for individuals and continued the gradualist approach to exchange control liberalisation that has been a hallmark of his period in office.

These are all good features of the South African government's commitment to economic reform. What has been noticeably less successful, however, is its progress on privatisation. This has long been a principal part of government's reform programme but it has been characterised more by rhetoric than any real progress.

An announcement in April, however, suggested that the state could reasonably expect to earn around R40 billion from the sale of assets over the next three years. In theory, that should impact very favourably on the country's balance of payments position. Public Enterprises Minister Jeff Radebe says his department's

Chairman's Statement
– Hugh Herman

comprehensive four-year restructuring plan is complete and awaits cabinet approval. Provided that is given, it is hoped the effect will be to accelerate markedly the pace of privatisation.

Economic perspective

A broadly based South African economic recovery - of which there is already some evidence - is widely anticipated over the next financial year. Growth projections for fiscal 2001 are generally between 3,5% and 3,8%. In part, the engine for this recovery is expected to be rising European demand for South African exports, higher world metal prices, and effective fiscal management. In addition, some reliance is being placed on renewed demand for commodities in southeast Asia (though respected commodities analysts are already suggesting this may peak in the third quarter of 2000). Prospects for a fall in world oil prices hold out some promise for South Africa's inflation rate prospects.

It is impossible in the 21st century for any nation to isolate itself either from the impact of global economic events or from the actions of neighbouring states. In the case of the Southern African sub-continent, recent events in Zimbabwe are inevitably imposing a debilitating effect on the entire region, and are undermining growth and job opportunities.

Zimbabwe's current problems are said to be caused by the inequitable distribution of land in that country. It is equally clear, however, that threats by the ruling party arbitrarily to abrogate its commitment to the laws in respect of property ownership had much to do with the recent general election.

Unfortunately, the ambivalent stance adopted by the Zimbabwean government and the manner in which property rights have been turned into a convenient political football, impact also on investment potential for all other countries in the area. It has accordingly become imperative for the South African government, while maintaining its policy of quiet diplomacy, to state publicly the principles on which it rests.

Businessmen have noted with satisfaction President Mbeki's reiteration of the primacy of the Constitution with its pillars of a respect for life and property rights and the right to free political activity. Strong, democratic leadership in Southern Africa is perceived by many investors as crucial for the continuation of investment flows.

Crime continues to erode confidence in South Africa. Recent measures adopted by government show that it is committed to addressing the problem and recent statistics do indicate that crime levels appear to be falling.

AIDS too remains a significant problem for sub-Saharan Africa, no less for South Africa along with other countries. The appointment of an international AIDS commission may go some way towards formulating a co-ordinated policy for dealing with this pandemic which, unless checked, may damage irremediably many of the region's economies.

Corporate governance

South Africa has increasingly - and possibly unfairly - been stigmatised as a leading offender through its alleged persistent failure to comply with strict corporate governance guidelines. The Investec Group has implemented measures designed to ensure a high level of corporate governance compliance in each of the areas in which it operates. Motivated by a desire to enhance shareholder value as well as the interests of all stakeholders, Investec fully endorses and complies with the King Report recommendations for South Africa and all equivalent codes in other jurisdictions in which the Group operates.

Tribute

As with many service-based organisations, Investec is a business of which it can be said that its principal assets retire to their homes each evening. This is a business dependent almost exclusively on the commitment and dedication of its staff. I know I write on behalf of all shareholders when I thank our employees, under the effective leadership and guidance of the Chief Executive and Managing Director, for their unswerving allegiance over the last year.

I wish also to thank all directors for their loyalty and commitment to the Group's efforts, and to thank our clients and shareholders everywhere for their valued support which is so important to the Group's continued success.

The future

It has been estimated by some economic commentators that the loss of jobs in the South African formal sector over the last decade now approaches nearly 1 million. This is a disturbingly high number. Job losses of this magnitude inevitably impact on the delicate tapestry of the South African social contract. High levels of crime, alcoholism and family abuse all bear testimony to the repercussions.

In these circumstances, the need for a programme of massive job creation cannot be ignored. That, in turn, will rely on adequate investor support and on intelligent proposals to make South Africa an investor-attractive destination. The Investec Group will go out of its way to provide as much support as it can to a programme that addresses this critical area of national recovery.

For the rest I am pleased to report that the environment looks promising for yet another year of strong performance for the greater Group. Though the profile of many markets is now one of high volatility, the Group's positioning, assisted by the calibre of its people and the strength of its culture, is such that it should be able to take good advantage of the many opportunities that will become available. Together with favourable international prospects, this will be core to the Group's success over the next year.

Given these circumstances, I am confident the Group is well positioned to make strong advances for the benefit of employees and shareholders alike.

Hugh Herman
Chairman

The Banking industry entered the new millennium after a decade abuzz with trends inspired by the percieved need for consolidation, convergence, integration and synergy.

The forces which served to drive this rationalisation process include e-commerce and technological initiatives, globalisation ambitions, economic and regulatory impositions. These dynamic trends are set to gain even greater momentum in the 21st century compelling banks to continue to overhaul, sometimes quite radically, their strategic endeavours, their marketing focus, their resources, their internal structures and processes.

Review by the Chief Executive and Managing Director – Stephen Koseff and Bernard Kantor

Notwithstanding the substantive changes that have occurred in recent years, Investec views the radical transformation that has taken hold in global banking in a very positive light. As banks everywhere position themselves to compete in the face of these ongoing challenges, a vast array of opportunities has begun to emerge which could facilitate the growth of Investec's business in this increasingly competitive environment.

Banking Developments - South Africa

Beset by very considerable change in recent years, South Africa's banking industry is currently undergoing its most challenging period yet. Although much of the momentum for change within the domestic arena has occurred as a consequence of far-reaching global trends, a number of domestic developments have nonetheless served to heighten this process in the past year.

A combination of technological pressures, increased foreign competition, new entrants, disintermediation and the often harsh realities of the general economic environment during the period, placed tremendous pressure on domestic banks to find ways to drive down costs, improve margins and increase deal flow. Subsequent moves towards industry consolidation and a greater degree of strategic affiliation between both large and small players has been the naturally elicited response.

The wave of global merger mania that continued to sweep the international banking industry in 1999 did not elude the domestic economy. One of the most notable events within the domestic banking sector last year was the proposed merger between Nedcor and Stanbic, a possibility which evoked considerable foreign and domestic interest. The eventual decision by the Minister of Finance to disallow the proposed takeover, was a clear signal of official reluctance to facilitate any further consolidation among the big retail banks, largely due to the potential impact on employment and a perceived concentration of banking power.

Notwithstanding the outcome in the case of the Nedcor/Stanbic example, the market still expects continued merger and acquisition activity in the domestic banking sector. However, in light of the Minister's findings in respect of his decision, many financial services groups in South Africa will now be forced to re-think their strategies, a development which may, in fact, prompt horizontal rather than vertical consolidation. It is also expected that smaller industry players will continue to seek out new strategic partners, since possible deals of this type are very unlikely to prove contentious from an official perspective. Indeed, the probability of increased consolidation among the smaller players assumes even greater relevance in view of the liquidity crisis that took hold among many of the small banks last year as a consequence of a number of notable corporate failures and liquidations.

Investec considers the recent Nedcor/Stanbic ruling to have generally favourable consequences, since the Group still has a relatively small market share in South Africa and could clearly participate in any further consolidation that takes place outside the 'Big 4.' Recent developments have, however, served to highlight the strategic importance of Investec's continued thrust towards increased internationalisation, since the Group's sustained growth performance in recent years has not depended, in any way, on the need for further consolidation in the local banking industry.

Other notable domestic industry trends last year include an increased expansion into Africa and a much greater emphasis on micro-lending by a number of financial services groups. Investec has not adopted either strategy and intends to remain specialised and focused on its long-established areas of core competence in the domestic market.

The sheer rapidity of the recent changes that have taken place in both global and local domestic financial markets has prompted the local Registrar of Banks to review the regulations that govern the domestic banking industry. A number of regulations have now been overhauled and brought in line with latest international practices. Investec welcomes these changes in the interests of a more stable financial and banking environment and has taken the necessary steps to ensure that, when they come into effect in the latter part of 2000, the Group will be in a position to comply with all new or changed requirements.

Despite Investec's determination to grow its international presence, the Group is not blind to the many active

Review by the Chief Executive and Managing Director – Stephen Koseff and Bernard Kantor

opportunities which clearly still exist in the local market, opportunities which, if anything, have been heightened as a consequence of recent rapid change. The growth and development of our business in South Africa remains very important to the overall success of the Group. Our focus will be to continue to drive our business organically and to build strong and/or dominant positions in those areas in which we participate. However, while endeavouring to remain sufficiently flexible so as to take advantage of any opportunities that might arise, an essential pillar of Investec's operating philosophy is that it does not seek to be all things to all people. As such, any future opportunities that may arise for the Group will continue to be governed by this fundamental recognition.

Banking Developments - International

Competition within the international banking industry continues to be fuelled on all fronts. Consolidation, globalisation and the technological revolution all continue to play an important role in this regard. An additional facet of the global environment is the increasing domination of the international banking industry by the global investment banks, as well as the success of players such as Charles Schwab and the online startups. These realities continue to compel financial services groups everywhere, to constantly revise, rethink and, in deed, rework the essential nature of their strategic endeavours.

Investment banking has become increasingly global, dominated by a few big players. 1999 witnessed a frenzy in M&A activity with four of the ten largest mergers ever being announced, and total activity estimated to be in excess of $3 400 billion. Whereas, prior to 1999, no single investment bank had ever advised on more than $1 trillion worth of M&A assignments in a year, last year saw three of the leading financial groups make the so-called "trillion club."

Market commentators expect the wave of global merger-mania to gain even greater momentum in the years ahead. It has been estimated, for instance, that within the next five years consolidation involving up to half of the current top 100 banks will occur, resulting in a trebling of their size and a doubling in average revenue growth. The clear beneficiaries of such activity are likely to be the global investment banks, which continue to dominate the league tables and are driving an ever-increasing gap between themselves and the other players. Middle ranking firms, on the other hand, are being squeezed and find that their traditional relationships, typically based on M&A advice, no longer provide them with the muscle with which to compete against the bulge-bracket firms.

After almost 200 years of operating independently, Schroders sold its investment banking business to Salomon Smith Barney in January, while Chase Manhattan purchased Robert Flemming's investment banking business shortly thereafter. These developments clearly highlight the difficulty that even long established players have had in competing head on with the global investment banking giants.

In direct contrast to the global investment banking arena, the private banking and asset management industries are still largely fragmented, with banks, brokerages, independent financial advisers, insurance companies and fund managers all competing for a piece of the market. Consequently, no one institution holds more than 5% of market share. Nevertheless, as the race heats up to expand on market share, we are beginning to witness consolidation in these areas too.

Investec in the international banking arena

In formulating its international strategy, Investec has explicitly identified that it has neither the desire, nor indeed the ability, to compete head on with the bulge-bracket banks. Rather, we have chosen to remain highly niched, highly focused and have been very selective in determining which activities to pursue in each jurisdiction. Our strategic objectives within each selected area of activity continue to be influenced by the international trends prevalent within these areas but our desire to transform Investec into a leading international specialist banking group remains the fundamental strategic objective which drives our overall activities.

Since the early 1990s Investec has embarked on an aggressive international expansion programme, driven by the realisation that, in order to boost our capability and enhance our critical mass in the SA market, we had to be able to compete internationally. At present, the Group has operations in fifteen countries around the world, employing a total of over 4 400 people.

In respect of its international corporate and investment banking capabilities, Investec has aimed to build a successful franchise by providing niched investment banking services to the small to medium cap corporates, which fall beyond the scope of the global bulge-bracket giants. Investec's international corporate and investment banking capabilities are predominantly based in the UK, although the Group is also developing and enhancing its capability in the US and Israeli markets. By staying true to its stated intentions, Investec Henderson Crosthwaite is making significant in-roads in the UK market, gaining in both breadth and depth of its corporate penetration.

Investec's international private banking activities are driven by the desire to build a quality integrated private banking boutique providing world-class products to our select target markets. In the past year the private banking business in the UK was restructured, resulting in the development of an investment capability, the recruitment of new international private bankers and the launch of a number of innovative products. The UK private bank is now well equipped to provide institutional-quality solutions to our private client base there. In Israel, our internationalisation strategy has afforded us the ability to offer our clients a comprehensive international offering, while the repeal of the Glass Steagall legislation in the US provides the Group with the opportunity to start building and establishing a private banking capability in that market as well.

Private banking is not a business that requires a huge cheque book and Investec is now of an adequate size to be able to compete in this market in any of the geographies it chooses. We will continue to seek critical mass- enhancing acquisitions in our chosen geographies which will enable the Group to continue to leverage off existing infrastructures.

On the asset management front many institutions are experiencing great difficulty in building positions away from their home countries, despite increasing success in selling cross-border funds. The quest for product diversity and distribution has increased the pressure to consolidate. As the drive for cross-border distribution continues, it is increasingly clear that when it comes to selecting fund managers, institutions are less influenced by size than by proven investment capabilities. In this regard both Carr Sheppards Crosthwaite and Investec Asset Management have made tremendous progress and we will continue to establish a credible market offering by providing clients with value-added products and services.

While Investec is still comparatively small in global terms, we have nonetheless already demonstrated an ability to compete in some of the most competitive markets in the world and have made progress in our chosen markets. A number of our businesses have received recognition over the past year and our status as an international player is growing and has attracted attention. In February this year we were voted as the 4th most global bank by The Banker.

The continuous shake-out and consolidating trend in the international financial services industry continues to present the Group with numerous opportunities, much as is the case in South Africa. The current state of flux in the market suits our style, as one of our core competencies is the making and integrating of acquisitions, a skill which has been developed over many years. Through our continued ability to leverage off this skill, we know we can continue to build a meaningful international presence in our chosen areas of activity.

Results

We are pleased to report that the Group enjoyed another successful year, with headline earnings increasing by 33% to R1 047 million. This marks the first year in which both headline earnings and operating income exceeded the R1 billion mark.

The salient features of the Group's 2000 results have been outlined in the Chairman's Statement. It is important to note, however, that while there was sound performance all round, certain areas made particularly noteworthy contributions. These were Corporate Finance (with exceptional results from Investec Henderson Crosthwaite in the UK), Treasury and Structured Finance in South Africa, brokerage and investment activities in the UK and US, and portfolio management businesses worldwide.

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Total shareholders' funds increased to R7 959 million (1999: R7 667million), reflecting new capital of R292 million.

The Group's risk-weighted capital-to-assets ratio fell to 12% (1999: 13,9%), representing the increased asset base and the goodwill element of recent acquisitions. This remains above both international statutory requirements and domestic industry norms.

Total assets increased to R165 billion, a rise of 47,9%. Total assets under management increased to R476 billion, up 38,0%, of which 38,1% represented balance sheet growth and 22,4% growth in third party assets under management.

The Income Statement reveals total income of R4 449 million, 39,7% higher than recorded in financial 1999. Of this, 29,7% is organic while the balance is attributable to the inclusion of acquisitions.

Both interest received and paid declined as a result of South Africa's lower interest rate environment. This resulted in a marginally reduced net interest margin expressed as a percentage of average interest bearing assets, excluding short-dated wholesale assets, of 2,5% against the previous year's 2,8%. Notwithstanding this, net interest grew by 18,9%, driven by organic growth in advances of 33,5%.

Bad and doubtful debt charges were flat as a result of the significantly improved quality of loan portfolios (reflected in the reduction in the percentage of non-performing loans from 3% last year to 2% this year). Balance sheet levels exceeded the anticipated Registrar of Banks' requirements, in terms of international regulatory norms, with the adequacy of provisions supported by a 117,3% total provision coverage of gross non-performing loans (1999: 107,5%). The ratio of total provisions to gross advances maintained a healthy level at 2,4% at 31 March.

Other income increased by 46,6% to R3 230 million, comprising 69,3% of total income compared with an equivalent 64,7% in 1999. Despite this growth in other income, the annuity component of the Group's total income remained high at 71,7%.

Operating expenses increased by 35,2% from last year, to R2 791 million. The Group's aggregate expenses-to-total income ratio decreased to 59,9% (1999: 60,6%): 50,6% for South Africa and 62,7% for the Group's international activities (63.3% in the UK and 61.2% elsewhere). The decrease in the ratio reflects a marginal improvement over previous years, more as a consequence of revenue growth than cost control. The ratio, however, remains high as an aftermath of the acquisition of international businesses that are typically characterised by high cost-to-income ratios.

Operational Issues

The domestic financial environment stabilised significantly during financial 2000. This was characterised by declining interest rates, a recovery in financial markets and improved currency performance (at least until unusual volatility intervened in international markets and before events in Zimbabwe impacted on perceptions of Southern African instability).

Notwithstanding an improved operating environment, the financial year nonetheless saw continued rigorous attention to the Group's risk management policies, processes and procedures. The strength of our capability in this regard is evident in the improvement in the quality of our loan portfolio and the successful management and control of market and other risks, without incident, during intermittent periods of heightened volatility during the year. An in-depth review of the Group's risk management procedures can be found elsewhere in this report.

Recognising the importance of capital to a bank, both in terms of its regulatory and shareholder value implications, a delicate balance must clearly be maintained so as to provide both adequate protection to depositors and a strong return to shareholders. Essentially, this necessitates maintaining sufficient levels of capital to satisfy regulatory requirements, including the additional requirements imposed under the new consolidated capital regime, and, at the same time, ensuring the efficient deployment of our capital base in an ROE-enhancing manner.

Investec continues to maintain levels of capital adequacy well above those stipulated by the Basle Committee, under both the prevailing method of accounting consolidation as well as the proposed aggregate method scheduled for introduction in October 2000. Following recent indications by the South African Reserve Bank of its intentions to raise the capital adequacy requirement for banks from 8% to 10%, this is an area that will continue to be a core focus for the Group.

The Group will also continue to emphasise the need to increase ROE, as opposed to nominal capital. As part of our ongoing efforts to deploy capital in a more productive manner, we have once again set ambitious targets for a number of key ratios. These include return on average shareholders' funds, core capital employed and the return achieved on risk-weighted assets over the medium term.

It is further intended that the Group will use a greater mix of non-equity capital to support its growth as opposed to its former reliance on equity-related primary and secondary capital. This initiative should serve to enhance the balance between surplus reserves and ROE.

While Investec's efficiency level is generally favourable, a core objective is to contain key cost ratios even further. Accordingly, we have set a very demanding target cost-to-income ratio of 45% for our South African operations and one of 55% for international operations. The conduct of business in foreign jurisdictions is significantly costlier, mainly as a result of high commercial rents and personnel charges. Achieving both targets will require dedication and discipline. That said, as the integration of recent acquisitions progresses, cost ratios will naturally decline.

Various operational areas made significant progress last year. Particularly noteworthy was the Year 2000 Project, on which the Group spent R9 million in 1999 alone. As a consequence of its efforts in this regard, the Group was well prepared for the year 2000 changeover, with all stages of the project completed well within the deadlines set by the authorities. The changeover to the new century took place smoothly and there was no interruption to the Group's business.

Other notable developments achieved over the last year were the select acquisitions made by the Group in specific areas, whether to bolster its critical mass capabilities within existing areas of operations or to enter new markets considered to be of strategic value to the Group. An example of the latter was the Group's acquisition of Gandon Capital Markets in Ireland. This represented an ideal opportunity for the Group to both enhance its structured finance and treasury operations by introducing offshore expertise in these fields and to expand into the Irish corporate, institutional and private high net worth markets. Apart from providing access to the Irish market, this acquisition is also a culturally aligned link into the European Community, from which future benefits are anticipated.

Other acquisitions last year included Investec Bank (UK)'s acquisition of part of the banking business of Kleinwort Benson Private Bank and the purchase by Investec Ernst & Company in New York of the assets of the Royce Investment Group Inc, a brokerage firm based in Woodbury, Long Island, New York. In South Africa, Investec acquired the professional banking business of Mercantile Bank.

Although not germane to the period under review, the new financial year will see a concerted attempt to revitalise Investec's corporate branded style. The principal aim of the project is to promote the Investec corporate brand globally, driven by the belief that it makes more sense to build a single brand across the continents than to promote multiple brands with a common link.

Following the implementation of various acts governing aspects of labour relations in South Africa, Investec has been extensively involved in an employment equity project for its SA operations. Widely consultative, this process included drawing up an employment equity plan which has since been submitted to the Department of Labour.

Looking Forward

Despite an increasingly competitive operating environment, Investec is an organisation known for its ability to adapt to change. Although building a reputation takes time, we are confident that the correct platforms and structures are now in place for the Group to be able to make strong advances in its chosen areas of activity. Our activities will continue to be driven by the strong desire to deliver value to our shareholders, this by means

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of a strategy geared towards long term continuous growth.

Although a combination of organic and acquisitive growth will continue to drive our businesses in the year ahead, any potential acquisition by the Group will only be considered on the basis that it enhances the Group's position in a particular area and generates the desired ROE. Achieving the correct balance between growth and returns remains a fundamental strategic objective for the Group.

Similarly, Investec is committed to achieving a practical balance between the use of e-commerce and more traditional delivery vehicles. Our e-commerce activities are based on the recognition that we are not trying to substitute one distribution channel for another. Rather, we want to offer our customers the choice between different, but complementary, mechanisms.

Winning the war for talent remains an important challenge for the Group. Both the type of people our organisation attracts, and the culture and environment within which they work, remain a crucial element in determining the success and long term survival of our organisation. In this context, considerable effort and resources are devoted to ensuring that the organisation is equipped to deal with the challenges of growth, increasing complexity and internationalisation.

Acknowledgements

In achieving our longstanding goals and objectives, the challenge for Investec will be not only to move with the changing times but to move with vigour, determination and vision. The past hard work and dedication of all Investec employees has made it possible for the Group to maintain and enhance its position in its chosen areas of specialisation and we would like to thank all of our colleagues for the contributions they have already made and for their continued commitment and dedication.

We would also like to extend our appreciation to the Chairman and to the members of the Board for their continued loyalty and support.

The current year promises to be both stimulating and challenging and we look forward to it with enthusiasm and energy.

S. Koseff
Chief Executive Officer

B. Kantor
Managing DIrector

A feature of the last year was the extent to which the banking sector matured. This was marked by growing co-operation between credit and market risk management with the industry moving towards Value at Risk calculations for credit. Other developments included the implementation of risk adjusted return on capital (RAROC) on all risk and intra-day risk management. Fraud increased and there was greater regulatory focus on operational risk.

Risk Management

Group
Glynn Burger

Greg Waksman	Market Risk
David Jenkins	Credit Risk
Colin Fiddes	Operational Risk
Cyril Daleski	ALCO
Ingrid David	Systems
Emmie Kruger	Special Projects

Europe
Ian Wohlman

Investec Ernst & Company, United States
Ilan Lessick

Investec Clali Bank, Israel
Shouky Oren

Risk management in Investec

The Investec Group complies as fully as possible with international best practice in risk management. Its comprehensive, independent risk management process seeks to identify, understand and properly manage risks at all times. While each business unit is primarily responsible for managing risk associated with its transactions, a dedicated, centralised and independent division is ultimately responsible for Group risk management.

The Group's basic risk philosophy is that it won't trade in or enter into new products and markets until it has fully identified and assessed all associated risks and management and the Board of Directors have approved ensuing risk/reward ratios. Group risk management sets prudential limits for activities, measures risks and constantly monitors and reviews Group exposures. While regional line managers are allocated responsibility up to certain limits, Group risk management in Johannesburg must approve decisions on ceilings greater than these. Group risk management also maintains standards and ensures consistency across divisional and regional risk management functions.

The growth of the Group inevitably means that the process of risk management has become both wider and more onerous. One consequence is that it has been necessary and prudent to increase the number of skilled professionals addressing risk management. This expansion is complemented by the use of recognised international surveillance techniques and risk-control methodologies. Various decision-making bodies in the Group's jurisdictions identify, analyse, monitor and review the particular types of risk to which the Group is exposed.

Market risk

Market risk represents the potential change in the value of a financial or derivative instrument caused by fluctuations in interest and foreign exchange rates; equity, bond and commodity prices; volatilities; and credit spreads.

Investec trades as principal and agent primarily in the foreign exchange, equity, capital and money markets in all its locations. It also participates as principal and agent in the derivatives markets. Market risk is managed by identifying and quantifying all risks, on the basis of current and future expectations and ensuring that all trading occurs within defined parameters.

A Group Price Risk Forum meets weekly to approve all new trading products and limits. This forum is chaired by the Group Risk Manager and attended by the heads of the various dealing teams as well as price risk managers. New products and limits will only be referred to the forum once they have been discussed and approved within the business unit.

An independent, centralised, price risk function monitors the Group's market risk across all subsidiaries. Its trading positions are marked-to-market daily by pricing models that apply mid-market valuations. Investec's external auditors and expert international consultants regularly review the risk associated with financial modelling to ensure that these models correctly reflect the value of all financial instruments.

Investec also monitors trading activities through the establishment of appropriate limits. These are determined by the Group's risk appetite both for the markets and/or products traded, the liquidity and maturity of the market and the Group's desired risk/return profile. Senior management and the Board of Directors approve trading limits.

As part of its programme to enhance its risk management competence and profile, Investec also recently implemented Algorithmics RiskWatch for the automated calculation and monitoring of market risks across the Group. Other developments over the year included the introduction of simulated Value at Risk calculations and a market risk Intranet site.

Price risk is evaluated on a simulated Value at Risk approach, using both Historical and Monte Carlo simulations. A number of scenarios are generated and applied to the trading books to calculate potential loss. A series of stress tests are applied to determine market risk under extreme market conditions. Daily profitability is also analysed to ensure that all sources of revenue are understood.

The table below represents the Group's Value at Risk at the end of the financial year, for a 95% confidence interval and a one-day holding period:

Value at Risk (R'000)

	SA	UK	USA	Israel	Total
Money market	3 039	1 951		295	5 285
Capital market	2 253		550		2 803
Foreign exchange	2 593	200		92	2 885
Equity contracts	700		869		1 569
Total (Agg)	8 585	2 151	1 419	387	
Limits (Agg)	15 000	2 650	2 000	985	

The consolidated Value at Risk presented opposite is significantly lower than the aggregated value at risk due to offsets taking place when the correlation between the various asset classes are taken into consideration.

The consolidated Value at Risk calculated using exponentially weighted historical simulations at a 95% confidence level for a one-day holding period, is:

	R'000
SA consolidated	5 375
SA & UK consolidated	6 420

The portfolio stress tested under extreme market conditions would result in a maximum loss of R31 883 250 based on a one-day holding period.

Market risk - derivatives

The risks associated with the use of swaps, futures, forwards, options and other derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The table below shows the Group's derivative trading portfolio as it stood at the end of the financial year on the basis of the notional principal and the fair value of all derivatives.

The notional principal indicates Investec's activity in the derivatives market and represents the aggregate size of total outstanding contracts at year-end. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the Group in an orderly market transaction at year-end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Notional principal	(Rm)
Money market	225 892
Capital market	16 031
Foreign exchange	63 187
Equity contracts	5 300

Fair value	(Rm)
Money market	245
Capital market	65
Foreign exchange	56
Equity contracts	24

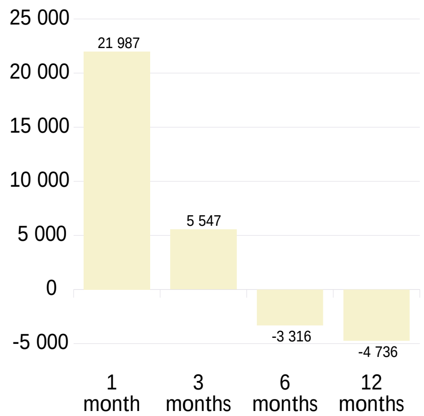
Risk Management

Liquidity risk

Liquidity risk arises in the course of Investec's general funding activities and the management of the balance sheet. It includes the propositions of being unable to raise funding with appropriate maturity and interest rate characteristics and the inability to liquidate an asset timeously at a reasonable price. Liquidity risk was considered particularly applicable at the time of the change over to the year 2000.

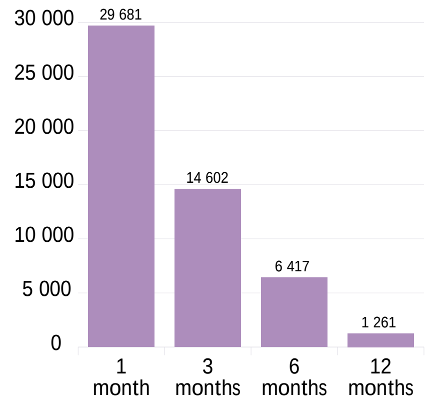
A regional Asset and Liability Committee (ALCO) manages interest rate and liquidity risk in the Group's various regions. ALCO sets, monitors and ensures compliance with Investec's lending and borrowing policies, taking cognisance of interest rate and liquidity risk and capital adequacy. Various management disciplines are represented at ALCO and sophisticated computer simulations of a range of possible scenarios are deployed during the decision-making process. This procedure determines Investec's loan and statutory investment policy and appropriate money market desk management philosophies. The Group ALCO reviews the ALCO process of the Group's international subsidiaries so as to ensure that no subsidiary is undertaking disproportionate or intolerable levels of liquidity and/or interest rate risk.

Group cumulative liquidity gap (R million)



Investec's ALCO policy excludes taking substantial interest and currency mismatch positions and the various ALCO teams focus on managing the interest rate margin so that it remains as neutral as possible. In addition, it is intended that the Treasury in each jurisdiction should hold surplus rediscountable assets and/or surplus cash on call with

Group cumulative repricing gap (R million)



other banks daily and should enjoy access to resources amounting to a minimum value determined by Group ALCO. This evolves from Investec's stated intention of maintaining a continuous surplus liquidity position, based on a percentage of the Group's deposit base in each jurisdiction.

Investec's repricing and cumulative liquidity gaps at the end of the financial year are shown in the accompanying bar charts. The cumulative liquidity gap at year-end represents how much cash flow the Group will require under normal operating conditions to repay depositors should the need arise. The repricing gap represents the sensitivity of assets and liabilities to interest rate movements. The year-end figures depicted assume normal market conditions and the Group's ability to realise its equity and tradeable instruments within the specified time frames.

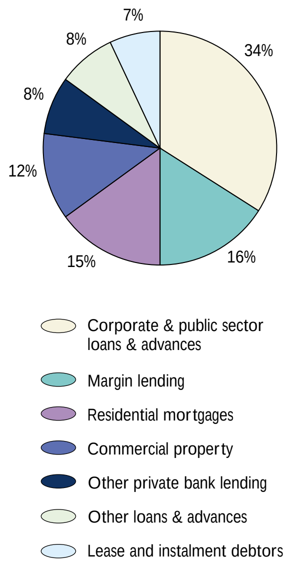
Credit risk

Credit risk is the risk of financial loss to the Group as a consequence of default by a counterparty to a transaction. It includes loan loss risk, settlement risk and replacement risk. Financial instruments that create credit risk include loans, advances and derivatives.

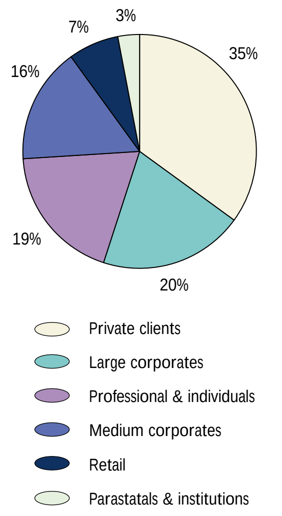
The Group's credit risk department has considerably enhanced methods for measuring and monitoring credit risk, at product and portfolio level, across the Group. Consistent adherence to the Group's credit philosophy and credit policies ensures that the integrity of Investec's loan portfolio is maintained. Furthermore, Group credit policies are designed to combine best practice methodologies with practical ground level management techniques.

For this reason, against a backdrop of a sustained period of high interest rates and record levels of liquidations and insolvencies in the South African market, the Group maintained and in fact, improved the overall quality of its loan portfolio. The development and implementation of a global credit risk management system, a default probability model and the constituting of specialist credit fora have continued successfully. The roll out of these and other initiatives should further enhance the Group's credit risk capability.

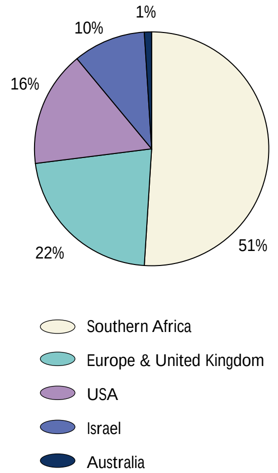
Group loan portfolio by asset: 2000



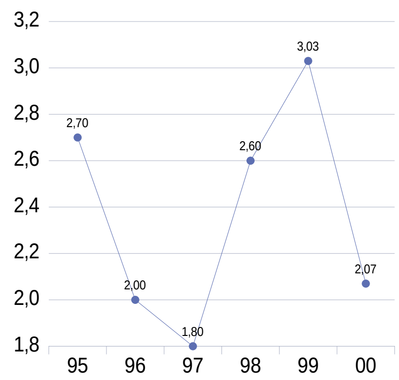
Group loan portfolio by client: 2000



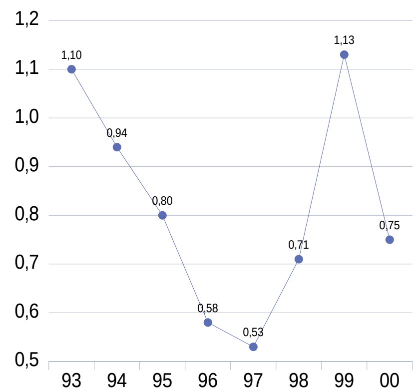
Group loan portfolio by geography: 2000



Non-performing loans as a % of total loans and advances



Bad debt charge as a % of average advances



Risk Management

Investec's fundamental principles to manage credit risk include:

- A clear definition of the Group's target market.
- A qualitative and quantitative assessment of the creditworthiness of the Group's counterparties.
- An analysis of all related risks, including those associated with concentration.
- Regular monitoring of existing and potential exposures once facilities have been approved.
- A high level of executive and non-executive involvement in decision making and review.

In addition, various forums are in place to manage and enhance the decision-making process. These fora are divided as follows:

- Local/divisional management: divisional management teams are responsible for the overall process in these areas, with divisional credit fora allocating credit limits depending on location and risk appetite. Divisional limits and exposure monitoring are undertaken daily.
- Group risk management: Group risk management sets credit policies and procedures and monitors all Group exposures on a daily basis. Group Credit Forum approves transactions above the divisional threshold. All exposures, greater than thresholds set for the Credit Forum, are approved by the Board of Directors. In addition all Group Credit Forum decisions are sanctioned by an executive committee. Any new product or structured transaction is subject to review by the Group Deal Forum, to ensure all risks have been identified. Both senior management and non-executive directors are represented on Deal Forum.

During the year Ricos, the credit risk management system purchased by Investec, was introduced in the UK and the Group is in the process of implementing it in South Africa. The Group Credit division has also completed its rating model for corporate clients.

Some of the more pertinent details relating to the quality of the Group's loan book are shown in the accompanying tables.

Investec Group Limited: asset quality, specific and general provisions

Rm	31 March 2000	31 March 1999
Total loans and advances	33 854	22 430
Managed book	896	781
Net loans and advances	32 958	21 649
Avg total loans and advances	28 143	19 718
Income statement provision charge	211	223
Specific provisions	523	494
General provisions	297	236
Total provisions	820	730

Rm	31 March 2000	31 March 1999
Gross non-performing loans	699	679
Security	324	329
Net non-performing loans	375	350

Investec Group Limited: adequacy of provisions

	31 March 2000	31 March 1999
Income statement provision as a % of average advances	0.75	1.13
Specific provisions as a % of total loans & advances	1.54	2.20
General provisions as a % of net advances	0.90	1.09

Investec Group Limited: adequacy of provisions

	31 March 2000	31 March 1999
Total provisions as a % of total loans and advances	2.42	3.25
Total provisions as a % of gross non-performing loans	117.31	107.51
Total provisions as a % of net non-performing loans	218.67	208.57

Operating risk

This relates to the potential for losses arising from internal and external fraud, systems failures, incomplete data and inadequate internal control procedures.

The Group limits potential risks by acting to prevent, detect and recover any losses incurred. While operational management is primarily responsible for this risk, Investec Group Risk Division has also taken various steps to ensure that operational risk is minimised. The most important policy measure is to instill in employees a sound culture, ethics and values ethos. This is supplemented by strong management commitment to various internal control procedures which include efficient accounting, administrative controls disaster recovery and business resumption processes.

Internal and external auditors review these internal control processes and, if necessary, recommend enhancements. Independent auditors and risk managers are represented on a number of divisional audit sub-committees that comprise a mix of operational management and executive directors. Material issues are discussed and brought to the attention of the Group Board through the quarterly Group Audit Committee.

As an additional buffer against potential operational risk, the Group has extensive insurance cover for any material losses which might arise.

Legal risk

Legal risk arises when inadequate documentation and legal controls exist.

The legal risk team evaluates the vulnerability and business implications of legal issues. In particular, it reviews areas in which sophisticated legal documentation is required for more complex and structured transactions such as in the Specialised Finance, Treasury and Trading divisions.

Compliance with best practice

A Group Compliance function aims to address and co-ordinate best practice from an industry and Group perspective, bearing in mind the requirements in the Group's various jurisdictions. Group Compliance addresses industry regulations in the jurisdictions in which Investec operates, draws on its internal risk management processes and monitors the specific regulations necessary for Group compliance. Investec addresses the changing compliance requirements of domestic environments through strengthening internal operational processes and using best international practice.

Strategy

Focus in the forthcoming year will be on standardising the Group's risk management practice and integrating the risk management operations of the different jurisdictions. In particular, the Group will focus on:

- Implementing a global matrix structure for Group Risk.
- Standardising risk management across the Group.
- Implementing risk management systems to allow automatic, consistent integration of risks.
- Setting up a global risk team.
- Enhancing the compliance function.

Risk Management

The following tables expand on certain of the data presented in earlier graphs:

Repricing gap at 31 March 2000

(R millions)	Up to 1 month	1-3 months	3-6 months	6-12 months	Greater than one year	Non-rate sensitive	Total
Assets	129 422	9 053	2 152	1 128	6 854	16 737	165 346
Liabilities	99 741	24 132	10 337	6 284	3 219	13 674	157 387
Equity	–	–	–	–	–	7 959	7 959
Repricing gap	29 681	(15 079)	(8 185)	(5 156)	3 635	(4 896)	–
Cumulative repricing gap	29 681	14 602	6 417	1 261	4 896	–	–

Liquidity gap at 31 March 2000

(R millions)	Up to 1 month	1-3 months	3-6 months	6-12 months	Greater than one year	Total
Cash and short-term funds	63 157	7 676	1 577	717	–	73 127
Short term negotiable instruments	39 003	40	–	–	–	39 043
Investment and trading securities	2 672	3 104	–	3 148	–	8 924
Other assets	6 334	285	475	42	161	7 297
Advances	10 690	1 929	1 328	2 350	16 737	33 034
Associated companies	–	–	–	–	413	413
Fixed assets	–	–	–	–	1 065	1 065
Intangible assets	–	–	–	–	2 443	2 443
Assets	121 856	13 034	3 380	6 257	20 819	165 346
Liabilities	99 869	29 474	12 243	7 677	8 124	157 387
Equity	–	–	–	–	7 959	7 959
Liquidity gap	21 987	(16 440)	(8 863)	(1 420)	4 736	–
Cumulative liquidity gap	21 987	5 547	(3 316)	(4 736)	–	–

The following table expands on certain of the data presented in earlier graphs:

Breakdown of loans and advances at 31 March 2000

(R millions)	Total	Commercial property	Residential mortgages	Lease and installment debtors	Corporate & public sector	Margin lending	Other private bank lending	Other loans & advances
Private clients	11 741	2 496	1 550	277	–	4 851	1 622	945
Professional and individuals	6 327	549	2 996	512	-	165	1 084	1 021
Large corporates	6 809	–	–	573	6 184	52	–	–
Medium corporates	5 223	306	–	543	4 222	152	–	–
Retail	2 355	679	608	154	565	–	–	349
Parastatals and institutions	1 141	–	–	283	751	107	–	–
	33 596	4 030	5 154	2 342	11 722	5 327	2 706	2 315
Sundry debtors	258	–	–	–	–	–	–	258
Total	33 854	4 030	5 154	2 342	11 722	5 327	2 706	2 573

Investec's strategic approach to empowerment, both within the workplace and its larger operating environment, focuses largely on education. The Group considers this to be the best possible medium through which to create opportunities for employment, wealth creation and stimulating economic growth.

Corporate Social Investment Review

Investec has a comprehensive corporate social investment programme in place that provides support for focused external causes within particular areas as well as staff development.

The Group's external corporate social investment programme concentrates on creating employment and wealth creation opportunities for previously disadvantaged people. Given this emphasis, Investec supports a broad range of secondary and tertiary educational institutions, adult education and educational enrichment programmes and initiatives to train entrepreneurs in South Africa.

The Group also invests in a wide range of welfare projects. Principal among these are organisations that focus on AIDS awareness and those that assist abused women and children.

External corporate social investment

Direct educational assistance

The Group contributes to tertiary educational institutions that promote studies which are core to its activities. In line with this stance, significant donations over financial 2000 were made to Rhodes University to establish the Investec School of Economic and Management Sciences and for a chair in money, banking and financial markets (jointly with the University of Fort Hare), and to the University of the Witwatersrand for the Investec Econometrix Research Programme. The Group also made donations to the University of South Africa for a chair in applied financial accounting, the University of Cape Town for a chair in maths and finance and the University of Stellenbosch for salary subvention of staff at its Institute for Mathematics and Science Teaching.

Other contributions covered the establishment of a business school, sponsorship of degrees and support of students in commercially based post-graduate studies. Investec also recently contributed to the National School of the Arts in South Africa.

Since 1995 the Group has made donations to a wide range of educational institutions and programmes that focus on previously disadvantaged communities.

Bursaries

Investec has sponsored a number of students from deprived backgrounds to read MBA degrees at international tertiary institutions. In 1996 and 1997 it sponsored three MBA students at Harvard Business School. In another international MBA bursary programme, Investec sponsored a number of students over five years at Nijenrode University in Holland.

Investec's funding and support also extend to similarly disadvantaged students at various arts and cultural schools.

Over financial 2000, Investec spent about R500 000 on bursaries to individual students. Double that amount has been set aside for bursary awards in financial 2001. Preference will be given to students from disadvantaged backgrounds.

Various educational enrichment programmes also receive support from Investec. In a joint initiative with the South African Institute of Chartered Accountants, Investec helps to fund a Winter School forum for intending black chartered accountants in their third and fourth years of study.

The Group is also aware that its educational support should extend beyond secondary and tertiary education to initiatives such as adult literacy programmes, especially for poorer communities. Accordingly, the Group contributed to the Guguletu Community Centre near Cape Town, an adult learning centre which is administered by the University of Stellenbosch.

Training entrepreneurs for South Africa

The Group's growth philosophy is firmly supportive of entrepreneurial intervention. This goes hand-in-hand with its view that a vibrant entrepreneurial society is necessary for South Africa's prosperity. While government can help, an entrepreneurial society will flourish only if it is actively supported by the country's established corporations.

Investec has provided one of its buildings, located at 58 Marshall Street, Johannesburg, to be used as a centre to promote business creation. Following refurbishment at a

Corporate Social Investment Review

cost of R1,8 million, The Business Place was established to create and foster a spirit of entrepreneurship.

The Business Place offers entrepreneurs access to finance, training, information, networking and support. Investec believes this initiative will help to stimulate business and create employment (especially in the Johannesburg CBD) and provide a model for South Africa.

The Cradle Project

During the last financial year, Investec Johannesburg employees conceived the Cradle Project, an initiative to assist various charities and welfare organisations in Southern Africa. The project focuses on four core areas of activity: a Johannesburg charity that provides shelter to women and their families suffering abuse, the elderly, children and disaster relief.

The Cradle Project has undertaken a wide range of projects, including fund-raisings and collections. Investec has donated R300 000 to support its efforts.

Investec also responds to various requests for charitable funding made by institutions and organisations, including the Office of the President. In addition, Investec is closely associated with the efforts of the National Business Initiative, the South Africa Foundation, Business Against Crime and the Business Trust.

Internal corporate social investment

The emphasis of Investec's internal empowerment programme is to provide equal opportunities in growth and development for all staff through formal and informal learning. The Group is also committed to employment equity and the details of its employment equity programme are outlined elsewhere.

The Group's recruitment initiatives concentrate on expanding the pool of candidates available, particularly from designated groups, to the financial services industry. To achieve this, Investec applies a number of targeted recruitment initiatives.

EMDS Africa Management Forum

Investec's recruitment department is represented at the EMDS Africa Management Forum in the UK. This gives the Group access to South African expatriates studying at top European universities who intend returning to South Africa.

Graduate and post-graduate bursary programme

This programme is intended to provide educational opportunities to disadvantaged candidates seeking career opportunities in the banking, finance and information systems industries. Bursaries are directed towards commercial, scientific or engineering degrees, to increase the financial skills pool. The programme also provides an opportunity to Investec to market itself as a potential employer through five linked universities.

Training Outside Public Practice

This programme provides students with an alternative route to obtaining the practical training for the Chartered Accountant (Financial Management) qualification through approved organisations in commerce and industry. Because of the shortage of trained black accountants, Investec has accorded a high priority to the programme so as to provide the Group with better leverage in its recruitment campaign.

Vacation work and internships

Investec offers vacation work for students to whom it provides bursaries. Students receive practical experience, exposure to different units in the bank and assistance with the transition from university to the work environment.

Access College Learner Programme

Investec has provided a six-month learning opportunity to a disabled graduate of Access College. This programme is intended eventually to provide disabled graduates with work experience and possibly even full-time employment.

Internal transfers and employee advancement

All positions are advertised internally. Every effort is made to ensure that promotions and transfers are made as a result of fair process.

Staff development

Investec spends about R16,5 million a year on staff development. This includes R1,2 million for employees studying part-time at accredited tertiary educational institutions.

Investec offers a wide range of training and development programmes for all employees. It also provides advice in respect of accelerated development programmes and counsels employees wishing to participate in external academic and skills-based programmes.

Broadly, programmes offered in-house include the Fundamental Business Skills, Professional Business Practice, School of Banking and Finance, Technological Literacy and Management Development programmes.

Accelerated Development Programme

Investec's Accelerated Development Programme provides a framework to accelerate the training and development of designated groups as a key element in ensuring employment equity.

The programme is non-prescriptive and is driven by the needs of individual employees. It includes access to a range of in-house training and development initiatives, external programmes and on-the-job coaching.

Fundamental Business Skills Programme

This is part of the Accelerated Development Programme, and focuses on the needs of disadvantaged individuals who require training in a range of skills. The programme started with formal Adult Basic Education and Training and has expanded to include the development of literacy, numeracy and spoken English to a Grade 9/10 level, as well as critical life skills. Additional courses are offered in personal financial planning, computing, business literacy, communication and study skills.

He'Atid Leadership Programme

Investec sponsors previously disadvantaged individuals to participate in the He'Atid leadership programme in Israel. He'Atid ("The Future") focuses on developing leadership, entrepreneurial and community development skills. This is achieved by providing delegates with practical examples drawn from Israel's experience. The programme is intended to contribute to South Africa's leadership and economic growth.

National Qualifications Framework and skills development

Investec recognises the importance of acknowledging employee skills which may have been acquired formally or through experience. Although company expenditure on training largely exceeds that required by the Skills Development Act, Investec is taking steps to ensure that employees can benefit from the provisions of the National Qualifications Framework. These include:

- Participation in the NQF Interbank Stakeholders Plenary which develops and presents unit standards on a range of banking activities.
- Training of employees against a range of unit standards.
- Provision of assessors to allow individuals who are competent in specific unit standards (either as a result of training or relevant past experience) to obtain recognition for these accomplishments.
- Development of programmes to enable employees to acquire qualifications by learning "on-the-job".

Investec Group Limited

Group Operating Structure

Investment Banking and Principal Transactions

South Africa • United Kingdom
Israel • United States

Corporate Finance

Private Equity

Principal Transactions

Direct investment
Investment banking

Institutional Broking and Research

Research
Sales
Trading

Corporate Banking and Interest Rate Activities

South Africa • United Kingdom • Ireland
Israel • Mauritius

Specialised Finance

Structured Finance
Emerging Markets Finance
Mining and Resource Finance
Project and Infrastructure Finance

Treasury and Financial Markets

Foreign Exchange
Domestic Trading and Derivatives
Equities Derivatives
Balance Sheet Funding
Capital Markets
Financial Products
Corporate Treasury

International Banking

Financial Institutions Group
Trade finance
Documentary services
International banking
Exchange control

Corporate Banking Services

Private Client Group

South Africa • United Kingdom • Israel
Channel Islands • Switzerland • Australia
United States • Botswana • Namibia

Private Banking

Investment planning and management
Retirement planning
Structured lending
Banking and transactional services
Fiduciary and trust services

Private Client Fund Management and Stockbroking

Asset Management

South Africa • United Kingdom • United States
Hong Kong • Ireland • Guernsey • Botswana • Namibia

Portfolio management

Active specialist
Active balanced
Quantitative
Segregated and pooled

Investment products

Units trusts/Mutual funds
Wrap funds
Structured products
Linked products

Serving institutional and retail markets

Group and Other Services

Accounting and Finance
Economic Research
Facilities and Social Investment
Human Resources
Information Centre
Information Technology
Investor and Other Stakeholder Relations
Legal, Secretarial and Tax
Marketing
Organisation Development
Risk Management
Strategic Research
Investec Property Group
Reichmans Group

Investec Group structure

As a result of Investec's expansion and the changing financial landscape, over the past financial year the Group redefined the categorisation of its business activities. This was done in a manner that more appropriately represents the underlying nature of each business grouping and more aptly portrays the type of earnings derived from the groupings.

In this context, the following four core business areas were identified as accurately reflecting the type of specialist activities undertaken by the Group:

- Investment Banking and Principal Transactions
- Corporate Banking and Interest Rate Activities
- Private Client Group
- Asset Management

The four areas are effectively managed as autonomous global business segments, enabling them to remain focused on trends and dynamics within their particular industries. Notwithstanding this, as a result of the interrelated nature of their target markets and activities, a strong interaction takes place between each business to ensure clients benefit as a whole from dealing with the broader Investec Group.

Supplementing various Group services is a common thrust consisting of the Group's culture, mission and philosophies. This helps the business segments across the jurisdictions to operate as an integrated network.

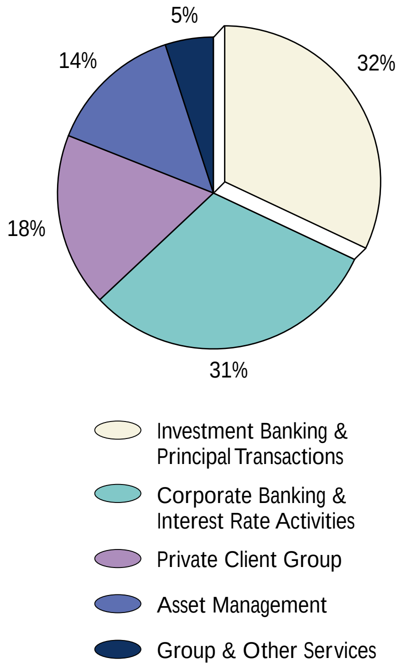
Cooperation between the corporate finance teams in SA and UK grew, enhancing cross-border capability. Both teams were acknowledged for their achievements. SA focused on quality transactions that created value for its clients, while the UK's experience in the technology, Internet, media and e-commerce sectors resulted in the delivery of quality listings. There was also continued focus on building synergies between the UK, US and Israeli operations. Institutional Broking and Research benefited from greater cooperation with Corporate Finance, both in SA and UK, while research components in these countries received acclaim in relevant surveys.

Investment Banking and Principal Transactions

Through Investment Banking and Principal Transactions, Investec undertakes corporate finance, principal transactions, and institutional broking and research activities.

FINANCIAL RESULTS (Rm)

	2000
Net operating income	978
Operating expenses	452
Net operating profit before tax	526
% contribution to Group	32%
Cost/Income Ratio	46.5%
Total assets	10 210



Corporate Finance & Private Equity
Andy Leith

Corporate Finance, South Africa
Malcolm Dods
Kevin Kerr
Hugo Steyn

Private Equity, South Africa
Thomas Prins

Investec Henderson Crosthwaite Corporate Finance, United Kingdom
James Grace
Jag Mundi

Private Equity, United Kingdom
Rob Cohen

Investec Clali
Yoel Berger
Avron Epstein

Investec Securities Institutional Stockbroking, South Africa
Carole Mason
Tubby Goodwin
David Kantor
Keld Randleff-Rasmussen
Clinton Wood

Investec Securities Management Services South Africa
Colin Fiddes
Alex Harding
Annamarie Klopper
Ockert Olivier

Investec Henderson Crosthwaite Securities, United Kingdom
Perry Crosthwaite

Investec Ernst & Company Investment Banking, United States
Mark Segal

Investment Banking and Principal Transactions

South Africa

Corporate Finance

Corporate Finance continued to conclude high quality transactions in the areas of mergers and acquisitions, listings and capital raisings, and restructuring in a more conservative market

Service offering

The division offers a full range of corporate finance services. These comprise advice on mergers and acquisitions, restructuring, listings on the Johannesburg Stock Exchange (JSE), disposals, privatisations, valuations, capital raisings and general financial advice.

The division's clients include domestic corporations, multinationals, empowerment groups, the government and parastatals. Most of the local companies are listed on the JSE with market capitalisations of more than R500 million. The division also advises companies which it believes have the potential to grow and develop into large caps.

Operational review

Over financial 2000, South Africa's business environment was characterised by volatility and uncertainty, much of it originating in the 1998 emerging markets crisis. High interest rates in particular impacted negatively on business and consumer confidence. This affected both the real economy, shown by low capital investment and the JSE, shown by a significant reduction in the volume of listings and capital raisings. Share trading volumes were also impacted by greater discernment on the part of institutional investors which tended to support only high quality listings and capital raisings.

Prudential approach to listings and capital raisings

In this environment Corporate Finance undertook only quality transactions. It was involved in various successful listings and capital raisings. These included the listings of Cadiz, Investment Solutions and Africa Glass, and the R1,2 billion capital raising for Naspers, the publishing group. The Naspers transaction was particularly satisfying as it once again demonstrated Investec's ability to successfully place offshore a large volume of South African equities.

Merger and acquisition activity

The appetite of many normally acquisitive companies was also dampened by low share prices. As a consequence, general merger and acquisition activity retreated over the year. While this environment affected the general volume of corporate finance activity, it also created opportunities for innovative merger and acquisition transactions. These frequently required unique solutions to create value for shareholders. Corporate Finance responded well to the challenge and was involved in various innovative transactions which showed its ability to deliver solutions while simultaneously attending to the need to exceed clients' expectations.

The ability to harness the power of the Group's balance sheet is integral to Corporate Finance's success ratio. Subject to careful evaluation and risk management, many of these transactions were enhanced by this capability. Noteworthy transactions included Investec's acquisition and subsequent sale of certain business units of South African Druggists to parties such as Aspen and Fedsure Health; the acquisition and subsequent delisting of Polifin by Sasol; and the acquisition by Namco of Ocean Diamond Mining.

Successful restructuring activities

The division's activities during the financial year encompassed the full corporate finance range, including various restructuring activities. Examples were the restructure of Lewis Foschini Investment Company (the holding company of Foschini); corporatisation and privatisation activities such as the ongoing corporatisation of the horse racing industry in Gauteng; and the corporatisation and proposed privatisation of Autopax, Transnet's passenger services division. General advisory activities included advising the minority shareholders of Duiker Mining, Tweefontein United Colliery, Guardian National and Independent Newspapers in their respective minority take-out transactions.

Black economic empowerment transactions slowed significantly during the year. Among the reasons are a broad disenchantment with the special purpose vehicle funding models that have been traditionally used to drive deals designed to increase black ownership. There is little dispute that black South Africans must increasingly and quickly be brought into the mainstream of national economic life. Corporate Finance is involved in initiatives to develop a new funding model for these transactions.

Other developments

During the year Corporate Finance consolidated its relationship with Investec Henderson Crosthwaite in the UK. Corporate Finance's ability to advise South African and international clients on cross-border transactions is well established. Having achieved a dominant position in the domestic corporate finance market, one of the division's major aims is to become more dominant in cross-border corporate finance activity.

Investec Private Equity, which previously operated as an integral part of Corporate Finance, was established as a separate Group division. This enables it to focus entirely on its core function. The team has recruited experienced industry specialists to build critical mass and position itself as a strong player in what has become a competitive market. The division continues to invest directly from the Group's balance sheet rather than from a dedicated fund. This gives it the advantage of being able to execute transactions quickly and efficiently.

WebCapital, a private equity fund investing in South African e-commerce ventures, was recently established by Investec and Andersen Consulting. The founders will jointly invest the initial capital. It is anticipated the fund will eventually grow to between R500 million and R750 million. Investec and Andersen Consulting will also provide consulting and advisory services. Andersen Consulting will offer its expertise in e-commerce technology while Investec Corporate Finance will provide its expertise in a range of services, including deal structuring, listing, mergers and acquisitions and financing structures. WebCapital will strengthen Investec's presence in the local private equity market.

Division earns top rating

Judged by the volume and quality of corporate finance transactions concluded over financial 2000, Investec's Corporate Finance division continued to entrench its position as one of South Africa's leading corporate finance houses. The division's dominant position in the local market was confirmed by its top ranking, in terms of the volume of transactions concluded, in the 1999 *Ernst & Young Review of Merger and Acquisition Activity.*

Prospects

In fulfiling its aim to achieve this ranking, the division has ensured that transactions in which it is involved are executed with professionalism and the highest quality in terms of adding value for clients. It is anticipated that the division will benefit from any increase in level of activity once the domestic environment picks up.

Investec Investment Trust

Investec Investment Trust Limited (Intrust) has now ceased to operate as an investment trust. Despite a strategic refocusing of Intrust in 1998 and strong performances from its underlying investments, notably its core investment in the Bidvest Group Limited, Intrust's shares continued to trade on the JSE at a significant discount to underlying NAV. Together with the difficulty of finding suitable new investments in line with Intrust's investment portfolio, this resulted in a decision by the Board of Directors of Intrust to cease operating the company as an investment trust.

Consequently, the listed shares making up Intrust's investment objective (with a value of about R600 million) were unbundled to Intrust shareholders in October 1999. After that, Intrust was transferred to the "Cash Companies" sector of the JSE with cash reserves of approximately R4 million.

Investment Banking and Principal Transactions

Negotiations to use Intrust as a listed vehicle have continued for several months. The company, however, was unable either to enter into a formal agreement or to make an announcement that satisfied the JSE's conditions for listing. In terms of the JSE's rules, a company must announce its new business within six months of entering the "Cash Companies" sector. This meant that Intrust's listing was suspended by the JSE, effective 1 May 2000. It now has a further three months expiring 31 July in which to reach a suitable arrangement, or its listing will terminate.

United Kingdom

Corporate Finance

Investec Henderson Crosthwaite benefits from involvement in high-growth sectors

Service offering

Investec Henderson Crosthwaite Corporate Finance and Investec Henderson Crosthwaite Securities operate as a single business, working closely to provide a range of complementary services. The Corporate Finance division offers a relationship-based advisory business. It specialises in fund raisings and initial public offerings (IPOs) and advice on mergers and acquisitions, restructuring and private equity fund raising.

Collectively the division acts as a corporate broker and/or adviser to more than 80 companies within its targeted sectors. Investec Henderson Crosthwaite has 250 UK institutional accounts, 70 international institutional accounts and 80 quoted corporate clients.

Operational review

Strong presence in technology and new media markets yields significant returns

Despite initially slow economic conditions, the division enjoyed another successful year. It benefited from an investor focus on growth sectors, typified by the new media and technology markets. These are areas in which Investec Henderson Crosthwaite is particularly well represented.

The division's historical investment in these growth sectors was rewarded by its active involvement in an IPO for Kingston Telecommunications. The value of the transaction was UK£700 million, making it the UK's largest IPO in 1999. More than 34 fund raisings were completed during this period.

A further indication of Investec Henderson Crosthwaite's strong performance was the quality and growth of its corporate client list. For the last two years this list has recorded the highest average profits growth compared with that of its competitors. During the year, the division acted for 14 of the 50 best performing small capitalisation stocks and its average client market capitalisation has risen nearly three-fold to UK£230 million. Eight corporate clients were included in the FTSE 250, while two moved into the FTSE 100.

Growing cross-border activity

In addition, the merger and acquisition business benefited from close cooperation with South African Corporate Finance. The two divisions jointly participated in advising Bidvest on the UK£122 million acquisition of Booker plc's UK food distribution operation.

Prospects

An increasingly high quality corporate client list and Investec Henderson Crosthwaite's strong competitive position in its targeted industry sectors should underpin continued growth this year. The current IPO and fund raising pipeline remains extremely strong.

Private Equity

Operational review

Equity investments realigned profitably

Investec Group Investments continued to divest itself of the direct investment portfolio acquired from Hambros plc. Under-performing assets were disposed of or written down and operating costs were cut, resulting in a satisfactory contribution.

During the year, the division made UK £11 million in new investments, including two new direct investments bringing the final value of the portfolio at 31 March 2000 to UK£34 million.

High exit prices but entry prices expensive

The robust economic environment provided a favourable background for selling businesses at attractive valuations. The division realised some of its mature direct investments and its Private Equity Funds took the opportunity to make a number of attractive exits.

Good investment opportunities for its Private Equity Funds were, however, more difficult to find because of entry prices rising to historically high levels. In this environment, each fund maintained a clearly defined investment strategy.

Prospects

The division's portfolio should continue to produce investment gains as it follows existing investment commitments and benefits from successes within its portfolios. As part of an overall initiative to enhance investment performance, the division will make selective new investments and develop related products for its clients and further decrease costs.

Investment Banking and Principal Transactions

Israel

Corporate Finance

Investec Clali sets up investment banking division to take advantage of related opportunities

Service offering

Investec Clali - Management and Underwriting Limited, a wholly owned subsidiary of Investec Clali, is the bank's underwriting and corporate finance company. Its services comprise:

- Underwriting and management of initial public offerings (IPOs) and secondary offerings on the Tel Aviv Stock Exchange.
- Through Investec in London and New York, IPOs abroad as well as private placements for Israeli companies listed or seeking a listing on European or US exchanges.
- Private and pre-IPO placements for companies seeking a future listing.
- Mergers and acquisitions - locating suitable investments in companies for large institutional or corporate investors and vice versa.
- Advising companies on financial issues, usually pertaining to public companies or capital market deals.

Clients are corporations, with an emphasis on technology companies, as well as institutional investors and in some cases venture capital funds.

Operational review

Participation in growing corporate finance opportunities

Over recent years, investment banking activities in Israel have been subdued in line with a quiet domestic stock market. In 1999, however, the Tel Aviv Stock Exchange rallied strongly (key indices increased by more than 60%). Corporate finance opportunities emerged later in the year, with the fourth quarter particularly active.

This heightened level of activity gave Investec Clali the opportunity to participate in underwriting a significant number of IPOs on the local market. In addition, the bank was able to leverage its membership of the Investec Group by taking advantage of cross-border opportunities. It successfully undertook the first placement in London of shares in a locally listed company.

Investec Clali focuses on the continued development of its investment banking capabilities. To this end, it has created a separate investment banking division which presently houses the bank's corporate finance capabilities (local and international) and is recruiting more personnel to fulfil the growing demand for its services.

Prospects

On the domestic front the first quarter of 2000 was particularly active. The continued volatility of world markets, particularly the NASDAQ, makes the outlook for the rest of the year less certain, although the fundamentals of the Israeli economy remain in good shape.

The bank senses a growing appetite both from companies and investors for a range of cross-border transactions. The focus will continue to be on enhancing the synergies between the Israeli, UK and US operations of the Group.

South Africa

Institutional Broking and Research

Investec Securities Institutional Stockbroking division significantly enhances its research rating

Service offering

Investec Securities Institutional Stockbroking division offers an integrated research, sales and execution capability in South African stocks and bonds to all domestic and international fund managers with an interest in or exposure to South Africa.

It provides a service to all domestic fund managers and also services a number of international and emerging market funds out of London and New York. Potential clients include all fund managers, irrespective of geography, with an interest in South African equities and bonds.

Operational review

Market conditions during the financial year were generally mixed. The early months were marked by the ongoing residual effects of 1998's emerging markets crisis. In addition, currency weakness inspired sharp increases in interest rates. Inevitably, volumes and turnover dropped sharply. Foreign investors became reluctant to invest in South African equities because of generalised caution towards emerging markets. This lack of direction from foreign investors influenced sentiment among domestic investors.

Towards the end of the calendar year, however, renewed foreign investor interest in the local market encouraged substantial market gains. Evidence of increased domestic cyclical momentum and more synchronised global economic growth, with positive implications for South Africa's natural resource exports, raised expectations of sustained market gains. In contrast to the widespread belief that "Y2K" concerns would result in an earlier than usual wind-down to the new year, several record highs were established at the end of 1999. Positive market sentiment spilled over into the early months of 2000.

Subsequently, however, and despite an abundance of positive local news, domestic markets struggled to sustain the highs previously recorded. The good news included a favourable Budget, domestic moves towards inflation targeting, evidence of meaningfully increased economic activity and the award of investment grade status to South Africa by Standard & Poor's.

South Africa's inability to sustain earlier gains was largely the result of an apparent preference by investors everywhere to heighten exposures to so-called New Economy stocks and to reduce investment in traditional counters. As an obvious resource-based economy, South Africa lost out on the "flavour of the month" status given to those markets leaning more readily to New Economy realities.

By the end of the financial year, however, sentiment in global markets had once again changed, although still to the detriment of South Africa. As US markets, in particular, embarked on a roller coaster ride between a love for and loathing of so-called New Economy stocks, markets around the world experienced extraordinary volatility. In addition to international developments, regional considerations also undermined local market confidence. A deepening political crisis in Zimbabwe generated an anxiety, most visible in marked Rand weakness.

Growth in contribution

Despite this essentially mixed nature of market conditions, Investec Securities Institutional division recorded a performance well ahead of budget and was able to notably increase its contribution to the Group.

Investment Banking and Principal Transactions

Recognition of research capability

The Institutional Stockbroking division provides research, sales and execution capabilities in an agency capacity to a client base predominantly domestic but increasingly international. Investec Securities participates in the bond and equity markets.

The firm is highly research-driven and provides clients with a strongly differentiated research offering. External recognition for Investec Securities' research capability increased meaningfully.

This culminated in broad-based success for Investec Securities' research team in the benchmark Financial Mail Analyst of the Year Awards 2000. Investec Securities was ranked the third best stockbroking firm for research on an unweighted basis and the second highest research firm in terms of perceived improvement. Moreover, the company secured seven top-place rankings in areas such as Food, Retail, Derivatives, African Research, Life Assurance, Short-term Insurance and Health Care. Investec Securities also achieved seven second rankings in areas such as Diamonds, Steel, Chemicals, Paper, Financial Services, Education and Staffing, and Innovative Research. It was also ranked in the top five in several other categories, some for the first time.

Within the context of its research coverage during the period, the Institutional division sought to expand breadth and depth. Where necessary, it moved to augment its capability in key areas. As presently constituted, however, the research team is close to the capacity required to sustain top-3 status.

While the research team can take justifiable pride in its achievements last year, the sales team also won external plaudits, most notably in the FM ratings exercise in which sales teams were ranked for the first time and the Investec Securities team secured fourth place.

Other business developments

The Institutional division also focused on the development of a number of new research product offerings. These include an institutional web site, which currently offers access to the full range of in-house research, all internal models and valuation methodologies. In time, functions will be extended to incorporate an execution capability. The web site has been positively received by clients. It has been clearly identified as an immediate prototype for other business-to-business web site developments within the Group.

Investec Securities is already physically represented in the UK through its South African desk in Investec Bank (UK). The business has established a distribution capability in New York, a move to develop a more focused service and product offering in that market. This will assume obvious importance when foreign investors turn their attention to other, non-US, sources of investment return.

The Botswana arm of Investec Securities' Southern African operation performed strongly during the period. This was despite limitations imposed by liquidity constraints in Botswana.

There was also increased integration between the institutional stockbroking businesses of Investec Securities and Investec Henderson Crosthwaite in the UK. This was motivated by a desire to leverage off one another by drawing on common synergies. This most obviously presents itself in relation to Investec Henderson Crosthwaite's recognised research strengths in the Technology/Media/Telecommunications areas. This will be pursued vigorously this year.

A greater degree of interaction between Investec Securities Institutional division and Corporate Finance South Africa also took place. The closer working relationship between the two distinct areas - always provided "Chinese Wall" realities permit - also lends greater scope to the pursuit of investment banking opportunities.

Prospects

Although it is difficult to predict market circumstances, the Institutional division will continue to concentrate on ensuring it sustains top-3 domestic stockbroking status. This will be achieved by providing high value-added, quality research and greater depth in execution.

United Kingdom

Institutional Broking and Research

Investec Henderson Crosthwaite Securities gains recognition in the UK marketplace

Service offering

Investec Henderson Crosthwaite Securities is a sector-focused institutional stockbroker, offering a research, sales and trading service to major institutional fund managers.

Operational review

Despite slow economic conditions early in financial 2000, Investec Henderson Crosthwaite enjoyed a good year. This was largely attributable to an investor focus on growth sectors, in particular the new media and technology markets. These are areas in which Investec Henderson Crosthwaite is particularly well represented with a strong client list and track record.

Investec Henderson Crosthwaite was recognised for its performance in the Primark Extel Survey on Pan-European Research in July 1999. The company was rated in the top 10 in seven sectors and positioned 19th overall.

In addition, in the recently published annual Reuters UK Smaller Companies Survey, Investec Henderson Crosthwaite came first in four of the categories ranked by fund management groups.

The categories were the quality of new issues; after market performance of equity issues; and equitable allocation of new issue product. Overall, Investec Henderson Crosthwaite was ranked third by fund managers.

Investec Henderson Crosthwaite was also rated highly for various research categories, achieving second place rankings by fund managers and by companies for media and photography and software and computer services. It was also placed second by companies for food producers and processors and second by fund managers for electronic and electrical equipment.

Further benefits arose from continued cooperation with the Group's South African securities operation, Investec Securities.

Prospects

Continued growth is expected in the forthcoming financial year, assisted by Investec Henderson Crosthwaite's strong competitive position in its targeted industry sectors. In addition, a strong IPO and fund-raising pipeline, combined with the introduction of market making for corporate stocks, should allow further leverage off Investec Henderson Crosthwaite's client base and industry expertise.

Investment Banking and Principal Transactions

Israel

Institutional Broking and Research

Investec Clali distinguishes itself as the only Israeli bank to offer online trading in Israel and the US

Service offering

Investec Clali offers professional trading services to member and non-member brokers, private investment portfolio managers and private and corporate clients. It is one of the four largest players in the local capital market and now holds a seat on the board of the Tel Aviv Stock Exchange.

Operational review

Growth in online trading

Investec Clali is the only Israeli bank to offer online trading both in the local and US markets. During financial 2000, the bank developed its Internet-based securities trading and recorded significant increases in the number of online trades. Its online trading facility enables Investec Clali to cater for a previously unreachable private client base where higher profit margins are available.

The bank recorded phenomenal growth in trading volumes of NASDAQ-listed Israeli shares on the back of buoyant US markets. Israel currently has more than 100 Israeli technology companies listed on the NASDAQ and Israeli-originated trade in these shares is significant. An on-line trading system was launched, enabling customers to trade NASDAQ stocks in real time.

Investec Clali also established an in-house research department within its investment banking division. The department provides sector specific research coverage to the Israeli sales desk in London (which was formally established during the last financial year) as well as to the local institutional sales force.

Prospects

Volumes continued to grow in the first quarter of 2000. Current volatility on world markets, however, makes the outlook for the remainder of 2000 uncertain both in the local market and for Israeli trade on the NASDAQ. Nevertheless, even if volumes do drop, continuing globalisation of the world economy means that an increasing number of Israeli companies will seek foreign listings, particularly on the NASDAQ. For this reason, further exploitation of the synergies with Investec's US and UK operations will be of continued importance.

United States

Institutional Broking and Research

Investec Ernst & Company launches new information technology products

Service offering

Investec Ernst & Company is a registered broker-dealer in securities. It specialises in securities clearance services for other broker-dealers; institutional and retail commission brokerage; market making in NASDAQ and OTC securities; equity, option and fixed income execution services; and securities lending.

Operational review

The US economy performed well. GDP continued to grow at a high rate; stock market valuations followed suit; and heavy trading volumes were experienced. Investec Ernst benefited fully because it deals almost exclusively on a transactional basis. Between October 1999 and March 2000 in particular, volumes were exceptionally high. Operationally, business was excellent, with net operating income up 63% and revenues increasing 79%.

As a result, Investec Ernst enjoyed an excellent year. Net income increased significantly, resulting in substantial growth in return on equity.

Prime broker business expands

The number of clients using Investec Ernst's prime broker services grew substantially and new products were added to support this expanding business. Investec Ernst is continuing to build capacity so as to handle more clients. It also instituted a new, dedicated management team to strengthen its capabilities.

Strong options business

Investec Ernst maintains operations on the major equities and options exchanges. These include the New York Stock Exchange, the American Stock Exchange, the Pacific Exchange in San Francisco and the Chicago Board Options Exchange (CBOE).

Its options business is extremely aggressive. With nearly 40 Investec options professionals on the CBOE, the company is currently the third largest firm on that exchange in terms of execution. Investec Ernst is optimistic about achieving a top two position on the CBOE in the 2001 financial year.

Other business developments

Favourable profitability enabled Investec Ernst to invest substantially in infrastructure and information technology during the period under review. The business launched DeskTec, a desktop solution that assists broker-dealer correspondent clearing clients and prime brokers in their day-to-day operations.

A secure web site for correspondents was also launched. The site offers application manuals, a facility to order forms, a membership directory, financial tools and links to industry web sites, proprietary research, as well as other services and information. Research capabilities were also expanded.

Prospects

Investec Ernst currently trades more than 1 000 stocks on a proprietary basis and is establishing a strong presence in the international ADR arena. The desk trades many issues with primary listings in South Africa, Israel and the UK.

There are various indications that Investec Ernst is achieving increasing positive publicity and name recognition in the US. In this context the company was recently ranked 15th in the Thomson Financial Survey of the Top 25 Brokers of NASDAQ Small Cap Market companies, surpassing several of the big players in this market.

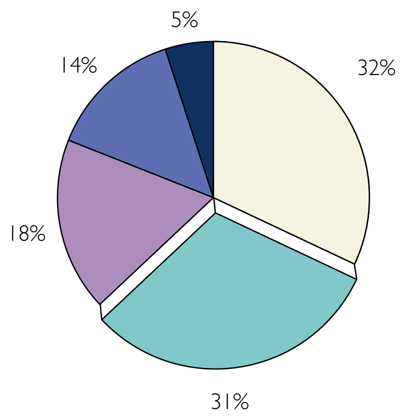
Within the area of Corporate Banking and Interest Rate Activities, the importance of cross-border activity increased and the focus on product pioneering continued, particularly in the Treasury area. The recruitment of a leading equity derivatives team enhanced capability while exciting opportunities arose from the acquisition of Gandon Capital Markets in Ireland.

Corporate Banking and Interest Rate Activities

Investec's Corporate Banking and Interest Rate Activities cover the areas of Specialised Finance, Treasury and Financial Markets, Corporate Banking, the Financial Institutions Group and Corporate Banking Services. Activities in these functional areas are across their geographic regions.

FINANCIAL RESULTS (Rm)

	2000
Net operating income	887
Operating expenses	378
Net operating profit before tax	509
% contribution to Group	31%
Cost/Income Ratio	37,4%
Total assets	115 174



South Africa
Richard Forlee

Specialised Finance

Gary Alport	Structured Finance Durban
José de Nobrega	Project and Infrastructure Finance
Paula Gray	Emerging Markets
Deon Louw	Mining Finance
Roy Slack	Structured Finance Cape Town
Annie Stapelberg	Administration and Support
David van der Walt	Structured Finance

Treasury and Financial Markets

Annette Coetzer	Corporate Treasury
Patrick de Villiers	Foreign Exchange
Brett Hopkins	Interest Rate Derivatives
Niël Oberholzer	Treasury IT
Eureka Redelinghuys	Administration and Support
David Robison	Equities Derivatives Trading
Clive Sindelman	Balance Sheet Management
Pauline Trollip	Compliance
Richard Wainwright	Financial Products
Eric Wood	Capital Markets Trading

Mauritius & Botswana
David Lawrence

Corporate Banking, Mauritius
Craig McKenzie

Corporate Banking, Botswana
Billy Maasberg

United Kingdom
Steve Elliott   Michael Jameson-Till

Specialised Finance

Lyndon Miles	Structured Finance
Andrew Neill	Project Finance
Paul Unsworth	Investec Asset Finance

Treasury and Financial Markets

John Barbour	Financial Products
Carol Grainger	Money Market
Jodi Joseph	Finance
James McKenzie	Foreign Exchange
Christopher Morris	Stock Lending
Philip Shaw	Economist
Alan Storey	Settlements

Ireland

Michael Cullen	Chief Executive
Alan Byrne	Finance
Gerry Dunne	Bank Counterparty Relations
Ciaran McNamara	Treasury
Tony Morland	Risk & Credit
Tom Murray	Specialised Finance

Financial Institutions Group
Stuart Hain

Corporate Banking and Interest Rate Activities

South Africa

Specialised Finance

Annual contribution rises by 40%

Service offering

Investec South Africa's Specialised Finance division provides products and solutions through a number of sub-units. These comprise Structured Finance, Project and Infrastructure Finance, Mining and Resource Finance and Emerging Markets Finance. The units make up a portfolio which is diversified across geography, economic cycles and product offering. The experience of the division is extensive and varied, facilitating consistent service and innovative solutions for clients.

The client base comprises select corporate clients, public sector bodies and consortiums involved in specific projects of a mining and infrastructural nature.

Operational review

Specialised Finance enjoyed another excellent year surpassing all targets in each of its sub-units. Its contribution increased by more than 40% compared with the 1999 financial year and the division has registered a compound growth rate of 44% over the past five years.

During the review period, the division continued to expand its expertise in cross-border activities. This was achieved through close collaboration with its offshore Investec counterparts and in co-operation with various overseas banks and financial institutions.

A review of each sub-unit within Specialised Finance follows.

Structured Finance

This sub-unit provides corporate clients with structured finance and lending services, focusing on creative solutions rather than conventional lending.

The unit's penetration of the corporate market improved significantly. Particularly noteworthy was the level of activity in mezzanine debt for leveraged buy-outs and buy-ins. Further deal making opportunities arose with the acquisition from GE Capital of Gandon Capital Markets, a treasury and specialised finance group based in Ireland.

Domestic corporate credit demand for the financing of assets such as aircraft, properties and plant and equipment, strengthened and boosted lending volumes. The value of structured deals finalised exceeded R5 billion for the year.

The outlook for the unit remains positive. Growth is expected in cross-border activity and the mezzanine debt market.

Emerging Markets Finance

This unit operates principally in sub-Saharan Africa, focusing on structured finance and trade finance. One of its objectives is to support South African corporations in their expansion in Africa and other emerging markets.

Notwithstanding a challenging operating environment, a number of attractive commercial opportunities arose. In assessing such transactions, however, Emerging Markets Finance continued with its conservative approach to dealing in Africa, opting for a high degree of collateral or insurance cover in preference to higher income.

The unit's profit performance was pleasing, with net income improving 60% over the previous financial year. This increase was mainly attributable to growth in fee-based activity.

A notable deal was the successful international syndication of a US$60 million ship financing transaction for Sonangol, the Angolan state-owned oil company.

The prospects for the coming year are difficult to determine as a result of the political and economic volatility of the target region. As a consequence, the unit's efforts will continue to concentrate on regions exhibit the necessary stability, with most transactions supported by the Credit Guarantee Insurance Corporation, South Africa's export credit agency.

Mining and Resource Finance

This unit provides debt finance and advice to and raises equity capital for mining projects and mining companies. To this end, the unit works closely with Investec South Africa's Corporate Finance division.

During financial 2000, Mining and Resource Finance, which previously enjoyed many achievements elsewhere in Africa, successfully expanded its advisory and structured lending activities with domestic mining clients. Investec also became a founding shareholder in African Lion Limited, a mining fund focusing on equity investments in African mining projects. Profit performance was well ahead of expectations as a result of the improvement in the commodity cycle and closure of a number of deals.

Examples of the transactions completed include the $25 million debt financing of the acquisition of Ocean Diamond Mines Holdings Limited by the world's second largest marine diamond miner, Namco Corporation. Another was securing a $12 million subordinated debt facility for a major Zambian copper producer, achieved despite a poor commodity market at the time and negative perceptions of emerging markets.

Prospects for the unit are encouraging given the improvement in the performance of most commodities. Although the mining sector has lost appeal - especially when compared with the technology and new economy arenas - the industry is nevertheless experiencing a return of interest from two years ago. Mining and Resource Finance will seek to increase its presence with local mining concerns and explore opportunities outside Africa.

Project and Infrastructure Finance

The unit specialises in international limited recourse projects, with particular skill in major infrastructure projects. It relies on a number of large transactions. By their nature these often require considerable effort and time to complete.

Over the past two years the unit has enjoyed the benefit of completing major transactions in each year. Project and Infrastructure Finance has increased its cross-border activities and now has a presence in the United Kingdom.

A major transaction in the past financial year involved advising the English Football Association on the redevelopment of the world-famous Wembley National Stadium. At a cost of UK£500 million, it will be the largest stadium project finance operation in the world. In another landmark project, Project and Infrastructure Finance recently finalised the first project financing of a prison in South Africa. The unit acted as adviser, arranger and underwriter to the Ikhwezi consortium in this 25-year concession for a maximum security prison in Bloemfontein.

In the next financial year the unit will continue to explore a variety of opportunities. These include public-private partnership projects in Ireland, together with Dublin-based professionals from the newly acquired Gandon Capital Markets. Pursuit of opportunities in Britain's growing private finance initiative market continues with vigour and the potential of the South African infrastructure market, largely untapped, awaits further exploitation.

Divisional prospects

The Specialised Finance division will continue to expand its share of the domestic corporate and public sector market, while exploring opportunities in the international market. Specialist areas such as Emerging Markets, Mining and Resource Finance, and Project and Infrastructure Finance are relatively new and their potential for sustained growth is promising.

The international presence of the Group gives the division a unique advantage in developing innovative solutions and providing South African clients with financial support in their offshore endeavours.

Corporate Banking and Interest Rate Activities

Treasury and Financial Markets

New Equities Derivatives desk enhances product and service offering

Service offering

The Treasury and Financial Markets division, Investec South Africa's central funding body, manages the interest rate and liquidity risks of the South African operations. The division is also responsible for all the proprietary trading operations of Investec South Africa.

Treasury and Financial Markets is sub-divided into Foreign Exchange, Domestic Trading and Derivatives, Equities Derivatives, Balance Sheet Management, Capital Markets, Financial Products and Corporate Treasury.

The division has been positioned to develop a business portfolio that balances fee and margin income with trading revenues. It seeks to be among the top three market makers in each of its trading areas and to develop its product offering according to the changing needs of its client base which comprises corporations, financial institutions, local and foreign banks, and financial brokers.

Operational review

The 1999 financial year was characterised by restructuring and consolidation. In contrast, financial 2000 was devoted largely to business development, marketing and product enhancements.

A key business development was the addition of an Equities Derivatives desk to the division's proprietary trading portfolio. The absence of such a desk was noted as a shortcoming in the previous financial year and its establishment has enhanced significantly the division's product and service offering.

Treasury and Capital Markets now covers the money, capital, foreign exchange and equities markets and has delivered a compound increase in contribution over the past five years of more than 43%.

Foreign Exchange

This sub-unit, which is a market maker in the spot and forward exchange, currency swaps and derivatives markets, enjoyed another excellent year. Trading volumes and profitability were comparable to those that applied in the 1999 financial year, which was characterised by high volatility.

The forex team significantly enhanced its operations over financial 2000 by introducing a USD/ZAR options book and synthetic agreements on foreign exchange (SAFE's). Investec's profile with foreign counterparts improved substantially as a result of concerted marketing efforts. These have led, in turn, to a substantial increase in trading volumes. Within the domestic inter-bank market, volumes also improved significantly.

Prospects over the balance of the current financial year appear positive as market conditions are expected to continue to be volatile. In addition, the division is exploring Internet FX trading opportunities and hopes to extend its dealing capability to around-the-clock basis for select clients.

Domestic Trading and Derivatives

This sub-unit is a market maker in interest rate guarantee (IRG) products, forward rate agreements (FRAs), interest rate swaps (IRS) and money markets. It performed remarkably well in a market characterised by high volatility and rapidly declining interest rates. Its results for the past financial year improved markedly compared with those for 1999 - and this was achieved despite narrowing margins and increased competition.

The major focus for the year under review was to become the dominant market maker in IRS, IRGs, FRAs and Rand overnight deposit swaps (RODS). Investec introduced RODS into South Africa and is now the dominant market maker in this instrument.

Performance over the current financial year will depend on volatility in the Rand interest rate market. Product development and a concerted marketing effort to increase the unit's share of the local institutional market and foreign inter-bank market are under way.

Equities Derivatives

During the year under review, an Equities Derivatives desk was added to the Group's proprietary trading operations. Despite the effort required to integrate the business into the dealing room and to introduce new systems and all the difficulties that inevitably accompany a new operation, the unit closed the year with a profit.

The team specialises as a market maker in equity index options, single stock options, equity structured products, futures index arbitrage and equity warrants. The desk trades as a principal across the South African Futures Exchange (Safex), the Johannesburg Stock Exchange (JSE) and over the counter.

The outlook for the 2001 financial year appears buoyant as volatility in the South African equities markets is likely to prevail over much of it.

Balance Sheet Funding

Investec's conservative stance on liquidity management was rewarded during the millennium changeover. Its approach was appropriate in an environment where market volatility, concerns over the change to the year 2000 and loss of confidence in certain smaller banks placed liquidity pressures on the banking sector. The desk funded a 50% increase in the South African asset base while managing the Group's liquidity and interest rate risk and minimising its cost of funds.

Capital Markets

This unit specialises in making markets in government and certain parastatal bonds and operates significant bond options and repurchase agreements businesses. It also conducts arbitrage and structuring activities, both of which contributed materially to profits in the past financial year.

It achieved this despite difficulties in the fixed income markets. These came largely from a sharp decline in the volumes of derivative instruments traded. A side effect was aggravated liquidity in the spot gilt markets.

Over the current financial year the unit will focus on product development, systems enhancements and structuring. The level of trading volumes in the derivatives market should increase, with institutions seeking to hedge the interest uncertainty that prevails.

Financial Products

Financial Products manages the preference share and equity scrip lending businesses. The unit's activities also include cross-market derivative structuring including origination and arbitrage, investment products, and financial engineering in general.

A major development for the Financial Products team was the commencement of credit derivative trading during the year. A number of important projects were also undertaken, including the launch of commercial paper and corporate bond programmes in South Africa and Botswana and the introduction of equity linked guaranteed products. These products are distributed directly to the wholesale market and via the Group's retail distribution channels in the Private Bank and Investec Investment Management Services.

Financial 2001 is expected to be characterised by growth in the areas of credit derivatives, commercial and corporate paper issues, securitisation and structured investment products.

Corporate Treasury

The Corporate Treasury desk is the focal point through which corporate clients interact with the various specialist areas in Treasury. Investec has identified this central area to deal with a broad spectrum of activity so as to provide a seamless service to its clients.

The level of penetration of the South African corporate market has increased markedly over the past two years. This is a consequence of active marketing undertaken by

Corporate Banking and Interest Rate Activities

the Corporate Treasury desk, the quality of staff and the competitiveness of the various specialist areas within the division.

Despite these advances, Corporate Treasury has the potential to further broaden the corporate base it serves. Expansion will be undertaken through continued innovation by various specialist areas and the broader product set providing the leverage for growth.

Divisional prospects

The Treasury and Financial Markets division has clearly benefited from structural efficiencies, its tactical objective for the last financial year. It is significant that over each of the past three years substantial growth was achieved and the division anticipates perpetuating this trend.

Further growth will be stimulated by additional operating efficiencies. These will be achieved through implementation of new computer systems, continued expansion of the Market Maker product (the centrepiece of the division's e-commerce initiative) and the development of opportunities in other emerging markets.

Corporate Banking Services

Corporate Banking Services initiates, manages and develops the Investec Group's relationships with its select corporate clients. The division, based in Johannesburg, Cape Town and Durban, offers clients a central point of entry into Investec.

Essentially, the unit identifies, promotes and directs profitable business opportunities across the product areas within a defined risk framework. The division mobilises the skills of the various specialist product areas in order to provide clients with solutions tailor-made to their requirements.

Financial Institutions Group

Sharper focus to better serve the overall needs of business areas

Service offering

The Financial Institutions Group performs a coordination function in terms of the products and services Investec provides to its clients as well as the products and services it receives from its financial institution counterparts. The group is represented in Johannesburg, London, Dublin, Tel Aviv, New York and Mauritius, with specialised Group Credit support.

Its client base comprises domestic and international banks, insurance companies, stockbrokers and other financial services entities.

Operational review

The global operating landscape of the Financial Institutions Group is changing at an unprecedented rate, with a number of fundamental factors shaping global financial markets.

These include, among other things, the pace and extent of monetisation of the world's assets. At present, the values of securities traded on public exchanges in more than 80 countries is $18 trillion, compared with $2.7 trillion in 1980. In addition, and although consolidation among financial institutions continues, the rapid growth of financial markets has enabled nearly all these institutions to remain participants. Another factor is the likely emergence of new business models over the next decade from the restructured landscape of financial institutions.

The global investment banking industry, therefore, faces immense challenges and opportunities. Survivors in the industry will have to focus on product innovation, close client relationships, technological prowess and expertly trained staff.

During the 2000 financial year, the Financial Institutions Group was obliged to confront the problem of a diminishing pool of international correspondents, resulting from mergers and consolidations. For this reason, it became necessary to examine critically the issue of leveraging Investec's existing and new relationships to better serve the overall needs of all its business areas. Cost containment, proactive marketing and focused relationship management are at the forefront of the Financial Institutions Group's efforts. Its aim was to promote the capabilities and profile of the Investec Group in terms of the risk appetite of its various correspondents.

Corporate Banking and Interest Rate Activities

United Kingdom

Specialised Finance

New team adds critical expertise

Service offering

Investec Bank (UK)'s Specialised Finance, Treasury and Financial Markets divisions (formerly Wholesale Markets) provide a range of products and services through various sub-units. Within Specialised Finance, these comprise Asset Finance, Project and Infrastructure Finance and Structured Products.

Clients comprise major European, Japanese, UK, US, South African and Israeli banks (including central banks); other large financial institutions (predominantly in the UK and Europe); UK local authorities; and select corporate clients.

Operational review

Specialised Finance, Treasury and Financial Markets performed well, generating record profits in excess of their forecast. A new Specialised Finance team has brought expertise in Project and Infrastructure Finance, Specialised Finance and Structured Products. When combined with the existing Asset Finance capability, these initiatives provide a robust platform for future business development and revenue growth.

Another significant development was the acquisition of Gandon Capital Markets, based in Dublin. This increased the critical mass and expertise of the division, while contributing positively to profits.

In recognition of the division's increased size and importance, the management team was strengthened significantly.

Project and Infrastructure Finance

The UK government's continuing need to seek additional value for money in public services through the public private partnership initiative, led to additional opportunities for the bank's Project and Infrastructure Finance unit. The unit is increasing its staff to enhance its standard of service to existing clients and to extend its range of advice and funding to other public private partnership sectors.

In July 1999 Investec was re-appointed financial adviser to Wembley National Stadium Limited to secure funding for the stadium's rebuilding. This is the largest stadium project in Europe.

The benefits of private finance initiatives and public private partnerships are becoming increasingly accepted abroad. In recognition of this, joint marketing initiatives have been established in Ireland and South Africa, combining the expertise of London and those jurisdictions.

Asset Finance

Asset Finance benefited from continued consolidation in the UK leasing market, a development that has generated useful opportunities for niche market operators. Asset Finance has a focused approach, offering finance leases, hire purchase facilities and loans to public sector bodies and select corporate clients. Lease finance is made available to more than 2 000 schools and colleges, and over 50 corporations. In addition, it provides loans for infrastructure improvements and manages, as agent bank, syndicated local authority loans.

In the Local Authorities sector, maturing operating leases contributed significantly to the improved performance of the business. The overall profitability of operations controlled by Asset Finance was satisfactory and strict control of costs raised the contribution per employee significantly.

Acquisition of Gandon Capital Markets

Investec's acquisition of Dublin-based Gandon Capital

Markets from GE Capital was a major initiative. Although the purchase was only completed at the end of financial 2000, an agreement on operational control allowed the unit to begin its integration in the second half of 1999.

Gandon is based exclusively within the Republic of Ireland, although many of its clients are internationally sourced (including Canada, Korea and Europe). Gandon's target market presently consists of two key areas - first, a medium-sized corporate market, which is served by units including Rate Risk, Corporate Banking and Structured Finance; and second, high net worth individuals targeted by the Private Banking unit.

Gandon's new focus, however, is to develop its business to mirror the four chief operating areas of Investec. Given this new thrust, the development of other business areas and the expansion of activity in existing areas, Gandon's prospects for the new financial year are good. This is particularly the case in the circumstances of the current strong level of economic activity in the Irish economy and growing activity in Europe generally.

Treasury and Financial Markets

Market volatility assists Treasury profits

Service offering

The Treasury and Financial Markets division offers products and services through a number of specialised sub-units. These comprise Treasury, Repo and Money Markets, Foreign Exchange and Stock Lending. The division serves the same client base as Specialised Finance.

Operational review

As part of the greater restructuring of the former Wholesale Markets division, the existing businesses in Bond Repo, Money Market, Corporate Sales, Stock Lending and Foreign Exchange were integrated into the Treasury area.

Repo and Money Market

The turn in the UK interest rate cycle, from declining to rising rates, combined with widespread concerns about the ability of global financial markets to cope with the change to the year 2000, caused substantial instability in sterling markets. The Repo and Money Market desks took full advantage of this and produced exceptional year-end results.

Foreign Exchange

Foreign Exchange experienced a year of expansion. The team doubled and following a successful 1999 financial year, broadened and diversified its client base. While deal flow in the past has been predominantly Rand-based, revenue now derives about equally from the Rand and major currencies. Investec now makes prices in major currencies to a growing number of small and medium-sized banks and has established a useful niche in the UK corporate market.

Stock Lending

Stock lending was another area in which Investec Bank (UK) sharpened the focus of its operations. Following a disappointing entry into European equity lending, Investec refocused the business to follow the two major equity settlement systems, CREST and the New York DTC. Principal areas of business are now UK and Irish equities, ADRs and US domestic stocks.

Financial Products

During the year Investec Bank (UK) formed a Financial Products team. The team's objective is to focus on the provision of structured credit transactions and investment products, debt solutions and the enhancement of the bank's Treasury capabilities. There is now continuous cooperation with the Financial Products teams in South Africa and Ireland. The Group's favourable experience in Financial Products within South Africa is one which the bank intends to emulate in the UK and Europe.

Corporate Banking and Interest Rate Activities

Financial Institutions Group

Investec's Financial Institutions Group was established in the final quarter of the last financial year. This team works closely with Financial Institutions Group representatives in London, Dublin, New York, Tel Aviv and Mauritius to facilitate coordination with counterparties and correspondents.

Mauritius

Corporate Banking

Investec Bank (Mauritius) expands to become the third largest bank in Mauritius

Service offering

Originally the Banque Privee Edmond de Rothschild (Ocean Indien) Ltee, Investec Bank (Mauritius) Limited provides treasury products, structured finance, financial products and trade finance to corporations, institutions, banks and private clients.

Operational review

Mauritius's convenient geographical location as a half-way house between Africa and Asia, and its energetic and resourceful population, has seen the steady growth of its manufacturing base. More recently, international recognition of Mauritius as a stable and well-regulated financial centre has accelerated. The result has been a substantial increase in deal flows to the country. The rapid growth in international deals has been complemented by an increasing flow of local banking transactions. Investec Bank (Mauritius) has an established domestic infrastructure capable of dealing effectively with both offshore and domestic clients.

The bank continued to expand its activities in the financial products, corporate treasury, structured finance and trade finance areas. Assets on balance sheet almost doubled during the last financial year. Measured in terms of balance sheet and capital, Investec Bank (Mauritius) is now the third largest bank in Mauritius and the largest participating bank in the offshore sector.

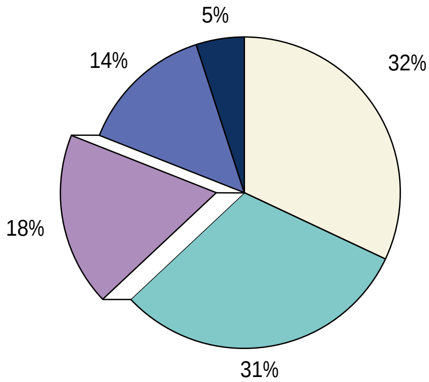
Prospects

A further sign of the regard in which the island nation state is held is in the number of international banking and financial services groups that have established themselves recently in Mauritius. This increase in banking activity in the country opens up new opportunities for Investec Bank (Mauritius) in the inter-bank market. Furthermore, the bank is now in a position to use its local balance sheet to provide leverage to its treasury operations. Corporate deposits and foreign exchange activity also increased significantly during the period.

Investec Private Bank redefined its internationally integrated private banking model and made a number of acquisitions, while continuing to develop innovative products and channels. Following a year of successful integration, Carr Sheppards Crosthwaite performed strongly. In addition, recently acquired private client fund management and stockbroking businesses in SA and US were consolidated with the existing operations in those countries.

Private Client Group

Investec's Private Client Group covers its private banking, private client fund management and stockbroking activities. At the end of financial 2000, Investec had more than 80 000 private banking clients in South Africa, the UK and Israel and more than 77 000 clients employing the private client fund management services in South Africa, the UK, the USA and Israel. (There is a degree of overlap between the number of clients using private banking and private client fund management services.)



FINANCIAL RESULTS (Rm)

	2000
Net operating income	1 384
Operating expenses	1 092
Net operating profit before tax	292
% contribution to Group	18%
Cost/Income Ratio	74.7%
Total assets	32 571

Private Banking
Sam Hackner

South Africa
Steven Heilbron, Robin Jacobson
Michael Barr, Glen Gerber
Robert Gottlieb, Paul Hanley
Andy Vogel, John Witter

United Kingdom
Leon Blitz, Chris Forsythe
Paul Stevens

Australia
Alan Grayce, Larry Mendelowitz
Michael Pillemer, Anthony Rubin

Securities Private Client Stockbroking, South Africa
Henry Blumenthal
Peter Clucas, Colin Crowhurst
Paul Deuchar, Chris Elliott
Fairfax Gray, Keith Hall
Craig Hudson, Cy Jacobs
Rodney Marthinusen, Chris Murray
Angus Robertson, Andy Vogel

Carr Sheppards Crosthwaite, United Kingdom
Fred Carr
Nick Bagshawe, Tim May
Clive Brangwin, Ian Maxwell Scott
Adam Burr, Grant Nowell-Mitchell
Patrick Crosthwaite, Michael Pickford
Guy Davenport, Mark Redmayne
Alun Evans, Tony Richards
Chris Hills, John Yeldham
Robert Leach

Investec Clali, Israel
Avi Basson, Ammon Heffez
Shouky Oren

Investec Ernst & Company Private Client Stockbroking, United States
John Murabito, Michael Rabinowitz

Service offering

Investec's private banking activity has grown from modest beginnings to be among the principal platforms of the Investec Group's business.

Private banking has become one of the strongest growing areas in financial services delivery in almost every country. Private banking means a lot more to Investec, however, than what may be described as "gimmicky" devices.

It is not solely about the provision of curiously interesting but largely inconsequential services. It is definitely about how Investec can provide high net worth clients (or those whose careers are on the point of lift-off) with a comprehensive array of advice and practical banking ability that will safeguard established wealth and help turn innovation and energy into new wealth.

The manner of Investec's growth has enabled it to assemble a formidable battery of financial services into what is rapidly becoming a one-stop private banking facility. The Group has diligently cultivated and developed powerful intellectual and practical capital in retirement planning, investment planning and management, structured lending, fiduciary and trust services, private and highly specialised bank card account facilities, stockbroking capabilities and securities administration. Many private clients either migrate to Investec's Private Bank as a result of contact with the Group in other areas.

In an increasingly shrinking world, Investec provides its clients with the facilities of a fully integrated private bank. These span the spectrum of fiduciary needs specific to a location, while also making use of commonly used services worldwide.

While every major global bank recognises the need to improve the range of products and services available to its select clients, Investec has set out to complete the circle of client needs by providing competence and specialisation in those areas most likely to impact on personal lifestyle decisions. This extends to its product innovations, the technology used to deliver these products and the service accompanying such delivery.

South Africa Private Banking

The bank redefined its target markets to deliver financial products and services appropriate to boutique banking

Operational review

Following a serious downturn in 1998 caused by the crisis of confidence in all emerging markets, the Johannesburg Stock Exchange (JSE) recovered to deliver a satisfactory performance. While this varied, all sectors geared to an economic recovery performed well. High interest rates at the beginning of the year mitigated against growth and for most of the financial year, consumer demand for credit was low.

Stabilisation in the Rand led to a reduction in demand for offshore investment products, while uncertainty around the effects of the change to the year 2000 created further apprehension.

Within this context, the South African Private Bank grew its advances by 10% and its off balance sheet assets increased by more than 40% for the financial year. The Private Bank managed its non-performing book and suspended interest, both of which declined in a market in which significant increases were expected.

The diversified spread of non-interest income was rewarding in that the portfolio of businesses and products ensured continued growth. A variety of economic

Private Client Group

conditions, including the performance of the JSE, the hang over from high interest rates and nervous capital markets, diverted investment flows into cash and other low-risk products. As a result, up-front fee income fell noticeably.

Product innovation

During financial 2000, the South African Private Bank effectively redefined its target market to deliver financial products and advisory services appropriate to boutique banking. These initiatives have been accepted by its target market.

In line with its boutique banking approach, the bank provides clients with a full range of Internet-based banking and stockbroking services. Its Internet site offers online banking, professional advice and financial planning, current news and market information, stockbroking services, including "trading on the net", and details of its suite of products and services.

Another product innovation is the Investec Private Bank Account, which enables holders to conduct everyday banking transactions through the Internet. It is available anywhere, anytime. It consolidates the benefits of a Visa debit/credit card, a current account, an overdraft facility and secure online banking, into a single account with a single statement.

It also allows holders to use online banking services to perform a wide range of functions. These include management of third party beneficiaries; account payments; transferring funds from accounts at other South African banks to their Investec Private Bank Account; and the ability to view balances and transactional histories. This largely underlies our belief that the card and the technology supporting it are world leading.

In addition to the Private Bank Account, the following innovative products were launched during the year as part of the bank's boutique banking approach:

- Investec Private Bond, a debt consolidation facility.
- Investec Private Money Fund, a 40-day notice deposit with a market-related interest rate based on the highest daily running yield of the13 SA money market funds.
- Investec Private Wrap Fund, a portfolio of unit trusts designed according to particular investor requirements and risk profiles.

Other developments

There is growing evidence that the positioning of the Private Bank, the largest in the country, has strengthened over the last year. It was selected as the best domestic private bank by an independent business publication, *PMR*, and received *PMR's* Golden Arrow Award. The selection was driven by a survey conducted among 50 high net worth executives who make regular use of private banking products and services.

In addition, the fifth Pricewaterhouse Coopers survey of banking in South Africa rated Investec the top private bank in South Africa. The survey encompassed domestic and foreign banks and was based on interviews with managing directors and senior executives of 30 banks (16 foreign owned and 14 domestically owned).

During the year the Private Bank purchased Mercantile Bank's professional banking book. Clients who transferred as a result of the transaction were successfully integrated into the Private Bank's community.

The bank also launched a brand awareness media campaign blanketing radio, print and television. The quality of this campaign was acknowledged through a number of awards, including a prized silver Loerie from the advertising sector.

Investec continues to pursue private banking opportunities in Botswana and Namibia, with a dedicated private banking team in Botswana.

Prospects

Good growth is expected in products and advisory services. Further benefits from the strong marketing campaign are expected to register gains among high income and high net worth individuals. As a result the bank expects significant growth in on- and off-balance sheet assets along with enhanced fees from advisory services. Further exciting e-commerce and product initiatives will be announced during financial 2001.

United Kingdom Private Banking

The UK bank acquires new clients, enhances its income and redefines product and service delivery

Operational review

Buoyant world equity markets, a surging UK property market and rising European and British interest rates were the significant elements of financial 2000. A pronounced rise in the listing of new economy companies was another prominent factor.

The bank's performance was exceptional. Revenues ran well ahead of expectations. Key revenue drivers were the growth in activity in the offshore businesses in the Guernsey operations (both bank and trust company) and the Jersey bank and the UK banking and property financing operations.

Other developments

The bank's general positioning was strengthened further by the acquisition of part of the private banking business previously owned by Kleinwort Benson. This was completed in November 1999. Investec acquired another 10 000 clients as a result of this transaction, more than 90% of Kleinwort's private client base.

As a further service to European clients, Investec Connect UK (Direct Bank) was initiated this year through the launch of Quicken Online in collaboration with Intuit Services Europe. Investec Connect is an umbrella initiative developed to deliver products and services to select clients using existing and growing "virtual" channels (these include the Internet, telephone and wireless application protocol).

The initial phase focuses on an Internet presence with a personal financial management facility. It enables clients to aggregate all their financial affairs and will offer a high interest chequeing account with a consolidated debt product. A call centre with trained financial advisers will be introduced. Later, Investec Connect will provide online account payment, standing order and direct debit facilities and online broking.

During the year, the UK bank launched a programme of dedicated marketing to new client groups, and expanded its core activities. It broadened its distribution to include Israel, Hong Kong, Singapore and Australia and expanded its domestic marketing operations.

In addition, its range of investment products was widened and it distributed Group brands and products such as those from Investec Guinness Flight (now Investec Asset Management) and Carr Sheppards Crosthwaite. Investec Bank Channel Islands was able to offer card-based products and products offered under the Guinness Mahon label were rationalised.

A unique Investec Private Bank branded multi-manager investment product is to be launched soon. It is confidently expected that it will vastly expand the bank's potential. Other new products include a range of bank cards to be introduced across the jurisdictions in which Investec operates. Lending against securities portfolios will be enhanced and relaunched. All these indicate the extent to which the bank's progress is unfolding in line with its maturing strategy.

Prospects

The bank's outlook for financial 2000 is positive and good growth is expected. The Private Bank is relatively insensitive to changes in the economic environment and an exciting growth phase is expected, based on key strategic objectives.

Private Client Group

Israel
Private Banking

Investec Clali capitalises on its position as the first international bank in Israel to offer its clients a comprehensive international private banking service

Operational review

Investec Clali provides a wide range of services and a comprehensive offering of local and international products.

Increased demand for Investec Clali's private banking facilities has been noted among Israeli clients. This has been prompted by the steady liberalisation of Israel's financial sector and foreign exchange market, driven in turn by the pronounced success of the country's internationally focused technology industry.

The bank's singular advantage is that it is the first truly international bank to be established in Israel. As a result, it is well placed to offer a comprehensive international private banking service and is actively developing and marketing its products, taking advantage of the wider Group's facilities.

Investec Clali is furthermore the first Israeli bank to offer a comprehensive Internet banking facility (known as "private e-bank"). This facility allows clients to trade both Tel Aviv and NASDAQ-listed shares through real-time, online trading. Last year "private e-bank" was ranked the best Internet banking system by the Israeli newspaper Maariv.

Prospects

Lively capital markets and continuing wealth creation from Israel's technology sector will create new opportunities for Investec Clali. At the same time, further economic reforms such as tax reforms will add to demands for internationally orientated private banking. Investec Clali expects significant global wealth management opportunities to develop. It will intensify and expand these operations over financial 2001.

Australia
Private Banking

Investec Australia strengthens its human resources and system capacity

Operational review

The Australian economy performed strongly over financial 2000. Economic growth was underpinned by growing consumer confidence and political stability. These provided a strong base for a competitive financial services environment.

Investec Australia continued to penetrate the domestic market and provided tailored solutions for its select clients. As a result the advances book more than doubled over the year.

Prospects

Investec Australia is positioned as a premier provider of private client and investment banking services to Australian citizens and residents. It is capable of building its business profile significantly on the solid platform that has been laid.

South Africa
Private Client Fund Management and Stockbroking

The acquisition of HSBC's Johannesburg private client business creates one of South Africa's largest private client stockbroking businesses

Service offering

Investec Securities Private Client and Corporate Client division offers a range of personal investment services to its private clients, focusing on the domestic equity and equity derivative markets. These services include a Discretionary Managed Portfolio service through a team of equity experts, which manages cash and share portfolios on behalf of clients. Through an advisory and stockbroking service, portfolio managers advise clients on managing their equity portfolios and can assist in the procurement of price-sensitive stock parcels.

Private clients wishing to manage portfolios without the assistance of a portfolio manager can use Investec Securities' Internet trading service. It provides research, market indicators comprising 25 leading indices, live real-time prices, company announcements and information published by the Stock Exchange News Service, company profile data and a facility enabling orders to be placed anytime during the week.

The client base comprises high net worth individuals and corporations.

Operational review

Despite solid gains recorded by the JSE All-Share Index, the past financial year was challenging for the investment management and stockbroking industry in general.

This can be attributed partially to fund managers and investors' bias in recent years towards financial and industrial investments, whereas resource and commodity based themes led advances on the All-Share Index. As a result, the historic correlation between All-Share Index market performance and new investment flows failed to materialise, so impeding stockbroking and annuity income growth.

In South Africa, Investec Securities and Investec Private Bank jointly administer R15 billion worth of investment funds on behalf of the Group's local high net worth client base. The Private Client Fund Management business recorded a satisfactory year despite adverse market conditions.

Other developments

During the period, Investec acquired HSBC's Johannesburg retail client division. This was separately constituted as Investec Integrated Investments. In late 1999 it was decided that Investec Integrated Investments and the Private and Corporate Client division of Investec Securities would merge in order to jointly to pursue future common business interests. This took effect on 1 April 2000. The combined operation represents one of South Africa's largest private and corporate client stockbroking businesses.

The successful integration of HSBC's Johannesburg stockbroking and investment management business and these Investec Securities divisions further consolidates the Investec brand within the local private client fund management industry.

In addition, a new private client office was opened in Pretoria to work alongside the Private Bank. A new team was also formed, responsible for all Internet initiatives and the development of the business's technological capabilities.

Prospects

It is anticipated that brokerage income will form a less significant component of future gross revenue as a result of management's increasing focus on the development of other annuity income streams, including portfolio management fees.

Private Client Group

United Kingdom
Private Client Fund Management and Stockbroking

Merger of Carr Sheppards and Henderson Crosthwaite is successfully completed

Operational review

Carr Sheppards Crosthwaite is well established and recognised and manages and administers more than UK£1,5 billion of predominantly private client funds (about UK£1,3 billion of this represents smaller company and private pension funds and charities). It also manages substantial sums for non-resident individuals, and has wide experience in meeting the needs of both UK residents and non-residents.

Carr Sheppards Crosthwaite returned significant growth in revenue and profitability despite the difficulties encountered over financial 2000. The improvement outstripped expectations and arose from organic growth, further insourcing and the benefits of a full year of an integrated business with Henderson Crosthwaite.

The greater part of the funds managed by Carr Sheppards is subject to discretionary mandates. Substantial new business was recorded over and above portfolio appreciation. This demonstrates the extent to which the company is seen as one of the UK's pre-eminent investment and management-orientated stockbrokers.

Furthermore, the company is especially noted for the quality of service provided to clients, its stability and profitability. In the 1999 Private Asset Management Survey, which rates UK-based private asset managers for the quality of their service in their operating region, Carr Sheppards Crosthwaite received top rankings in a number of categories. These included overall quality of service, quality and clarity of fees, transparency and clarity of fees, product and service range and accessibility and speed of service.

Prospects

The company is cautiously optimistic about its prospects over the forthcoming financial year. The business is soundly based with a high level of recurring revenue emanating from a spread of high quality and established clients and activities.

While remaining focused on its core activities, the company is committed to complementing its expanded internal research capability with enhanced IT-based systems. It is also developing its speciality in the retirement and wealth preservation markets.

Israel
Private Client Fund Management and Stockbroking

Investec Clali boosts its assets under management

Operational review

Investec Clali's private client fund management business is driven through Calil-Clali and the Mutual Funds Management Company. Both subsidiaries apply conservative investment policies and enjoy a particular expertise in managing fixed income instruments.

Buoyant local markets produced strong growth in the assets managed by both companies. Attracting new private clients was a major activity. The bank's range of mutual funds was aggressively promoted, prompting increased inflows. Many of the bank's funds are top quartile performers over one-to-five-year time horizons.

Prospects

Increasing volatility in the US markets in particular is affecting the local market by creating a sense of uncertainty. This may lead to a slowdown in the asset growth of both mutual and management funds, which have thus far generated strong returns, over the remainder of 2000.

United States
Private Client Fund Management and Stockbroking

Investec Ernst successfully integrates Stuart Coleman and the Royce Investment Group

Operational review

A key challenge facing Investec Ernst & Company over financial 2000 was to integrate successfully its recent acquisitions. The Royce Investment Group, a retail brokerage company in Woodbury, New York, was acquired in October 1999, only 10 months after the acquisition of midtown Manhattan-based Stuart Coleman. These acquisitions significantly increased Investec Ernst's retail presence in the US. Royce was also renamed Investec Ernst and has merged into the private client group.

Retail performance for Investec Ernst was strong during financial 2000, aided initially by a favourable investment climate, an increase in trading volumes and improved technology competencies.

Revenue and net income increased substantially as a result of the two acquisitions. Margin lending also grew significantly, reaching a record US$600 million average in March 2000. This aspect of Investec Ernst's business helped to drive profitability for the year.

Its conduit securities lending business tripled to US$672 million of average balances in March 2000 from March 1999.

While recent deals failed to create a major impact on market share, they have changed perceptions of Investec Ernst in the US, which is now seen as a company in acquisition mode. As a result, it is receiving proposals from potential acquisition targets and partners and is also beginning to gain recognition as a result of the acquisitions completed to date.

Prospects

The results of integrating the new acquisitions are already apparent and Investec Ernst believes that it is now well prepared to seek growth, respond to market needs and provide greater shareholder value. The business will make significant efforts to leverage the Group's international operations and will expand into other lines of business such as private and investment banking.

Private Client Group

Australia
Private Client Fund Management and Stockbroking

Investec sharpens its focus in the Australian funds management business

Operational review

Over financial 2000, Investec Australia continued to integrate the ACSIS group of companies into its own operations and renamed the combination Investec Australia Funds Management Limited. The recent launch of a comprehensive range of investment and superannuation products represented the first occasion on which Investec's name and expertise was exposed to Australia.

It provides a unique opportunity to offer branded products to harvest the A$400 billion superannuation market. Investec Australia now has funds under management totalling more than A$210 million.

The company now offers a complete range of investment and superannuation products and services. These include funds management; managed investments (unit trust products, the Australian Fixed Interest Fund, the Australian Equities Fund, the International Equities Fund and the Australian Property Fund); superannuation investments (the Investec Superannuation Plan, the Investec Rollover Plan, the Investec Personal Pension Plan and the Pooled Superannuation Trust); and a variety of insurance products.

Investec Capital, the funds management division of Investec Australia, has obtained "Responsible Entity" status under the Australian Managed Investments Act. This means that it now takes the role of Manager and Trustee, of the Investec Investment Trust. This facilitates additional fund offerings, such as those from the Group's international suite of products, to the Australian market.

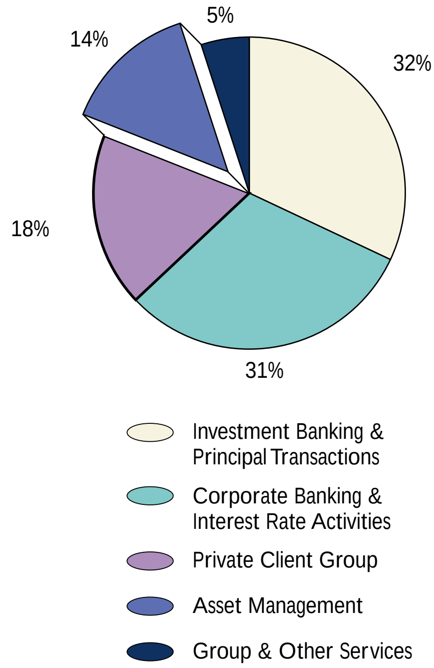
Prospects

Investec Australia Funds Management Limited is positioning itself to achieve a funds base target of $A3 billion by 2005, leveraging off the strength of its financial advisory and funds management capabilities. Active staff recruitment is under way to maintain momentum and service levels in this market.

Despite a year of consolidation, repositioning and replenishment of resources, Investec Asset Management generated sound operating profit growth with significant inflows of net new business and funds under management. Recruitment of quality staff and the appointment of new management teams in particular areas have been extremely beneficial to the business. A concerted programme of capacity building in operating platforms undertaken over the last year bodes well for the company's strategy of simultaneous growth in different markets.

Asset Management

Investec's Asset Management division provides a comprehensive range of domestic and international portfolio management, investment services and products to institutional and retail clients around the world. It is one of the 150 largest non-US asset managers with R170 billion of assets under management and 630 staff in offices in London, Cape Town, Johannesburg, Hong Kong, Los Angeles, Dublin, Guernsey, Durban, Pretoria, Windhoek and Gaborone. Seventy investment professionals operate out of London, Hong Kong and Cape Town.



FINANCIAL RESULTS (Rm)

	2000
Net operating income	795
Operating expenses	566
Net operating profit before tax	229
% contribution to Group	14%
Cost/Income Ratio	71,2%
Total assets	251

Non-executive Joint Chairman

Howard Flight   Tim Guinness

Central Management

George Brits	Head of Investments
Hendrik du Toit	Chief Executive Officer
Kim McFarland	Head of Operations & Finance
Domenico Ferrini	Head of Risk & Dealing

Strategic Business Unit Heads

Brett Comley	United States & Asian Operations
Jamie MacLeod	United Kingdom/European Retail
Mark Samuelson	South African Institutional
Ciaran Whelan	South African Retail

Regional and Other Significant Business Unit Heads

Jim Atkinson	United States
Royce Brennan	Asia
Jeremy Gardiner	South Africa Unit Trusts
David Liddell	UK Investment Trusts
Christopher Oulton	UK Institutional Business Development
Andrew Peake	UK Institutional Client Service
Philip Saunders	UK Multimanager Investments

Key Investment Professionals

Gail Boon	Global Equities
Paul Brain	Fixed Income
Chris Burvill	Equities United Kingdom
Chris Carter	Chief Strategist Global
Robert Conlon	Chief Investment Office Asia
Nigel Dutson	Pan European Equities
Paul Griffiths	Head of Fixed Income Global
Roelof Horne	Head of Research South Africa
Gary Marsh	Fixed Income United Kingdom
John McNab	Chief Investment Office South Africa
Tim O'Dell	Currencies
Jeremy Rigg	Pan European Equities
Michael Rimmer	Pan European Equities
Andre Roux	Head of Fixed Income South Africa
Johan van der Merwe	Head of Equities South Africa
Piet Viljoen	Chief Strategist South Africa

Another record-breaking year of winning products and strong inflows

Service offering

Investec Asset Management focuses on five critical areas of activity: portfolio management, investment product design, marketing, distribution and operations (including administration and information technology).

Investec Asset Management concentrates on developing a deep understanding of the markets it serves. Where strong positions have been developed and where the company has the capacity to manage a broad range of assets and distribute and administer an even broader range of products, such as South Africa, capacity will be leveraged by capturing a range of opportunities. This is never undertaken in a manner that jeopardises the company's reputation.

Towards the end of financial 2000, the decision was taken to re-brand the operating affiliates of the Asset Management Group so as to identify them more positively with the Investec Group. Investec Guinness Flight and Investec Investment Management Services will in future be referred to as Investec Asset Management.

Operational review

Opportunities abound in the asset management industry. The market for asset management services and long-term investment and savings products is expanding rapidly. Driven by ageing populations in the developed economies and a strong world economy, the pools of retirement savings and discretionary wealth remain in a secular growth phase. Unlike many other fast growing sectors such as technology, the industry remains highly fragmented. Although very competitive, it is the one growth industry that leaves space for deserving participants to achieve meaningful expansion in market share. Given that asset management is a principal part of Investec's development and growth strategy, the unfolding international opportunities are particularly encouraging.

Capacity creation

The past financial year was one of capacity creation. Investec Asset Management intends growing its business aggressively in the new markets it entered over the last two years. Key to this is the capability of the investment team, which was strengthened across the board. In London a significant reorganisation took place which included both high profile and graduate recruitment.

The South African investment team is one of the most stable and experienced in the industry and one of the few that truly owns its longer-term performance record. The tactical plan for financial 2001 is for Investec Asset Management to continue its drive to display and market separately the skills of its investment specialists, both individually and collectively.

As with investments, last year saw a concerted programme of capacity building in operations. A standard, robust operating platform saves costs and is an indispensable condition for high volume e-commerce. The robustness of the company's operating platform is the key to its ability to make acquisitions as opportunities arise. Investec Asset Management is committed to the development of a fully scaleable operating platform for most of its activities by the end of the present financial year.

An example of the company's capacity to meet this goal is the creation of QuartZ, a leading edge unit trust registration system. Investec, in partnership with external systems developers, built and implemented the system within 18 months. QuartZ is being used in Investec Asset Management's South African unit trust business. An independent systems development company, QuartZ (SA), was set up to manage the product and to provide it to outside unit trust companies. Asset Management intends standardising the systems and processes in all its operations; implementing QuartZ globally is a key step in that direction.

Asset Management

New business production exceeds all previous records

The financial year ended March 2000 was one of consolidation, re-positioning and replenishment of resources. What makes the year remarkable is that these goals were achieved while operating profit growth exceeded 65%. New business production outstripped all previous records. In aggregate the firm raised more than R18 billion of net new business. Gross new business flows were significantly higher but the high "churn rate" in the South African unit trust industry renders the numbers largely meaningless.

The year was characterised by high volatility in equity markets. The predominant trend, however, was to shift upwards, so supporting the financial performance of the asset management industry. The reversal in this trend by March 2000, however, points to a difficult first part of the current financial year.

Fixed income and cash management identified as a significant growth area

Investec Asset Management enjoys a significant specialist fixed income and cash management business, with assets of more than R70 billion. In the UK, the company has a strong heritage in the fixed income and cash markets and in South Africa a strong track record for innovation exists, albeit under-exploited. This is therefore seen as a significant growth area. The company is also enthusiastic about developing this business because of the role it plays in reducing earnings volatility and therefore risk.

Institutional business - another bumper year with strong inflows

The Asset Management division's institutional business concentrates on excellence in management and high quality client service. The business anticipates client and consultant needs and their demand for benchmark-beating products by creating the required capacity ahead of time. Given the transparent nature of this market, the company guards its reputation to the extent of declining business if it believes it cannot deliver against client expectations.

The Southern African institutional business experienced another bumper year. In the segregated balanced business, market share continues to expand. Despite uncharacteristically weak performance for calendar 1999, the investment team recovered lost ground towards the end of the reporting period, ensuring that three- and five-year performances remain in the top three in the Alexander Forbes Large Manager Watch. Indeed, the market is rewarding the company for consistently good performance over all three-year periods since inception. The accompanying table illustrates this record clearly.

Moreover, Investec Asset Management is one of only three firms in the Forbes survey able to claim consistent leadership and significant staff stability over the last nine years. In the fluid South African market, stability and experience in the field of asset management are scarce. Their retention is among the more important reasons for Investec Asset Management's ability to deliver consistently good long-term performance. The company has one of the finest investment teams in South Africa and therefore believes it has cause to anticipate another good year.

Three-year rolling performance (rankings based on three-year rolling returns)

	Dec96	Dec97	Dec98	Mar00
Allan Gray	1	10	6	1
BOE	2	3	9	8
Coronation	3	1	4	2
Gensec/Sanlam	9	8	6	7
Investec	4	4	1	3
Libam	6	9	10	10
Nibam/Syfrets	7	4	8	9
OMAM	5	7	3	4
RMBAM	8	6	5	5
SCMB	10	2	2	6

The UK institutional business achieved excellent results in the specialist fixed income and cash areas, although performance in the UK balanced category needed improvement. A major restructuring of the UK investment team was implemented with pleasing results. The business won new mandates for Sterling fixed income and cash management, including 16 from the public sector, two from building societies and one from the Post Office. Its successful portfolio management team has beaten the benchmark for nine out of the last 10 years. This means it has enjoyed top quartile performance over most measuring periods for the past decade. In fact, the company was the best performing manager over five of the long-term measuring periods. The British operation anticipates continued growth on the back of these excellent performance figures. In the interest of a sharper market focus, it was decided to dispose of the company's sub-scale international fixed income business in the US.

Investment trust business - growing and profitable

The company's investment trust business has also expanded, raising additional money during the rollover of the City of Oxford Investment Trust and the consequent merger with the Guinness Flight Geared Income and Growth Trust. Investec has a strong presence in the UK equity income and value-based UK equity and split capital territories within the investment trust sector as well as in the split capital area. During the present financial year Investec Asset Management intends to continue expanding this highly profitable business line.

Retail business - a watershed year with significant increase in market share

The past year was a watershed year for the South African retail business. Rising demand for choice, flexibility and professional support services prompted the company to review its loose alliance of retail products and services and organise these into a well-resourced retail business group. This process is expected to be complete by the time this annual report is issued to shareholders.

The key building blocks of the South African retail group are Investec Unit Trusts, Investec Investment Management Services (IMS) (one of South Africa's leading linked product providers) and the most extensive range of offshore funds registered for sale in the South African market.

Investec Asset Management's offshore offering is well defined. In each of its domestic markets Investec Asset Management intends to offer its clients access to a comprehensive range of offshore mutual funds, wrap and multi-manager vehicles along with the domestic product range through one simple, client-friendly channel. The exception to this rule is the US, where both the regulatory regime and the market realities require a different approach.

It was another excellent year for the South African unit trust business. Overall market share increased to 14% of the South African industry. Investec took just over 20% of the net inflows into all South African unit trusts excluding money market funds. If money market funds are included, the company's share of the net inflow was 16%.

This is a result of a number of new entrants into the money fund business that seeded new products with large chunks of institutional assets. Investec Asset Management refrained from offering "hot" products, concentrating rather on the integrity of its existing range. It also pioneered the implementation of different unit classes, which will facilitate differential and flexible pricing for various distribution channels. The roll out of the new unit classes was completed in May 2000. Investec Asset Management recognises the growth of the wrap fund channel and accepts the need to cater for the increasingly specialist demand from these quarters.

IMS performed well over the past year. Its range of wrap funds, launched during the second half, attracted more than R800 million. This product range is expected to grow rapidly in the coming year. Other products within the IMS portfolio were expanded to meet the needs of a growing competitive market. In essence, this business consists of broker administration, packaged products and a distribution and multi-manager arm. It is Investec Asset Management's intention to position these components to enable them to pursue their fair share of the market independently, but also as part of a larger retail business.

Investec Asset Management's UK and European retail business achieved a huge boost towards the end of 1999 with the appointment of a new management team. This business was substantially rebuilt and the distribution

Asset Management

strategy has shifted firmly towards the IFA and asset aggregator channels.

Investec Asset Management anticipates significant growth from the UK and European business in the coming year. This distributes the company's London-registered range of onshore funds as well as its Guernsey and Dublin listed offshore funds. A noteworthy achievement was the procurement of the services of Black Rock, one of the most highly regarded European equity teams to run the company's European retail funds. Investec Asset Management will distribute Black Rock's services to its retail client base across Europe, in South Africa and select parts of Asia on an exclusive basis.

The offshore funds business is organised as a product provider to each of Investec Asset Management's regional retail businesses and to select groups of expatriates in need of offshore products. Funds are domiciled in Guernsey, Jersey and Dublin. Given that the majority of this business is sourced from within Investec Asset Management's major domestic markets, the future of the offshore business will increasingly be determined by the strength of the company's regional distribution platforms. The offshore version of the Wired Fund was the success story of the last year, collecting US$180 million after its launch in August 1999. The company is in the process of refocusing its offshore product range.

The past year was also one of deepening Investec Asset Management's roots in Hong Kong. The Asian investment team enjoyed a good year in terms of fund performance, which should be rewarded through the recruitment of high profile institutional clients. Emphasis has been on increasing visibility and improving retail distribution capability in the region. The management team attracted consistent flows into the company's offshore funds. During the year this business was restored to profitability, vindicating Investec Asset Management's decision to take a long-term view in the midst of the Asian crisis of 1998. As part of a successful New Economy range, which includes the Wired Index, Wireless World, Internet.com and Global Technology funds, the launch of an Asia New Economy Fund from 1 May 2000 was also approved.

The US retail business almost doubled its assets under management on the back of strong market support for its New Economy product range, especially the Wired Index Fund. Other successful new products were the Internet.com Fund and, towards the end of the financial year, the Wireless World Fund. This is essentially a marketing business as all the portfolios are managed outside the US by the Investec Asset Management team and the operations are outsourced. The product range is dominated by Asian and thematic equity funds. The Internet experience of this "virtual" business is invaluable to the rest of the Group.

It is management's view that the distinction between institutional and retail businesses will fade over time as individuals take increasing personal control over their retirement savings. Successful firms will be those that can match retail skills with institutional quality and sophistication. This is a target on which Investec Asset Management has set its sights and a skillful harnessing of the Internet is expected to play a key role in this convergence.

Global recognition of products and services

During the past year Investec Asset Management scooped various performance awards. In South Africa, Standard & Poor's selected the company as the top unit trust management company for 1999. Investec Asset Management was also one of two unit trust companies in South Africa to rank in the top five positions of the Plexus Survey (for the periods ended December 1999) over one, two and three years. For the period ended March 2000, Investec Asset Management was once again ranked in the top three positions. In the fifth Pricewaterhouse Coopers survey of banking in South Africa, entitled *Strategic and Emerging Issues in South African Banking,* published in June 2000, Investec Asset Management was rated top in asset management in South Africa by its peer group, retaining its leading position from 1999. The survey measured 30 banks, 16 foreign owned and 14 domestically owned.

In the UK the leading London-based offshore trade publication, *International Money Marketing,* selected Investec Asset Management as its fixed interest manager of the year. It also acknowledged Investec Asset Management's joint chairman, Howard Flight, for his service to the offshore funds industry. Standard & Poor's selected Investec Asset Management as its winner in the overall category for best money market manager. In addition, Investec Asset Management was placed second in the 10-year category for larger fund groups offering its funds internationally.

In the US, Lipper awarded the prize for the top China fund in the US over five years to Investec Asset Management. The company's offshore fixed income funds also performed superbly. For the period ended 31 March 2000 the Dollar High Yield came first over one, three and five years in the world, according to the Lipper survey. The Dollar Bond fund was seventh, fifth and fourth over one, three and five years in the same survey. The common thread running through all these awards is consistency of performance.

The company's web sites also received a range of awards and nominations. These include selection by Forbes Global, along with a number of other providers, as being among the best mutual fund sites currently available.

Prospects

People fundamental to long-term success

Investec Asset Management considers its ability to attract and retain the best people as fundamental to its long-term success. The true value of this business is to be found in the dedication of small specialist teams of experts. Investec Asset Management's culture encourages individuals in these teams to work together in a collegial atmosphere in order to meet the investment needs of clients.

Globally integrated operating platform

Emphasis on the need for specialisation and the free flow of ideas is complemented by Investec's single global business structure. This instils the discipline of global consistency (not conformity) and ensures that successes in one market can be transported to others. A classic example of this is the speed at which the successful Wired Index Fund was brought from the US to other parts of the world, after the American market had endorsed the concept.

A standard, globally integrated, operating platform is key to the company's strategy of simultaneous growth in different markets. This avoids unnecessary duplication and enables maximum leverage of technology spend. A standard platform also supports global product rollouts, allowing the company to capture maximum value from a winning product.

Internet key for future

The Internet is a critical medium for Investec Asset Management, both internally and externally. This is clear from the company's product range, which includes the Wired, Wireless World and Internet.com funds, and its web sites, with more than 150 000 visits recorded monthly. In South Africa, its Insight product, which provides a web-based support interface to intermediaries, has vast, untapped potential.

In time, the Internet will create a more informed and demanding client base. It will also force the world into "open systems" logic with increasing pressure on asset managers to offer a wide range of choices to the client. Investec Asset Management is constantly exploring ways of using the Internet to offer clients the service they want and need.

Corporate governance

As fiduciaries to third party assets, Investec Asset Management aspires to the best possible corporate governance and the highest ethical standards. Over and above the normal disciplines and controls of the Investec Group, the company has its own, well-staffed compliance department as well as an independent audit committee, chaired by a non-executive director.

Looking ahead, solid organic growth is expected across the entire range of strategic business units. Investec Asset Management accepts that it has some way to go to achieve its mission to be recognised as one of the world's top 50 providers of asset management services and products. At the same time, dreams and imagination inspire the company to create the competence and capacity necessary to achieve this ambitious goal.

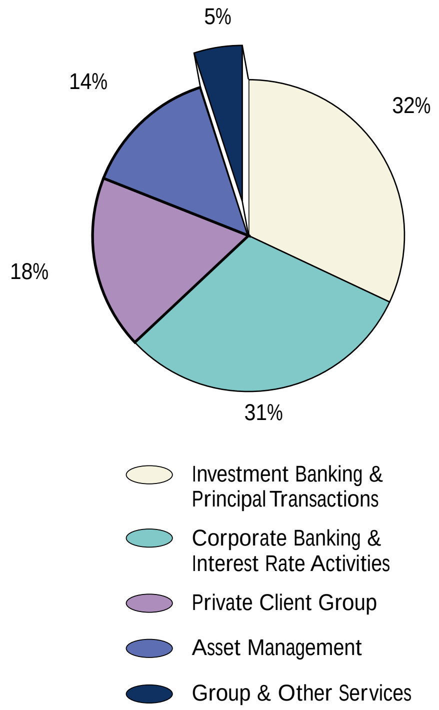
Centralised Group Services provide human, professional, technical and other financially related resources to the business units and external stakeholders. Centralising these services is regarded as an important integrating mechanism for the Group. This ensures the highest levels of business practice, professionalism and consistency across the organisation. Where appropriate, however, specialist resources are decentralised to the business units.

Group and Other Services

Within the area of Group and Other Services, a number of specialised sub-units provide services internally for the effective operation of the Group and to ensure fluidity of the organisation from a technical, personnel and financial perspective. Certain of these sub-units also offer external services to a broad range of stakeholders. This section also covers non-core business activities that don't fall clearly within the four business segments described earlier in this report.

FINANCIAL RESULTS (Rm)

	2000
Net operating income	405
Operating expenses	303
Net operating profit before tax	102
% contribution to Group	5%
Cost/Income Ratio	72,0%
Total assets	7 140



Accounting & Finance
Ruth Credo

Economic Research
Carole Mason

Facilities & Social Investment
Craig Gunnell
Errol Richa

Human Resources
Patsy McCue

Information Centre
René Ward

Information Technology
Simon Shapiro

Investor & Other Stakeholder Relations
Rayanne Jacobson

Legal, Secretarial & Tax
Reg Berkowitz
Selwyn Noik
Justin Cowley

Marketing
Raymond van Niekerk

Organisation Development
Caryn Solomon

Investec Property Group
South Africa
Sam Hackner
David Kuper
Sam Leon
Ronnie Sevitz

United Kingdom
Paul Stevens

Reichmans
Brian Clark
Robin Jacobson

Group and Other Services

Group and Other Services

Accounting and Finance

This division maximises the value of financial information and is responsible for the completeness and accuracy of such information as well as ensuring effective financial controls are maintained throughout the Group. It ensures Group compliance with best international practices regarding accounting policies, disclosure and corporate governance. It is responsible for adherence to various statutory requirements for a listed international banking group.

Sophisticated financial accounting systems are maintained and supported within the division and this service is also provided to the business units to ensure that the Group's reporting requirements are adequately met.

In addition, the division manages Training Outside Public Practice (TOPP), a training programme for South African chartered accountants, together with the Human Resources and Group Risk divisions.

It is also responsible for managing Group share capital, South African fixed assets and creditors and the Group's centralised procurement office. This facility seeks to maximise the value of the Group's buying power through providing expert negotiating and contracting skills.

Economic Research

The Economics Research function, part of Investec Research based in Johannesburg, works closely with the wider research team that is an integral feature of Investec Securities. The unit provides internal and external clients with information on the domestic macro-economic operating environment. In this way, it participates in identifying the economic conditions which the business units and their clients use to frame their activities. In addition, Economics Research provides regular written and verbal analyses of economic and market conditions. These are also available to clients, the media and other interested parties.

Economics Research also makes regular presentations to staff, clients, the press and other external bodies. It contributes to economic policy debate through participation in appropriate external bodies and regular interaction with the media.

Human Resources

The primary responsibility of Human Resources is to select, retain and develop Investec employees. It undertakes this task through five key areas of activity: recruitment, compensation and benefits, employee relations, the staff share scheme and Investec's staff development initiative. The Group is also committed to and has implemented an employment equity programme that affects each of these activities.

Recruitment

Human Resources' recruitment operation provides business units with high calibre local and international human resource capability. The recruitment team recruits potential staff through various methods. These include Investec's advertising strategy, relationships with preferred employment consultancies and extensive networking.

Other initiatives are targeted at enabling the Group to identify, easily and early, potential recruits to the Group. For instance, in South Africa the Training Outside Public Practice programme enables South African chartered accountants to complete their articles with Investec (as distinct from the traditional method of articles with a recognised auditing firm). In addition, the Graduate Recruitment Programme helps Investec to secure top talent at various local universities. The Investec Bursary Forum provides funding for tertiary education to students whom the Group would like to employ on completion of their studies.

As Investec grows its business outside South Africa, the need to secure talent for the future becomes even more important. For this reason, Investec's UK-based operations are embarking on various graduate recruitment initiatives. Investec began building its brand in the UK graduate recruitment market with the intention of attracting significant numbers of high quality recruits to join its graduate recruitment programme in 2001.

Compensation and benefits

Employees are encouraged to structure their remuneration packages according to their individual needs. They receive life and disability cover, medical aid and a choice of a provident or pension fund and a travel allowance or company car. In addition, the Group accommodates maternity and paternity leave and provides study bursaries.

Staff share scheme

Various strategies are in place to ensure that employees function in an environment that values and rewards their efforts. The employee share ownership scheme is one such initiative. The scheme effectively enables Investec employees to participate in the long-term growth and development of the organisation.

Internal training

Sections in this report underline the importance the Group places on training employees, an activity undertaken or facilitated largely by human resources. Together with the business units a wide range of training programmes have been developed. These cover subjects such as generic business skills, management and executive development, induction, specialist financial training, academic programmes, computer training and self-development.

Employee relations

Managing the interaction between management and employees is critical to organisational contentment. And that, in turn, is a principal pillar in the achievement of Group aims. Human Resources seeks to balance efficient business operation with fair employment practice. The employee relations function is governed by guidelines in the Code of Good Practice for Employers and in South Africa by particular legislation.

Employee assistance programme

Another initiative specific to Investec South Africa is the Investec Employee Assistance Programme. This forms an integral part of Investec's commitment to supporting employee well being and development. The programme offers accessible, professional support, with all cases treated confidentially.

The programme was piloted over financial 2000 by Group Human Resources in partnership with a professional psychological consultancy. Results of formal surveys and informal discussions show the programme is seen by employees and management as providing significant assistance in resolving work-related and personal difficulties and crisis situations.

Employment equity

Investec's employment equity drive began in 1995 with the implementation of an employment equity programme facilitated by an external consultancy. The programme sought to identify and address personal prejudices; prepared the Group to accommodate diversity; facilitated communication across divisional, racial and gender divides; and addressed other barriers to performance experienced by employees.

As part of the requirements of the Employment Equity Act, an external employment equity consulting group conducted a human resources audit. The audit confirmed that Investec's policy framework is free of direct and indirect discrimination and that the Group is generally well advanced in creating an environment conducive to employment equity. Improvements, however, need to be introduced in some areas and the Group is now addressing these.

In November 1998 Investec undertook a 12-month strategic review. Its purpose was to adopt a clear, co-ordinated and practical strategic plan for a more equitable and diverse organisation. This strategic review comprised:

- Debate with and between senior management on employment equity as a concept and its implications for Investec.
- Establishment of an internal task team to formulate a philosophy and strategy.
- Formation of an Employment Equity Forum, comprising representatives from across the divisions and occupational categories. A key responsibility of the forum is to monitor how Investec's employment equity plan is implemented.
- A decision that Investec's senior leadership retain responsibility for the successful planning and implementation of its employment equity strategy. Divisional managers will drive the process, supported by the Employment Equity Forum and task team representatives.

Group and Other Services

In achieving its employment equity objectives, the Group embarked on a number of internal initiatives, which include:

- Preparing employees for the challenges facing South Africa.
- Preparing an employment equity plan.
- Developing a recruitment strategy to ensure all population groups are adequately represented.
- Maintaining a continuous training and development programme to improve employee growth and development opportunities.

Finally, Investec established and is continuing to develop, monitor and evaluate systems at divisional and Group level. These will enable the Employment Equity Forum to effectively hold divisional and Group leadership accountable for the way in which the employment equity plan is put into operation.

Information Centre

The Information Centre is a centralised resource located in Johannesburg. It provides an efficient and cost-effective information and tailored research service to all business units. Employees have access to a comprehensive information database comprising a variety of electronic and paper-based sources. The most popular access to this database is via the centre's Intranet which packages information in a user-friendly way. The centre also offers Internet training and is part of the team responsible for developing the content of the Group's web site.

Information Technology

The Information Technology division is responsible for the development, review and monitoring of all Group information technology (IT) requirements, architecture and standards. The division therefore plays a fundamental role in enhancing business-to-business and business-to-consumer activities.

The division operates out of a strong central core but decentralises business analysis and application systems development into the main operating divisions. The Group's IT philosophy is designed to ensure that the infrastructure and application systems are well tested and meet the ever changing demands of a business of this nature.

The division concentrates on three areas: the formulation of IT strategy for the Group, establishing the appropriate governance procedures and ensuring that suitable infrastructure and shared services are provided to the Group.

IT strategy is formulated through an ongoing process of analysis and dialogue among the business units. This ensures that Group interests are catered for without compromising the need for business units to rapidly deliver according to their own requirements.

In the area of governance, the division sets out process and technology standards to be followed by the business units. This ensures maximum flexibility and responsiveness of business unit systems, while containing project risks. Furthermore, through this method work done in one business unit can be adopted and used by other business units.

Investec operates its own wide area network between the major regional centres across the globe. Each building has a local area network. Where regional offices are older and the businesses in them are more established, the Group has developed centralised structures for the sharing of computer rooms, help desks and operators. In addition, core applications for banking, finance and accounting, and payments are shared throughout the Group.

Year 2000

All the Group's year 2000 preparations were completed, and the transition of all operations into the new millennium was successfully achieved within the cost budget.

New economy

The focus for the division now shifts to ensuring that all units have adequate plans in place to support the business in the "New Economy". The Group has historically positioned itself as a "virtual bank" with little emphasis on traditional "brick and mortar" facilities. In order to introduce the Internet as an alternative distribution channel, Investec is equipping its legacy applications with an e-commerce capability. This strategy will allow for a more aggressive roll out of the Group's Internet technologies and applications.

Investec's current capabilities in this area are becoming extensive, shown for example, by the following:

- Investec Asset Management has fully embraced the Internet through its business operations and product offering, in particular the Wired, Wireless World and Internet.com funds. Web sites already play a vital role in the company's client interface, with around 150 000 visits per month. The sites offer services ranging from account valuations through to full online transactions. In addition, Insight, an online product for financial intermediaries, has vast potential, which will be used to advantage in the coming year. A South African online unit trust offering will be introduced during the first quarter of the next financial year.
- The Investec Private Bank Account offers an online banking capability, including inter-account transfers, third party payments and transactional statements. In addition, the Private Bank provides South African clients with a comprehensive online securities and portfolio management capability. In the UK an innovative approach to Internet banking and personal financial planning will be implemented during the first quarter of the new financial year.
- Investec Clali was the first Israeli bank to launch a comprehensive Internet banking facility, enabling clients to execute banking, securities and foreign exchange transactions via the Internet. In addition, Investec Clali is the only Israeli bank to offer online trading in both Israeli and NASDAQ stocks.
- In South Africa, institutional securities clients' research needs are serviced via the Investec Securities Institutional Stockbroking division's client web site. This facility offers a full range of research as well as access to internal models and valuation methodologies.
- The Market Maker system provides a real-time Internet-based treasury system that provides 'live' rates as well as an execution capability across a wide range of foreign exchange and treasury products.
- Investec Ernst & Company in New York has introduced DeskTec(tm), a state of the art front and back office system that runs over the Internet. This system assists correspondent and prime brokers in the day-to-day operations and streamlines their interactions with Investec Ernst.

Investor and Other Stakeholder Relations

With the increased sophistication of financial market research and the growing complexity of the Group, a dedicated investor and other stakeholder resource was established to assist in meeting the information demands of such stakeholders. These include investment analysts, rating agencies and regulatory bodies.

The unit works closely with the wider Group to ensure that its financial and strategic experiences and objectives are represented accurately and meaningfully from a divisional and macro perspective.

As part of its efforts to address investor-specific requests, a comprehensive sub-web site was designed. The web site provides a spectrum of financial and share performance statistics, enabling shareholders to assess the performance of their investment.

Legal, Secretarial and Tax

The Legal, Secretarial and Tax divisions provide services to support Group requirements and ensure that the Group complies with legislation in all its jurisdictions. The services cover compliance functions as well as decision support functions for specialised transactions, acquisitions and the development of new products.

Senior members of these divisions represent the Group on various external bodies.

Marketing

The Marketing division's primary function is to build the Investec brand globally. The emphasis is always on the corporate brand and its link to divisional and product offerings.

Marketing comprises a number of teams, each of which helps to develop and implement the marketing strategies of the various business units. These teams embrace a mix of specialist skills, in particular brand management, promotions and event management. A communications and information team is responsible for managing visual standards, media relations, copywriting, production of Group branded material, branding of web sites and the Intranet, and marketing information and research.

A primary emphasis is to satisfy the unique marketing needs of the business units in each country. These efforts, however, must be in synergy with the overall marketing strategy of the Group.

Group and Other Services

Among the division's most prominent projects during financial 2000 was the coordination of an initiative involving the revision of Investec's corporate identity,The exercise followed a comprehensive assessment of the Group's brand management practices and an investigation of the correlation between its image and the corporate identity.

A central purpose of the project is to refresh the Group's corporate identity by re-energising the overall Investec visual style, as well as to have a common thread running through all its branded expressions.This will ultimately result in the promotion of the Investec corporate brand in the Group's jurisdictions around the world. Implementation of the revised corporate identity began on 30 June.

Organisation Development

During the 2000 financial year Investec formalised an internal Organisation Development capability, to partially replace a facility previously provided by an external consultant.

Organisation Development is designed as part of a broader Group initiative to meet the challenges of growth, increasing complexity and internationalisation. Organisation Development comprises a global team of specialists and provides an independent support function for management. It will work closely with the Group's strategy and human resource functions.

Organisation Development is concerned with the way in which change is encouraged and managed. It is an Investec tradition to manage change through a culture of participation that takes into account the technical and human aspects of the organisation.This unique aspect means the Group recognises the value of bringing about change as an ongoing process, rather than planning it as an event.

Investec's approach to its internal development has always been to come to grips with its own increasing complexity, and to advance those elements that ensure capacity for learning, sustainability and the capacity to thrive.This has been achieved through a commitment to the Group's core philosophies and values. It is also helped by Investec's entrepreneurial but collegiate environment in which people are encouraged to engage in dialogue and debate.

Organisation Development's primary focus will be to encourage those processes across Investec's geographic reach which build the greater Group's capacity to learn, grow and prosper. Key to this will be:

- Facilitating strategy as a process, not a plan and ensuring its implementation.
- Promoting understanding of Investec's values and philosophies and facilitating the practice of these as a"living" culture
- Ensuring integration globally, across business units and new acquisitions.
- Growing and enhancing leadership capability and developing teams able to work together locally and across borders.
- Continuously appraising and evaluating the Group's well being and readiness to change.
- Developing individual and organisational capability to manage change so as to promote revitalisation and renewal.

Strategic Research

Together with the individual divisions, Strategic Research focuses on the development and formulation of the Group's overall strategic direction. It also assists the divisions in developing the capacity for strategic thinking, ensuring that employees are kept informed of trends in the Group's domestic and international business environment.

Facilitated by the Organisation Development specialists, Group objectives and operating parameters are determined, taking into account the constraints and opportunities facing the Investec Group as a whole. Using this broader framework as a basis, the divisions formulate their individual strategic objectives which assist them in building their distinct positioning in defined market niches.

Other Services

South Africa

Investec Property Group

Service offering

The main activities of the Investec Property Group, a wholly owned subsidiary of Investec, are property trading and development, property investment broking, property management, property loan stock management and property syndications. Investec Property Group focuses on new developments for committed tenants or investors, refurbishing premises, managing tenant changes and refinancing properties or portfolios.

As a result of its significant geographic spread, the division offers clients regional, national and international property transactions.

Operational review

Driven by declining interest rates, the property investment climate in South Africa showed signs of recovery in the last quarter of financial 2000. Required rates of return, however, though less demanding, remained significantly higher than those prior to the interest rate surge. The institutional investment appetite continues to be limited, in part because the extent of investment in property is out of proportion with yardsticks established by international benchmarks.

Property Trading focus

As the current financial year commenced, the Property Trading division focused on sourcing properties with medium- to long-term, high-quality income streams. The logic was that by the time more favourable industry conditions return, opportunities of this kind may have dried up.

Simultaneously, and to prepare for a return to conditions approaching normality, the emphasis was on consolidating and completing existing trading stock.

The strategy was effective to the extent that, in a challenging market, a creditable trading profit was contributed. This compares with a loss sustained in the previous financial year. This achievement was largely due to the success of the focused drive first to source and then to trade in quality rental streams.

In the circumstances, trading revenue was acceptable and Property Trading contained costs by keeping its overheads on a tight rein through making good use of external property professionals to mutual benefit.

New land acquisition

A strategic acquisition was finalised in partnership with a private client consortium of 8.5 hectares of prime land in Sandhurst, Sandton (near Johannesburg). It is opposite one of South Africa's most successful shopping nodes.

A rezoning application which was submitted mid-year stimulated a furore of opposition from residents in an adjacent area. Investec is resolving the differences by talking with the residents' association and local authorities. The process is well advanced and should be completed to the satisfaction of all parties this year.

The rezoning application in question proposes developing 65 000m^2 of office development on a site serviced by major road arterials. A very high quality upmarket residential development is planned for that portion of the site which borders on the adjoining residential suburb.

Opening of Beacon Bay

The 25 000m^2 Beacon Bay Shopping Centre in East London was successfully opened, is virtually fully let and was well received in the city. The centre is substantially tenanted by national chain stores such as Game, Pick 'n Pay, Sportsman's Warehouse, Nu Metro and Clicks. Retailers report positive trading conditions.

As a result of its expertise and experience in retail property, the division was appointed by Westfield,

Group and Other Services

Australia's largest shopping centre owners and managers, to represent it in servicing South African retailers with international aspirations.

Prospects

After years of disenchantment, property investment is regaining momentum. Companies in the JSE's listed property sector are once again emerging as significant buyers. Continuing momentum is a key driver both for the industry and the ability to trade physical property. Continuing institutional disinvestment as well as corporate clients seeking to lighten property holdings are strategic targets in the new financial year.

The team is well positioned to exploit opportunities by leveraging off specialist skills within the Group and to gain advantage in a competitive environment. It is anticipated that an aggressive budget can be achieved.

Property Management

High interest rates, limited institutional interest and the slow pace of the economy made financial 2000 difficult for property. The division was under real pressure to maintain rental and occupancy levels.

Given the conditions in which tenants traded, the division performed well to achieve budget and to contribute positively to the Investec Property Group's profit.

Property Asset Management

The Group's activities with respect to Property Asset Management is largely represented through the Metboard Properties Portfolio (METPROP) and the Growth Point Properties Portfolio (Growthpoint).

Metprop, essentially positioned as an industrial property portfolio, acquired 36 industrial properties throughout South Africa with an aggregate value of R160 million, resulting in the composite portfolio comprising 98 properties with a directors' valuation of 501 million as at 31 March 2000.

Growthpoint continued to rationalise its portfolio over the past year in order to reduce its debt exposure. A total of 3 properties were disposed of, leaving 9 properties remaining at year end with an aggregate value of R123 million.

Reichmans Group

Service offering

Reichmans offers trade and asset finance to privately owned businesses involved mainly in manufacture, trading and wholesale distribution, in order to fund growth. Services provided include import and export finance, receivables finance as well as installment sale and rental facilities.

Operational review

The Reichmans Group experienced difficult trading conditions. This was mainly attributable to high interest rates, Rand instability and a weak economy, which led many importers to source their products locally. New listings and mergers also took their toll on the company's client list.

Profit constant

In these circumstances, the company's performance remained relatively static with a contribution to Group earnings before tax and exceptional items in excess of R30 million. Debtors remained static at R376 million.

Difficult trading conditions resulted in a number of problem accounts arising later in the year, impacting adversely on profitability.

Margins remained relatively stable. This is in marked contrast to the previous year when South Africa's high interest rates, volatile exchange rates and low business confidence prompted a significant margin squeeze.

Consolidation of acquisition

The full integration of Capital Financial Holdings, a leasing company purchased in 1998, with the Reichmans Group was completed during the year. Newly released synergies will benefit both companies. This was shown in May 1999 when Capital absorbed the Investec leasing book, enabling Reichmans to operate in a new market without incurring heavy overheads.

Profound changes in the business environment have prompted a restructuring process within Reichmans, both locally and overseas. Logically, the processing of the company's letters of credit and foreign exchange contracts have been switched to Investec Bank (Mauritius).

Prospects

The marked recovery now noticeable in the South African economy, coupled with Reichmans' restructuring, will enable the company to grow its book over the current financial year. Its contribution to Group earnings should improve materially.

United Kingdom

Investec Property and Investec Taylor Rose

Operational review

In 1999 conditions in the UK property market became increasingly favourable. An anticipated recession, stemming from upheaval in world stock markets in the former year, did not materialise. Confidence returned, making the UK property market an attractive investment. Low borrowing rates were coupled with higher property yields.

By the second half of the year, private and institutional investors were competing for stock. Tenant demand also recovered during the year and the rental of the central London office markets grew by 10% to 15%.

Reduction in property holdings

These conditions helped the property division to divest itself of investment properties acquired as part of the Hambros plc acquisition. Profits increased significantly with the reduction of the portfolio from UK£85 million to UK£25 million. The division's property consulting service, Investec Taylor Rose, had a successful year and contributed professional expertise to the Group as a whole.

Prospects

The outlook for the existing property portfolio is promising. The asset class is likely to perform well in the absence of any major reverse in the stock market. The division is now focusing on acquisitions where it can add value over a relatively short time through refurbishment, development or concentrated management. It also aims to deliver its buying and active management services to private clients through syndication.

Directors' Responsibilities and Governance

RESPONSIBILITY

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Group's financial statements, accounting policies and information contained in Investec's annual report.

This responsibility is supported by internal control and risk processes implemented by Investec management, and independently monitored for effectiveness.

GOVERNANCE

The Group endorses the King Code of Corporate Governance and operates in broad compliance with its recommendations. International business units operate in accordance with the governance recommendations of the jurisdictions in which they operate, but with clear reference at all times to Group values and culture.

The Group recognises its responsibility as a financial institution to conduct its affairs with prudence and integrity and to safeguard the interests of all stakeholders.

Board of directors

The Board of directors meets on a regular basis to evaluate performance, assess risk and review the strategic direction of the Group. Board appointments are based on a required mix of skills and experience to ensure the ongoing success of the Group. Non-executive directors provide objectivity and independence to board deliberations and internal decision making processes.

The chairman of the board is independent of the executive directors. Each strategic business unit appoints its own board to oversee operations, anticipate and manage risk and to implement Group strategy and vision.

The board is supported by various internal committees and functions in executing its responsibilities.

Remuneration of the board is reviewed and approved by an independent committee which advises the chairman of the board. Directors do not have service contracts.

Management

Operational management is appointed by the board, based on the skill and experience necessary to perform the function envisaged.

Various processes are in operation which promote interactive dialogue, decision making and independent review between Group management and the executive directors.

Internal financial control

Financial controls throughout the Group focus on critical risk areas. These areas are identified by operational management, confirmed by Group management, monitored by the board, reviewed by Group risk management and evaluated by the independent auditors.

The directors report that the Group's system of internal financial control is designed to:

- provide reasonable assurance of both the integrity and reliability of financial information
- adequately safeguard, verify and maintain accountability of assets
- prevent and detect fraud

Internal financial controls are based on established policies and procedures. Controls are reviewed and evaluated regularly for appropriateness and effectiveness. Best practices are reinforced through active risk management processes and initiatives.

Management is responsible for implementing internal financial control, ensuring that personnel are suitably qualified and that an appropriate segregation exists between duties and independent review.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns and to ensure that timely and appropriate corrective action is taken.

Going concern

The financial statements contained in this report are prepared on the going concern basis. The directors are of the opinion, based on enquiries made and their knowledge of the Group, that adequate resources exist to support the group on the going concern basis.

Directors' Responsibilities and Governance

Risk Management

The identification, anticipation and management of risks inherent in the operations of the Group is subject to rigorous evaluation. The Group strives to understand and measure risks in order to make considered judgements and decisions and to limit loss situations. The independent Group risk management division is responsible for the implementation of risk awareness and knowledge transfer.

Audit committee

An audit committee comprising a majority of non-executive directors meets regularly to review and assess both the internal control environment and the audit process, to review the interim and annual financial reporting and to highlight matters which are considered to be of high risk.

In turn, the audit committee is, supported by operational audit sub-committees, designed to assess, implement and report on the operational internal control environment.

The group risk management division, the banking supervision department of the South African Reserve Bank and the Group's independent auditors, have unrestricted access to the audit committee.

Employee participation and skills

Ownership of the Group is devolved on employees through the Staff Share Scheme, and is actively encouraged.

Skills enhancement is achieved through the development and presentation of internal and external training courses and support of employees wishing to further their skills at recognised external institutions. The Group's culture values employee participation in the decision making process, and encourages communication throughout the Group.

Values

The Group has a strong culture of entrenched values which forms the cornerstone of the expected behaviour of the Group towards all stakeholders, both internal and external. These values are continually reinforced.

Regulation and supervision

The Group is subject to external regulation and supervision by various statutory bodies and regulators. The Group strives to achieve an open and active dialogue with its regulators and to comply with the various regulatory and supervisory requirements.

Where appropriate, the Group participates in industry committees and discussion groups to maintain and enhance the regulatory environment in which it operates.

FINANCIAL STATEMENTS FOR INVESTEC GROUP LIMITED

The financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company and of the Group at the year-end. The financial statements appearing on pages 102 to 134 were approved by the Board of Directors on 22 May 2000 and are signed on its behalf by

Hugh Herman
Chairman

Stephen Koseff
Chief Executive Officer

FINANCIAL STATEMENTS FOR INVESTEC HOLDINGS LIMITED

The financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company at the year-end. The financial statements appearing on pages 141 to 145 were approved by the Board of Directors on 23 May 2000 and are signed on its behalf by

I R Kantor
Chairman

B Kardol
Deputy Chairman

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
22 May 2000

Report of the Independent Auditors

To the Members of Investec Group Limited

We have audited the annual financial statements and Group annual financial statements set out on pages 102 to 134 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.

KPMG Inc.

KPMG Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
22 May 2000

Ernst + Young

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

Directors' Report

Nature of business

Investec Group Limited is a bank controlling company which, through its subsidiaries, conducts a wide range of Investment Banking and Principal Transactions, Corporate Banking and Interest Rate Activities, Private Client Services and Asset Management.

Authorised and issued share capital

The authorised share capital remained unchanged during the year.

During the year, 169 915 ordinary shares were issued to the staff share scheme for a total of R12 million, including share premium.

25 561 convertible debentures were converted into ordinary shares, on a one for one basis at an average of R24,20 per share and 20 000 at R175,00 per share.

As a result of the above issues and conversions, share premium of R17 million was raised after accounting for share issue expenses.

Financial results

The results of the company and the Group are set out in the financial statements and accompanying notes.

Dividends	2000 Rm	1999 Rm
Ordinary dividends		
The following ordinary dividends were declared:		
Interim dividend of 237,5 cents per share (1999 – 175 cents) to shareholders registered on 5 November 1999 – paid on 19 November 1999	191	140
Final dividend of 382,5 cents per share (1999 – 300 cents) to shareholders registered on 9 June 2000 – payable on 21 June 2000	308	241
	499	381

Preference dividends		
The following preference dividends were paid or accrued: Redeemable preference shares (included in interest paid)	318	253

The principal value of preference shares has been classified as liabilities in terms of AC125, and included under creditors and other liabilities.

Directors and secretary

Details of the directors and secretary are reflected on pages 12 and 157 respectively.

Messrs G H Davin, D M Lawrence, D H Mitchell, B Tapnack, P R S Thomas and Dr H K Davies retire by rotation, but being eligible, offer themselves for re-election.

On 31 March 2000 the directors beneficially held 9 767 shares in the company (1999 – 39 068). The directors' future entitlements under the share incentive trusts are 141 225 (1999 – 178 208) Investec Holdings Limited ordinary shares.

At 31 March 2000, no directors held 1% or more of the issued capital.

Share incentive trusts

The trust deed for the Investec Group Limited Security Purchase and Option Scheme was approved by members at the annual general meeting held on 23 September 1999. The staff share purchase and option schemes operate in terms of the above mentioned trust deed, which was registered during the year ended 31 March 2000. The status of the two schemes at 31 March 2000 was as follows:

	2000	1999
The following number of options were granted to management and staff but not yet exercised :		
Investec Group Limited Shares	3 480 070	1 540 805

Directors' Report

The above options have been granted at an average exercise price of R230,59 at exercise dates ranging from 1 April 2000 to 31 March 2010.

	2000	1999
The following number of Group instruments were owned and administered by the scheme on behalf of participants who had purchased the instruments but not yet taken them up:		
– Investec Group Limited ordinary shares	770 331	1 158 149
– Investec Group Limited convertible debentures	980 000	1 000 000
– Investec Holdings Limited ordinary shares	3 802 877	4 212 370
The scheme was financed by a loan from Investec Bank Limited, which is included in advances and other accounts	R555 m	R793 m

During the year ended 31 March 2000 the following instruments were issued to staff in terms of the share purchase scheme:

- 27 915 Investec Group Limited ordinary shares at an average price of R254,37 per share.
- 600 541 Investec Group Limited convertible debentures at an average price of R230,95 per debenture.
- 21 725 Investec Holdings Limited ordinary shares at an average price of R144,88 per share, relating to staff share placements made in the prior year.

At the forthcoming annual general meeting, members will be requested to approve an increase in the maximum number of securities which may be subject to the scheme from 9 750 000 to 12 000 000, in order to cater for the increased number of employees in the Group.

Audit committee

An audit committee comprising executive and non–executive directors meets regularly with senior management, the external auditors, risk management review and the Group's finance and accounting division to consider the nature and scope of the audit reviews and the effectiveness of the Group's risk and control systems.

Contracts

None of the directors and officers of the company had an interest in any contract of significance during the financial year.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 133 and 134.
The interest of the company in the aggregate profits after tax of its subsidiary companies for the year is R967 million (1999 – R793 million) and its share in aggregate losses is R24 million (1999 – R66 million).

Special resolutions

On 23 September 1999, the following special resolutions were passed to amend the Articles of Association of the company:

- to approve the acquisition of shares issued by the company in terms of Section 85 of the Companies Act, 1973, as amended;
- to provide for the appointment of a company secretary in accordance with the provisions of Chapter IXA of the Companies Act, 1973, as amended;
- to facilitate the Johannesburg Stock Exchange's concept of STRATE and to enable members of the Company to dematerialise their share certificates;
- to provide for the payment to shareholders as determined in section 90 of the Companies Act, 1973, as amended.

The special resolutions were registered by the Registrar of Companies on 26 October 1999.

Major Shareholders

At 31 March 2000, the following shareholders were registered as holding 5% or more of the issued shares of the company:–

Investec Holdings Limited	43,1%
Standard Bank Nominees Tvl (Pty) Ltd	18,2%
Nedcor Bank Nominees Ltd	11,1%
CMB Nominees (Pty) Ltd	6,9%

At 31 March 2000, as reported to the company the following beneficial shareholders held 5% or more of the issued shares of the company:–

Investec Holdings Limited	44,6%
Sanlam	5,7%

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and international accounting standards, as well as complying with South African Statements of Generally Accepted Accounting Practice.

Post balance sheet events

There were no material post balance sheet events.

Balance Sheets

For the year ended 31 March		Group		Company	
(R millions)	Notes	2000	1999	2000	1999
Assets					
Cash and short-term funds	1	73 127	36 711	–	–
Short-term negotiable securities	2	39 043	37 014	–	–
Investment and trading securities	3	8 924	7 837	–	–
Other assets	4	7 297	4 866	19	–
Advances	5	33 034	21 700	2	2
Subsidiary companies		–	–	5 307	4 871
Associated companies	6	413	618	293	264
Fixed assets	7	1 065	924	–	–
Intangible assets	8	2 443	2 147	–	–
		165 346	111 817	5 621	5 137
Equity and Liabilities					
Capital and Reserves					
Ordinary share capital	9	48	48	48	48
Compulsorily convertible debentures	10	1 710	1 715	171	176
Reserves	11	5 910	5 344	5 032	4 632
		7 668	7 107	5 251	4 856
Interest of minority shareholders in subsidiaries		291	560	–	–
Total shareholders' funds		7 959	7 667	5 251	4 856
Liabilities					
Deposits and other accounts	12	156 718	103 680	26	14
Taxation	13	361	229	36	26
Shareholders for ordinary dividend		308	241	308	241
		165 346	111 817	5 621	5 137

Income Statements

For the year ended 31 March		Group		Company	
(R millions)	Notes	2000	1999	2000	1999
Interest received	14.1	9 038	9 449	29	11
Interest paid	14.2	7 608	8 246	–	–
Net interest income		1 430	1 203	29	11
Provision for bad and doubtful debts	5	211	223	–	–
		1 219	980	29	11
Other income	15	3 230	2 204	823	270
Total income		4 449	3 184	852	281
Operating expenses	15	2 791	2 064	–	–
Income before exceptional items		1 658	1 120	852	281
Exceptional items	15	165	35	–	(455)
Income before taxation		1 493	1 085	852	736
Taxation	16	457	282	10	23
Income after taxation		1 036	803	842	713
Share of income of associated companies	17	106	78	61	52
Net income		1 142	881	903	765
Earnings attributable to minority shareholders		15	37	–	–
		1 127	844	903	765
Compulsorily convertible debenture interest		245	92	21	13
Earnings attributable to ordinary shareholders		882	752	882	752
Earnings per share (cents)	23	1 095,9	945,8		
Headline earnings per share (cents)	23	1 300,9	989,6		
Diluted earnings per share (cents)	23	1 095,7	945,3		
Diluted headline earnings per share (cents)	23	1 300,6	989,1		
Dividends per share (cents)		620,0	475,0		
Headline earnings attributable to ordinary shareholders					
Earnings attributable to ordinary shareholders		882	752		
Exceptional items		165	35		
		1 047	787		

Cash Flow Statements

For the year ended 31 March (R millions)	Notes	Group 2000	Group 1999	Company 2000	Company 1999
Cash retained/(utilised) from operating activities					
Cash generated by operating activities	20.1	1 997	1 425	377	86
Dividends received from associated companies	20.2	55	36	32	23
Taxation paid	20.3	(257)	(165)	–	(15)
Cash available from operating activities		1 795	1 296	409	94
Dividends paid	20.4	(432)	(315)	(432)	(315)
Compulsorily convertible debenture interest paid		(245)	(92)	(21)	(13)
Net cash inflow/(outflow) from operating activities		1118	889	(44)	(234)
Cash generated/(utilised) in investing activities					
Net cash or cash equivalents acquired	20.5	5 810	(2 245)	39	–
Net investment in associated companies		–	(294)	–	(867)
Net investment in fixed assets		(242)	(167)	–	–
Net cash inflow/(outflow) from investing activities		5 568	(2 706)	39	(867)
Cash flows from banking activities					
Movement in deposits and other accounts		42 046	17 935	12	20
Movement in income earning assets	20.6	(12 921)	(20 497)	(19)	–
Net cash inflow/(outflow) from banking activities		29 125	(2 562)	(7)	20
Cash flow from financing activities					
Proceeds on issue of ordinary shares and conversion of debentures		12	906	12	906
Net proceeds on issue of convertible debentures		–	1 432	–	175
Net cash inflow from financing activities		12	2 338	12	1 081
Net increase/(decrease) in cash and short-term funds		35 823	(2 041)	–	–
Cash and short-term funds at beginning of year	20.7	37 304	38 752	–	–
Cash and short-term funds at end of year		73 127	36 711	–	–

Statement of Changes in Shareholders' Funds

For the year ended 31 March		Group		Company	
(R millions)	Notes	2000	1999	2000	1999
Share capital					
Balance at beginning of year		48	46	48	46
Issue of shares		–	2	–	2
Balance at end of year	9	48	48	48	48
Compulsorily convertible debentures					
Balance at beginning of year		1 715	286	176	4
Issues of debentures		–	1 432	–	175
Conversion to ordinary shares		(5)	(3)	(5)	(3)
Balance at end of year	10	1 710	1 715	171	176
Share premium					
Balance at beginning of year		3 934	3 027	3 934	3 027
Issue of shares		12	904	12	904
Conversion from debentures		5	3	5	3
Balance at end of year	11	3 951	3 934	3 951	3 934
General reserves					
Balance at beginning of year		811	769	917	570
Prior year adjustments:					
Interest rate differential	18.1	–	(119)	–	–
Goodwill amortised in respect of associated companies	18.3	–	(97)	–	–
Earnings attributable to ordinary shareholders		882	752	882	752
Transfer to equity accounted reserves of associated companies		(50)	(37)	(29)	(24)
Dividends	19	(499)	(381)	(499)	(381)
Negative goodwill written off		–	(76)	–	–
Transfer from secondary reserves		24	–	–	–
Balance at end of year	11	1 168	811	1 271	917
Secondary reserves					
Balance at beginning of year		462	1 999	(342)	1 207
Prior year adjustments:					
Interest rate differential	18.1	–	119	–	–
Mark to market of associated companies	18.2	–	(1 743)	–	(537)
Reclassification of general provisions	18.4	–	(136)	–	–
Transfer to general reserves		(24)	–	–	–
Movement in revaluations		166	223	–	(1 012)
Balance at end of year	11	604	462	(342)	(342)
Equity accounted reserves of associated companies					
Balance at beginning of year		137	100	123	99
Transfer from general reserves		50	37	29	24
Balance at end of year	11	187	137	152	123
		7 668	7 107	5 251	4 856

Accounting Policies

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 18 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.

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 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.

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 are 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%

Deferred taxation

Deferred taxation is provided on the comprehensive basis using the liability method on timing differences arising

Accounting Policies

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 unrealised 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 recognised 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.

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 (Tvl) (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 – applied to Investec Group Limited and Investec Bank Limited financial statements only.

Comparative figures

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

Notes to the Financial Statements

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
1. Cash and short-term funds				
Cash and gold coins	25	2	–	–
Balances with Central Bank	6 147	2 617	–	–
Balances with other banks	22 880	12 355	–	–
Loans under resale agreements	34 131	14 645	–	–
Secured stock borrowing	6 543	4 830	–	–
Other short–term funds	3 401	2 262	–	–
	73 127	36 711	–	–
2. Short–term negotiable securities				
Analysis by portfolio				
Investment	1 361	790	–	–
Trading	37 682	36 224	–	–
	39 043	37 014	–	–
3. Investment and trading securities				
Category analysis				
Government and government guaranteed	3 787	2 033	–	–
Listed securities	2 018	1 761	–	–
Unlisted securities and investments	3 119	4 043	–	–
	8 924	7 837	–	–
Analysis by portfolio				
Liquid assets	3 894	2 265	–	–
Trading	822	625	–	–
Investment	4 208	4 947	–	–
	8 924	7 837	–	–
4. Other assets				
Settlement debtors	5 552	3 157	–	–
Other debtors and prepayments	1 745	1 709	19	–
	7 297	4 866	19	–

Notes to the Financial Statements

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
5. Advances				
Category analysis*				
Commercial property loans	4 030	3 117	–	–
Residential mortgages	5 154	3 262	–	–
Leases and instalment debtors	2 342	2 212	–	–
Corporate and public sector loans and advances	11 722	9 015	–	–
Margin lending	5 327	394	–	–
Other private bank lending	2 706	1 032	–	–
Other loans and advances	2 573	3 398	2	2
	33 854	22 430	2	2
Specific provision against doubtful debts	523	494	–	–
General provision against doubtful debts	297	236	–	–
	33 034	21 700	2	2
Specific and general provisions				
Reconciliation of movements in Group specific and general provisions for bad and doubtful debts.				
Balance at beginning of year	730	365	–	–
Income statement charge	211	223	–	–
Bad debts written off against provisions net of recovery	(179)	(141)	–	–
Provisions purchased on acquisitions	58	283	–	–
Balance at end of year	820	730	–	–
Maturity analysis				
On demand to one month	10 690	5 304	–	–
One month to six months	3 257	3 057	–	–
Six months to one year	2 350	953	–	–
One year to five years	8 549	7 182	2	2
Greater than five years	9 008	5 934	–	–
	33 854	22 430	2	2

* See also pages 36, 37 and 40

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
5. Advances (continued)				
Geographical analysis				
Southern Africa	17 606	13 976	2	2
Europe and United Kingdom	7 512	4 041	–	–
Israel	3 268	2 353	–	–
USA	5 266	1 968	–	–
Australia	202	92	–	–
	33 854	22 430	2	2
6. Associated companies				
Shares at cost	363	618	141	141
Less: Goodwill	137	137	–	–
	226	481	141	141
Equity accounted share of retained earnings	187	137	152	123
Book value at end of year	413	618	293	264

The only significant associate is Fedsure Holdings Limited which is a related party. The significant activities between the Group and Fedsure, all of which are on an arms length basis, are:

1. The Group offers its client base linked life annuity investments which are underwritten by the Fedsure Group.
2. Included in funds under management are investments placed on behalf of brokers and clients in Fedsure managed products. The value of these investments at year end was R491 million (1999: R588 million).
3. The Group operates its medical aid fund through Fedsure Health Assurance Limited, a subsidiary of Fedsure Holdings Limited. Net risk contributions for the 1999 calendar year amounted to R8,8 million (1998 – R6,7 million).

Notes to the Financial Statements

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
6. Associated companies (continued)				
The Fedsure Holdings Limited financial statements for the year ended 31 December 1999 include the following financial highlights:–				
Attributable Income R627 million (1999: R472 million)				
Attributable Earnings per share 367,3 cents (1999: 318,4 cents)				
Total Assets R44 769 million (1999: R33 480 million)				
Fedsure Holdings Limited is a listed company on the Johannesburg Stock Exchange. Please refer to their published annual report at 31 December 1999 for further details.				
7. Fixed assets				
Operational properties and leasehold improvements				
– Cost	752	670	–	–
– Accumulated depreciation	105	92	–	–
Net book value at end of year	647	578	–	–
Vehicles, furniture and equipment				
– Cost	667	618	–	–
– Accumulated depreciation	318	332	–	–
Net book value at end of year	349	286	–	–
Investment properties at cost	69	60	–	–
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	1 065	924	–	–
Analysis of movements				
Balance at beginning of year	924	695		
Net additions	269	311		
– Operational properties	117	121		
– Vehicles, furniture and equipment	98	120		
– Investment properties and leasehold improvements at cost	54	70		
Depreciation of vehicles, furniture and equipment	(122)	(78)		
Depreciation of operational properties	(6)	(4)		
Balance at end of year	1 065	924		

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
8. Intangible assets				
Goodwill				
Balance at beginning of year	2 147	160		
Net amount on acquisitions	461	2 161		
Negative goodwill written off	30	15		
Goodwill amortised	(195)	(189)		
Balance at end of year	2 443	2 147		
9. Ordinary share capital				
Authorised				
105 000 000 (1999 – 105 000 000) ordinary shares of 60 cents each.	63	63	63	63
Issued				
80 575 308 (1999 – 80 359 832) ordinary shares of 60 cents each.	48	48	48	48
The unissued shares are under the control of the directors until the next annual general meeting.				
10. Compulsorily convertible debentures				
10.1 Company				
Authorised				
10 000 000 (1999 – 10 000 000) unsecured subordinated compulsorily convertible debentures of 60 cents each.	6	6	6	6
5 000 000 (1999 – 5 000 000) Class “A” unsecured subordinated compulsorily convertible debentures of 60 cents each.	3	3	3	3
Issued				
18 147 (1999 – 43 708) unsecured subordinated compulsorily convertible debentures of 60 cents each issued at various premiums.	1	1	1	1

Interest is payable six monthly in arrears on 1 April and 1 October of each year at a variable rate calculated on R18.50 per debenture.

Notes to the Financial Statements

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
10. Compulsorily convertible debentures (continued)				
10.1 Company (continued)				
For the year to March 2000 the debentures attracted a rate between 13,19% and 16,10%. From 1 April 2000 the interest escalates by 2% per annum, subject to a maximum of the prime overdraft rate minus 2% capped at 24% per annum. These debentures will automatically convert into ordinary shares, on a one for one basis, on 13 November 2001, or at the election of the holders on 31 March 2000.				
980 000 (1999 – 1 000 000) Series I Class "A" unsecured subordinated compulsorily convertible debentures of 60 cents issued at a premium of R174.40 each.	170	175	170	175
Interest is payable six monthly in arrears on 1 May and 1 November of each year at a variable rate of 3% below the official rate as defined in the 7th schedule of the Income Tax Act of 1962. The Series I Class "A" convert into ordinary shares, on a one for one basis, at the election of the holders. If not converted by election, they will automatically convert on 1 October 2008. The unissued debentures are under the control of the directors until the next annual general meeting.				
10.2 Subsidiary				
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	–	–
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 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.				

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
10. Compulsorily convertible debentures (continued)				
10.2 Subsidiary (continued)				
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 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.				
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	–	–
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	–	–
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	–	–
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 date 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. All the convertible debentures are issued as part of the Group's employee share ownership initiatives and are exempt from the requirements of AC125.				
Total compulsorily convertible debentures	1 710	1 715	171	176

Notes to the Financial Statements

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
11. Reserves				
Share premium	3 951	3 934	3 951	3 934
General reserves	1 168	811	1 271	917
Secondary reserves	604	462	(342)	(342)
Equity accounted reserves of associated companies	187	137	152	123
	5 910	5 344	5 032	4 632
Secondary reserves comprise:				
Revaluation of investments	590	517	(337)	(337)
Foreign currency revaluation	554	485	(5)	(5)
Goodwill written off	(540)	(540)	–	–
	604	462	(342)	(342)
See note 20.2 for additional information on movements in equity accounted reserves of associated companies.				
12. Deposits and other accounts				
Category analysis				
Deposits and loans from banks	13 865	10 375	–	–
Demand and savings deposits	21 029	14 352	–	–
Fixed and notice deposits	36 209	16 465	–	–
Negotiable certificates of deposit	9 553	5 257	–	–
Other deposits and loan accounts	4 209	2 924	–	–
Liabilities in respect of repurchase agreements	53 653	37 575	–	–
Stock lending	5 843	7 654	–	–
Creditors and other accounts	12 357	9 078	26	14
	156 718	103 680	26	14
Maturity analysis				
On demand to one month	99 869	65 452	–	1
One month to six months	41 038	27 384	10	13
Six months to one year	7 677	6 514	16	–
Greater than one year	8 134	4 330	–	–
	156 718	103 680	26	14

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
13. Taxation				
Taxation payable	371	157	36	26
Deferred taxation liability	50	72	–	–
Deferred taxation asset	(60)	–	–	–
	361	229	36	26
14. Interest				
14.1 Interest received				
Cash and short term funds	4 948	4 915	–	–
Short-term negotiable funds	353	595	–	–
Investment and trading securities	357	426	–	–
Advances	3 273	3 322	–	–
Intercompany loans	–	–	29	11
	8 931	9 258	29	11
Foreign currency gains	171	214	–	–
Foreign currency losses	(64)	(23)	–	–
	9 038	9 449	29	11
14.2 Interest paid				
Demand and savings deposits	1 305	2 332		
Fixed and notice deposits	2 176	1 801		
Negotiable certificates of deposits	799	493		
Repurchase agreements	2 797	2 855		
Other deposits and loan accounts	531	765		
	7 608	8 246		

Notes to the Financial Statements

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
15. Other income, operating expenses and exceptional items				
Other income comprises				
Net trading profit	280	173	–	–
Deal income	559	214	–	–
Annuity fees and commissions	1 904	1 463	–	–
Dividends received	36	46	348	75
Investment income	451	308	–	–
Equity accounted earnings of subsidiaries	–	–	475	195
	3 230	2 204	823	270
Operating expenses comprise				
Personnel remuneration	1 423	1 023	–	–
Pension and provident fund contributions	101	81	–	–
Auditors' remuneration	22	19	–	–
audit fees	17	17	–	–
fees for other services	5	2	–	–
Directors' emoluments paid by subsidiary				
Executive directors	12	7	–	–
remuneration	12	7	–	–
other benefits	–	–	–	–
Non executive directors				
remuneration	1	–	–	–
Depreciation	128	82	–	–
Premises	217	121	–	–
Equipment	209	140	–	–
Business expenses	537	488	–	–
Marketing expenses	141	103	–	–
	2 791	2 064	–	–
Exceptional items comprise				
Net surplus on disposal of associated companies and subsidiaries	–	(63)	–	(455)
Goodwill amortised	195	189	–	–
Negative goodwill written off	(30)	(91)	–	–
	165	35	–	(455)

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
16. Taxation				
16.1 Tax charge for the year				
Taxation on income				
South African normal taxation				
– current	53	24	–	–
– deferred	(6)	3	–	–
Secondary taxation on companies	15	25	10	23
Total South African taxation	62	52	10	23
Foreign taxation	287	126	–	–
United Kingdom and Europe	151	86	–	–
United States of America	100	9	–	–
Israel	31	29	–	–
Other	5	2	–	–
Total taxation on income	349	178	10	23
Transaction and other taxation				
Tax related charges	60	32	–	–
Foreign tax related charges	19	8	–	–
Regional services council levies	10	16	–	–
Stamp duty	1	1	–	–
Value added tax charge on expenditure, net of input credits	18	47	–	–
Total transaction and other taxation	108	104	–	–
Total taxation	457	282	10	23
16.2 Tax rate reconciliation				
Income before taxation as per income statement	1 493	1 085	852	736
Less				
– Debenture interest	(245)	(92)	(21)	(13)
– Transaction and other taxation	(108)	(104)	–	–
	1 140	889	831	723
Total taxation on income	349	178	10	23
Less secondary taxation on companies	(15)	(25)	(10)	(23)
Normal taxation	334	153	–	–
Effective rate of taxation on income	29%	17%	0%	0%

Notes to the Financial Statements

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
16.2 Tax rate reconciliation (continued)				
The standard rate of South African normal taxation has been affected by				
– dividend income	1%	5%	9%	10%
– accumulated tax losses	7%	12%	0%	0%
– foreign earnings	(6%)	4%	0%	0%
– change in tax rate	0%	(1%)	0%	0%
– other permanent differences	(1%)	(1%)	21%	25%
– prior year adjustment	0%	(1%)	0%	0%
Standard rate of SA normal taxation	30%	35%	30%	35%
16.3 Deferred taxation due to timing differences arising from:				
Accelerated allowances	163	125	–	–
Income and expenditure accruals	(173)	(53)	–	–
	(10)	72	–	–
16.4 Future tax relief				
Estimated tax losses available for set–off against future taxable income				
South Africa	212	234	–	–
Europe and United Kingdom	438	469	–	–
	650	703	–	–
17. Share of income of associated companies				
The attributable share of earnings of associated companies is based on the latest available audited financial statements plus an estimate of earnings for the period until 31 March 2000.	106	78	61	52

18. Changes in accounting policies

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

18.1 Interest rate differential

Previously, a portion of the exchange difference arising on translation of 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.

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
18.2 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 was previously taken directly to secondary reserves. Thus the change in policy has no effect on recognised profits.				
18.3 Goodwill arising on acquisition of associated companies				
Consolidation procedures used in the acquisition of subsidiaries have been adopted on the acquisition of associated companies. As a result, the cost of associated companies has been reduced by the goodwill raised. Original goodwill of R137 million had been recognised as part of intangibles, of which R14 million remains to be amortised at year end.				
18.4 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				
Gross				
Interest rate differential	(130)	(94)	–	–
Associates – goodwill amortised	(13)	(13)	–	–
	(143)	(107)	–	–
Taxation – interest rate differential	32	24	–	–
Net effect on income	(111)	(83)	–	–
Restatement of opening retained earnings				
Gross				
Interest rate differential	(213)	(119)	–	–
Associates – goodwill amortised	(110)	(97)	–	–
Taxation	24	–	–	–
Net effect on opening retained earnings	(299)	(216)	–	–

Notes to the Financial Statements

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
19. Ordinary dividends				
Interim of 237,5 cents (1999 – 175 cents)	191	140	191	140
Final of 382,5 cents (1999 – 300 cents)	308	241	308	241
	499	381	499	381
20. Cash flow information				
20.1 Cash generated by operating activities				
Net income before taxation	1 493	1 085	852	736
Depreciation	128	82	–	–
Provision for bad and doubtful debts	211	223	–	–
Exceptional items (see note 15)	165	35	–	(455)
Equity accounted income from subsidiaries	–	–	(475)	(195)
	1 997	1 425	377	86
20.2 Dividends received from associated companies				
Equity accounted reserves at beginning of year	137	100	123	99
Earnings for the year	106	78	61	52
Realised during the year	(1)	(5)	–	(5)
Equity accounted reserves at end of year	(187)	(137)	(152)	(123)
	55	36	32	23
20.3 Taxation paid				
Taxation balances at beginning of year	(229)	(112)	(26)	(18)
Deferred tax asset raised on acquisitions	68	–	–	–
Amounts charged to income statement	(457)	(282)	(10)	(23)
Taxation balances at end of year	361	229	36	26
	(257)	(165)	–	(15)
20.4 Dividends paid				
Amounts unpaid at beginning of year	(241)	(175)	(241)	(175)
Current year dividend declared	(499)	(381)	(499)	(381)
Amounts unpaid at end of year	308	241	308	241
	(432)	(315)	(432)	(315)

For the year ended 31 March	Group		Company	
(R millions)	2000	1999	2000	1999
20. Cash flow information (continued)				
20.5 Net cash or cash equivalents acquired				
Investment in subsidiaries	–	–	39	–
Deposits and other accounts	9 986	6 006	–	–
Investments and trading securities	(1 267)	(2 833)	–	–
Advances and other assets	(2 368)	(3 190)	–	–
Deferred tax asset	(68)	–	–	–
Minority shareholders on acquisitions	11	–	–	–
Fixed assets	(23)	(130)	–	–
Goodwill	(461)	(2 161)	–	–
Profit on disposal of subsidiaries	–	63	–	–
	5 810	(2 245)	39	–
20.6 Movement in income earning assets				
Short term negotiable securities	(1 735)	(17 373)	–	–
Investment and trading securities	218	78	–	–
Advances	(9 242)	(3 912)	–	–
Other assets	(2 162)	710	(19)	–
	(12 921)	(20 497)	(19)	–
20.7 Cash and short term funds – opening balance				
Cash and short term funds	36 711	36 381	–	–
Effect of exchange rate changes	593	2 371	–	–
	37 304	38 752	–	–
21. Assets under management				
Category analysis				
Unit trust funds	42 913	33 838		
Properties managed for third parties	2 568	2 638		
Portfolios administered	241 985	180 824		
Institutional	127 712*	100 540*		
Private Clients – discretionary	44 187	36 179		
– non discretionary	70 086	44 105		
Acceptances on behalf of clients	31	135		
Off balance sheet funding activities	23 441	14 213		
	310 938	231 648		
On balance sheet assets	165 346	111 817		
Total assets under management	476 284	343 465		

* Institutional portfolios administered includes assets managed of R7 331 million (1999 – R6 008 million) which relates to Investec Assurance Ltd.

Notes to the Financial Statements

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
22. Contingent liabilities and commitments				
Guarantees and letters of credit	3 856	4 440		
Acceptances on behalf of clients	409	141		
Forward repurchase agreements	2 582	2 213		
Other	140	494		
	6 987	7 288		
23. Earnings per share				
Earnings attributable to ordinary shareholders	882	752		
Exceptional items	165	35		
Headline earnings attributable to ordinary shareholders	1 047	787		
Earnings per share (cents)	1 095,9	945,8		
Headline earnings per share (cents)	1 300,9	989,6		
Weighted average ordinary shares in issue (millions)	80,5	79,5		
Earnings per share is calculated using earnings attributable to ordinary shareholders, divided by the weighted average number of shares in issue. Headline earnings per share is calculated on a similar basis using headline earnings as the numerator.				
Earnings attributable to ordinary shareholders	882	752		
Increase in after tax earnings as a result of conversion of convertible debentures which have a dilutive effect on earnings per share	–	–		
Diluted earnings attributable to ordinary shareholders	882	752		
Exceptional items	165	35		
Diluted headline earnings attributable to ordinary shareholders	1 047	787		
Diluted earnings per share (cents)	1 095,7	945,3		
Diluted headline earnings per share (cents)	1 300,6	989,1		
Fully diluted weighted average ordinary shares in issue (millions)	80,5	79,6		

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
23. Earnings per share (continued)				
Diluted earnings per share is calculated using diluted attributable earnings divided by the fully diluted weighted average number of shares in issue after taking account of the conversion of those compulsorily convertible debentures which have a dilutive effect on earnings. Conversions which have a positive effect on earnings have not been taken into consideration.				
Diluted headline earnings per share is calculated on a similar basis using diluted headline earnings as the numerator.				
24. Earnings per compulsorily convertible debenture				
24.1 Company				
18 147 (1999 – 43 708) Unsecured subordinated debentures of 60 cents each issued at various premiums.				
Interest earned	–	1		
Weighted average number of debentures (millions)	–	–		
Earnings per debenture (cents)	273,4	532,4		
980 000 (1999 – 1 000 000) Class A Series 1 unsecured subordinated debentures of 60 cents issued at a premium of R174,40 each				
Interest earned	22	4		
Weighted average number of debentures (millions)	1,0	–		
Earnings per debenture (cents)	2 187,2	2 800,0		
24.2 Subsidiary				
3 573 994 (1999 – 3 573 994) Unsecured subordinated debentures of 50 cents issued at a premium of R78,50 each.				
Interest earned	43	43		
Weighted average number of debentures (millions)	3,6	3,6		
Earnings per debenture (cents)	1 204,8	1 204,8		
5 000 000 (1999 – 5 000 000) Class A unsecured subordinated debentures of 50 cents issued at a premium of R159,50 each.				
Interest earned	120	40		
Weighted average number of debentures (millions)	5,0	1,7		
Earnings per debenture (cents)	2 400,0	2 400,0		

Notes to the Financial Statements

For the year ended 31 March (R millions)	Group 2000	Group 1999	Company 2000	Company 1999
24. Earnings per compulsorily convertible debenture (continued)				
1 000 000 (1999 – 1 000 000) Class A Series II unsecured subordinated debentures of 50 cents issued at a premium of R159,50 each, net of issue expenses.				
Interest earned	24	4		
Weighted average number of debentures (millions)	1,0	–		
Earnings per debenture (cents)	2 400,0	2 400,0		
1 500 000 (1999 – 1 500 000) Class B unsecured subordinated debentures of 50 cents issued at a premium of R199,50 each.				
Interest earned	36	–		
Weighted average number of debentures (millions)	1,5	–		
Earnings per debenture (cents)	2 400,0	–		

25. Related party transactions

The Group's personal account trading policy requires all employees who participate in equity markets to deal on an arms length basis through Investec Securities Limited. This has no material effect on Investec Securities or the Group's earnings.

Refer to Note 6 for details of the Group's activities with Fedsure Holdings Limited which is a related party.

(R millions)	Total income	Operating expenses	Income before exceptional items	Exceptional items	Income before taxation	Share of income of associated companies	Total assets
26. Segmental information							
Business Analysis 2000							
Investment Banking &							
Principal Transactions	978	452	526	5	521	–	10 210
Private Client Group	1 384	1 092	292	22	270	–	32 571
Corporate Banking &							
Interest Rate Activities	887	378	509	57	452	–	115 174
Asset Management	795	566	229	67	162	–	251
Group Services &							
Other Activities	405	303	102	14	88	106	7 140
Total Group	4 449	2 791	1 658	165	1 493	106	165 346

Due to a reclassification of the business units in the segmental analysis, it is considered impractical to present comparative information.

(R millions)	Total income	Operating expenses	Income before exceptional items	Exceptional items	Income before taxation	Share of income of associated companies	Total assets
26. Segmental information (continued)							
Geographical Analysis 2000							
United Kingdom &							
Europe	2 020	1 287	733	110	623	7	100 588
Israel	200	113	87*	–	87	1	9 553
United States of America	605	360	245	21	224	–	12 117
Southern Africa & Other	1 624	1 031	593	34	559	98	43 088
Total	4 449	2 791	1 658	165	1 493	106	165 346
Geographical Analysis 1999							
United Kingdom &							
Europe	1 478	945	533	114	419	1	69 167
Israel	227	109	118*	(79)	197	–	6 651
United States of America	250	214	36	11	25	–	4 753
Southern Africa & Other	1 229	796	433	(11)	444	77	31 246
Total	3 184	2 064	1 120	35	1 085	78	111 817

* The attributable share of earnings for Investec Clali Bank Ltd is based on the latest available audited financial statements plus an adjustment of earnings for the three month period to 31 March so as to align year ends. A more realistic reflection of earnings after accounting for final audited results, would be: 2000 – R109 million 1999 – R96 million

Group Derivative Instruments

For the year ended 31 March 2000

(R millions)	Over the Counter Notional Principal	Over the Counter Fair Value	Exchange Traded Notional Principal	Exchange Traded Fair Value	Total Notional Principal	Total Fair Value
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
Total	304 546	383	5 864	7	310 410	390

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.

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

Risk management information

Shareholders should refer to pages 32 to 40 containing further risk information which form an integral part of the annual financial statements.

Group Currency Profile

For the year ended 31 March 2000

(R millions)	ZAR	GBP	USD	NIS	Other	Total
Assets						
Cash and short-term funds	5 061	39 318	16 145	3 445	9 158	73 127
Short-term negotiable securities	6 181	32 724	–	–	138	39 043
Investment and trading securities	4 268	1 860	1 556	942	298	8 924
Other assets	1 102	4 328	1 520	150	197	7 297
Advances	14 932	5 702	8 687	1 768	1 945	33 034
Associated companies	404	–	–	9	–	413
Fixed assets	617	249	30	156	13	1 065
Intangible assets	2 443	–	–	–	–	2 443
	35 008	84 181	27 938	6 470	11 749	165 346
Equity & liabilities						
Deposits and other accounts	37 001	79 312	23 817	5 728	10 860	156 718
Taxation	150	175	10	19	7	361
Interest of minority shareholders	291	–	–	–	–	291
Compulsorily convertible instruments	1 710	–	–	–	–	1 710
Share capital and reserves	5 958	–	–	–	–	5 958
Shareholders for ordinary dividend	308	–	–	–	–	308
	45 418	79 487	23 827	5 747	10 867	165 346
Assets under management						
Unit trust funds	21 769	20 739	–	340	65	42 913
Properties managed for third parties	2 038	530	–	–	–	2 568
Portfolios administered	69 477	150 631	15 975	1 686	4 216	241 985
Acceptances on behalf of clients	–	–	–	31	–	31
Off balance sheet funding activities	2 415	21 026	–	–	–	23 441
	95 699	192 926	15 975	2 057	4 281	310 938
On balance sheet assets	35 008	84 181	27 938	6 470	11 749	165 346
	130 707	277 107	43 913	8 527	16 030	476 284

This Group currency profile analyses the consolidated assets and liabilities in terms of their originating currencies. These totals are then expressed in Rands. Consequently this profile does not reflect any off balance sheet hedges entered into by the Group. The following exchange rates were used for conversion of assets and liabilities as at 31 March:

US Dollar $1 = R6,5570 British Pound £1 = R10,46169 Israeli Shekel NIS1 = R1,633228

Principal Subsidiary & Associated Companies

Principal Subsidiary Companies	Nature of Business	Issued Ordinary Capital	Holding %	Shares at Book Value 2000	Shares at Book Value 1999	Net Indebtedness 2000	Net Indebtedness 1999
Direct subsidiaries of Investec Group Limited							
Investec Bank Ltd	Banking institution	R2 748 087 222	100	3 807	3 204	(199)	(1 567)
Investec Assurance Ltd	Investment holding	R10 000 000	100	10	10	20	–
Investec Property Group Ltd	Investment holding	R3 000	100	–	–	11	11
Investec Guinness Flight Holdings (Pty) Ltd	Investment holding	R100	100	–	–	23	23
IFI Finance (Pty) Ltd	Investment holding	R2	100	–	–	1 622	3 177
Investec Overseas Finance (BVI) Ltd□	Financing company	$100	100	4	3	(1)	(1)
Other subsidiaries				10	11	–	–
				3 831	3 228	1 476	1 643
Indirect subsidiaries of Investec Group Limited							
Investec Bank (UK) Ltd*	Banking institution	£329 365 000	100				
Investec SA°	Investment holding	£456 019 644	100				
Guinness Mahon Holdings Ltd*	Holding company	£75 333 000	100				
Guinness Mahon Group Ltd*	Holding company	£45 208 017	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 Asset Finance PLC*	Leasing company	£526 000	100				
Investec Group Investments (UK) Ltd	Investment holding	£15 400 000	100				
Investec Property PLC*	Property holding	£37 702 034	100				
Investec Bank (Channel Islands) Ltd	Banking institution	£10 000 000	100				
Investec Bank (Jersey) Ltd	Banking institution	£5 000 000	100				
Investec Bank (Switzerland) AG	Banking institution	CHF 10 000 000	100				
Carr Sheppards Crosthwaite Ltd*	Stockbroking and portfolio management	£10 461 000	100				
Gandon Capital Markets Ltd ◊	Banking institution	IEP 3 500 012	100				
Investec Ernst and CompanyΔ	Stock broking and portfolio management	$36 197 088	100				
Investec Clali Bank Ltd#	Banking institution	NIS 314 368 427	67				
Marvel Resources Limited□	Financing company	$79 875 856	100				
Investec Australia LimitedΔ	Banking institution	AU$ 80 000 005	100				

Principal Subsidiary Companies	Nature of Business	Issued Ordinary Capital	Holding %	Shares at Book Value 2000	Shares at Book Value 1999	Net Indebtedness 2000	Net Indebtedness 1999
Indirect subsidiaries of Investec Group Limited							
Investec Holdings (Botswana) Ltd o	Holding company	Pula 54 000 000	100				
Intrust Management Company (Pty) Ltd	Investment management	R100 000	100				
Investec Ltd	Investec holding	R15 113 776	100				
Invego Investments Ltd	Investment holding	R159 615 365	100				
South African Druggists Ltd	Investment holding	R966 811 803	100				
Investec Guinness Flight (Pty) Ltd	Portfolio management	R50 000	100				
Investec Insurance Brokers (Pty) Ltd	Insurance broking	R2	100				
Investec International Holdings (Pty) Ltd	Investment holding	R2 134 680	100				
Investec Investment Trust Ltd	Investment management	R121 668	52				
Investec Guinness Flight Management Company Ltd	Unit trust management	R8 000 000	100				
Investec Bank (Mauritius) Ltd	Banking institution	R630 105 458	100				
Securities Investment Bank Ltd	Banking institution	R592 923 553	97,5				
Investec Securities Ltd	Stockbroking and portfolio management	R172 000	100				
IPG (Property Trading & Development) (Pty) Ltd	Property trading	R1 174	100				
Grayston Properties Managers (Pty) Ltd	Property portfolio management	R2 000 000	83				
Reichmans Ltd	Trade financing	R58 700 007	100				
Westrust (Pty) Ltd	Trust company	R1	100				
100 Grayston Drive Property (Pty) Ltd	Property holding	R2	100				
Principal associated company of Investec Group Limited							
Fedsure Holdings Ltd	Investment holding		15	404	356		

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

Fedsure Holdings Ltd's year-end is 31 December.

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

* British   Δ Australian   ° Luxembourg   # Israeli   • Mauritian   Δ USA   o Botswana   ◊ Ireland   □ British Virgin Islands

Capital Adequacy Statement*

(R millions)	Risk–weighting (%)	Total Assets Assets 2000	Risk–weighted Assets 2000	Risk–weighted Assets 1999
Money, interbank deposit and claims on Central Government	–	18 284	–	–
Irrevocable letters of credit on behalf of public–sector bodies in RSA	5	44	2	3
Land Bank and other public sector bodies	10	155	16	24
Trade transactions with recourse to other banks	20	23 795	4 759	3 015
Residential mortgage loans	50	6 213	3 107	1 179
All other assets	100	32 895	32 895	29 797
Impairments			(90)	(202)
Total assets – banking activities[a]		81 386	40 689	33 816
Trading assets subject to CAD		87 146	–	–
Total assets[a]		168 532	40 689	33 816
Risk–weighted capital requirement – banking activities at 8% (1999 – 8%)			3 255	2 705
Net qualifying capital[b] – banking activities			4 883	4 703
Qualifying capital as a percentage of banking risk–weighted assets			12,0%	13,9%
Tier 1			11,9%	13,6%
Tier 2			0,1%	0,3%

Notes

a. This balance includes off balance sheet items against which capital is required to be held.

b. Net qualifying capital includes only 50% of revaluations and is after deducting capital required for trading activities.

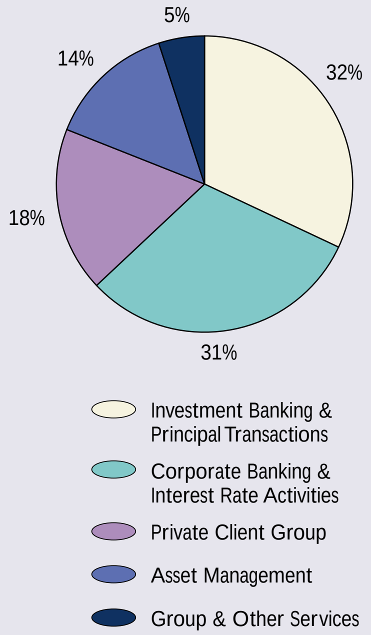
NET QUALIFYING CAPITAL – BANKING ACTIVITIES

(R millions)	2000	1999
Primary capital and reserves	4 831	4 588
Ordinary share capital and premium	3 999	3 982
General reserves	1 168	811
Equity accounted reserves	187	137
Minority shareholders' interest	291	560
Capital reserved against trading activities	(814)	(902)
Secondary capital and reserves	52	115
Compulsorily convertible debentures	1 710	1 715
General provisions	297	236
Foreign currency reserves	554	485
Goodwill write off and impairments	(2 533)	(2 321)
50% of net revaluation reserves	24	0
Net qualifying capital	4 833	4 703

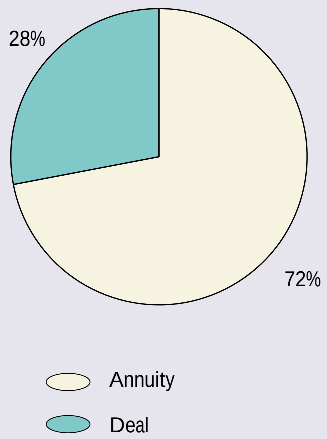
* The capital adequacy statement presented is that of the Group, on a pure accounting consolidated basis.

Group Income and Expense Analysis

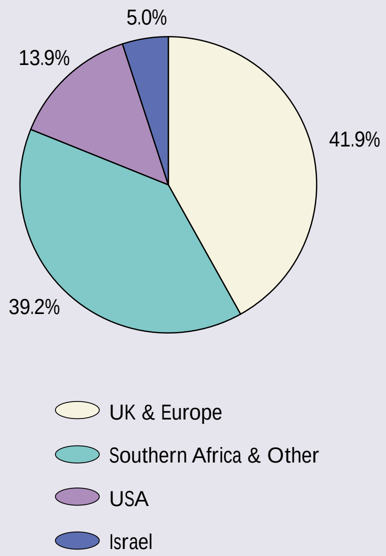
CONTRIBUTION ANALYSIS



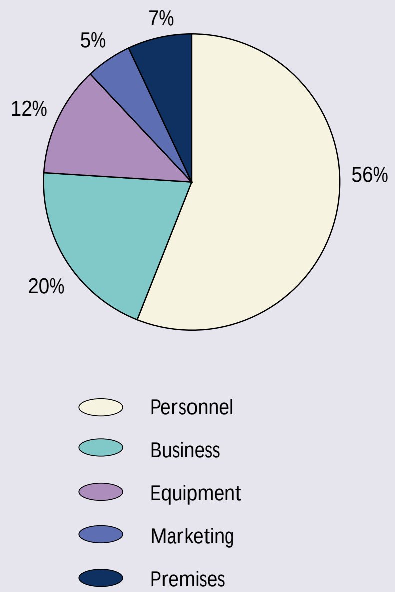
SOURCE OF INCOME – RECURRING AND DEAL



OPERATIONAL INCOME BEFORE TAX BY GEOGRAPHY



EXPENSE ANALYSIS



Chairman's Statement

As a consequence of another very strong performance by its subsidiary, Investec Group Limited, Investec Holdings Limited (Inhold) is pleased to announce a very favourable set of results for the year ended 31 March 2000. Inhold reports a 35,1% increase in headline earnings, with diluted headline earnings per share increasing by 34,7%, to 1 143,2 cents.

A final dividend of 347,5 cents (1999 – 275 cents) per share was declared, bringing the total dividends per share to 560 cents (1999 – 425 cents), an increase of 31,8%.

Inhold has achieved a 10-year compound growth rate in diluted earnings per share and dividends per share of 35,8% and 39,5% respectively.

The prospects for Inhold in the coming year are directly related to those of Investec Group Limited. As can be seen from the preceding pages in this report, we remain confident of another exciting year ahead. I would like to join the Board of Directors in extending my thanks to all of our colleagues within the Group who have contributed to the ongoing success of our business.

Ian Kantor
Chairman

23 May 2000

Declaration by Company Secretary

In terms of Section 268G (d) of the Compnaies 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
23 May 2000

Report of the Independent Auditors

To the Members of Investec Holdings Limited

We have audited the Company annual financial statements set out on pages 141 to 145 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 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.

Consolidated financial statements

We concur with the directors decision not to present consolidated financial statements for the reason set out in the directors' report.

KPMG Inc.

KPMG Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
23 May 2000

Ernst + Young

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

Directors' Report

Nature of business

Investec Holdings Limited (Inhold) is the controlling company of Investec Group Limited, which through its subsidiaries conducts a wide range of Investment Banking and Principal Transactions, Corporate Banking and Interest Rate Activities, Private Client Services and Asset Management.

Authorised and Issued Share Capital

Details of the share capital are set out in note 2 to the financial statements on page 144.
During the year no ordinary shares were issued .

Dividends	2000 Rm	1999 Rm
Ordinary shares		
The following dividends were declared:		
Interim dividend of 212,5 cents per share (1999 – 150 cents) to shareholders registered on 5 November 1999 – paid on 19 November 1999	87	61
Final dividend of 347,5 cents per share (1999 – 275 cents) to shareholders registered on 9 June 2000 – payable on 21 June 2000	141	112
	228	173
Preference shares		
The following preference dividends were paid or accrued		
Redeemable	1	4

Directors and secretary

Details of the directors and secretary are reflected on pages 14 and 157 respectively. In terms of the Articles of Association, Messrs A I Basserabie, G R Burger, G H Davin, B Kardol and D H Mitchell, retire and being eligible, offer themselves for re-election. On 31 March 2000 the directors of the company beneficially held directly or indirectly a total of 5 574 429 (1999 – 5 676 109) ordinary shares. Directors individually holding both directly and indirectly 1% or more of the issued share capital at 31 March 2000 are:

	No. of shares	% holding
I.R. Kantor	2 206 070	5,41
B. Kantor	815 050	2,00
S. Koseff	736 098	1,81

Since 31 March 2000 there have been no changes to the above figures.

At 31 March 1999 their holdings were:

	No. of shares	% holding
I.R. Kantor	2 219 288	5,44
B. Kantor	804 269	1,97
S. Koseff	752 771	1,85

The directors' future entitlements under the share incentive trusts are 90 108 Investec Holdings Limited ordinary shares.

Share incentive trusts

Particulars of the Group's share incentive trusts are fully disclosed in the Investec Group Limited directors' report on page 102 .

Special resolutions

On 23 September 1999, the following special resolutions were passed to amend the Articles of Association of the company:

- to approve the acquisition of shares issued by the company in terms of Section 85 of the Companies Act, 1973, as amended;
- to provide for the appointment of a company secretary in accordance with the provisions of Chapter IXA of the Companies Act, 1973, as amended;
- to facilitate the Johannesburg Stock Exchange's concept of STRATE and to enable members of the Company to dematerialise their share certificates;
- to provide for the payment to shareholders as determined in section 90 of the Companies Act, 1973, as amended.

The special resolutions were registered by the Registrar of Companies on 26 October 1999.

Financial results

The directors are of the opinion that as the company's only significant asset is its controlling interest in Investec Group Limited, the presentation of consolidated annual financial statements would not be meaningful.

The Inhold group annual financial statements are presented in the form of consolidated annual financial statements for Investec Group Limited shown on pages 102 to 134 and the financial results of the company shown on page 143.

Had consolidated financial statements been prepared, Group headline earnings of R466 million (1999: R345 million) and Group earnings of R392 million (1999: R329 million) would have been shown. The Group earnings per share are equal to the company earnings per share shown on page 143 as the company equity accounts for the earnings of its subsidiary.

Major shareholders

At 31 March 2000, the following shareholders were registered as holding 5% or more of the issued shares of the company:–

Standard Bank Nominees Tvl (Pty) Ltd	38,5%
Old Mutual Nominees (Pty) Ltd	10,9%
Investec Nominees (Pty) Ltd	9,7%
Forbes Nominees (Pty) Ltd	5,7%
Nedcor Bank Nominees (Pty) Ltd	5,1%
CMB Nominees (Pty) Ltd	5,0%

At 31 March 2000, on reported to the company, the following beneficial holders held 5% or more of the issued shares of the company:–

Fedsure Life Assurance Ltd	26,8%
Old Mutual Life Assurance Co. Ltd	10,5%

Basis of presentation

The annual financial statements have been prepared on the historical cost basis, unless otherwise indicated. The accounting policies applied are consistent with those of Investec Group Limited, as detailed on pages 109 to 111 except that consolidated financial statements have not been presented.

Financial Statements

For the year ended 31 March (R millions)	Notes	Company 2000	1999
Balance sheet			
Subsidiary companies	1	2 723	2 547
Shareholders' funds	2	2 582	2 433
Deposits and other accounts		–	2
Shareholders for dividends		141	112
		2 723	2 547
Income statement			
Interest (paid)/received		(1)	(1)
Dividends received		222	169
Equity accounted earnings of subsidiary		173	167
Total income		394	335
Taxation		1	2
Income after taxation		393	333
Preference dividends		1	4
Earnings attributable to ordinary shareholders		392	329
Ordinary dividends		228	173
Retained income for the year		164	156
Transfer to general reserves		(164)	(156)
Retained income at end of year		–	–
Earnings per share (cents)	3	962,6	809,9
Headline earnings per share (cents)	3	1 143,2	848,9
Diluted earnings per share (cents)	3	962,6	809,9
Diluted headline earnings per share (cents)	3	1 143,2	848,9
Dividends per share (cents)		560,0	425,0
Cash flow statement			
Income before taxation		394	335
Equity accounted earnings of subsidiary		(173)	(167)
Taxation paid		(1)	(2)
Ordinary dividends paid		(199)	(138)
Preference dividends paid		(1)	(4)
Movements in deposits and other accounts		(2)	2
Net proceeds on issue of ordinary shares		–	39
Redemption of preference shares		(15)	(36)
Cash generated		3	29
Cash utilised in investment and loans to subsidiaries		3	29

Notes to the Financial Statements

For the year ended 31 March (R millions)	Company 2000	1999
1. Subsidiary companies		
Shares at cost	1 503	1 503
Equity accounted earnings of subsidiaries	1 113	940
Net indebtedness	107	104
	2 723	2 547
2. Shareholders' funds		
Ordinary share capital	4	4
Preference share capital	–	15
Reserves	2 578	2 414
Total shareholders funds	2 582	2 433
2.1 Ordinary share capital		
Authorised		
57 000 000 (1999 – 57 000 000) ordinary shares of 10 cents each	6	6
Issued		
40 769 795 (1999 – 40 769 795) ordinary shares of 10 cents each	4	4
The unissued shares are under the control of the directors until the next annual general meeting		
2.2 Cumulative redeemable preference shares		
Authorised		
25 000 (1999 – 25 000) cumulative redeemable preference shares of 50 cents each	–	–
Issued		
Nil (1999 – 1 860) cumulative redeemable preference shares of 50 cents each issued at various rates and premiums	–	15
The unissued preference shares are under the control of the directors until the next annual general meeting.		
2.3 Reserves		
Share premium	1 484	1 484
General reserves	721	557
Secondary reserves – revaluation reserves	373	373
	2 578	2 414

The movement in general reserves was attributable to a transfer from retained earnings of R164 million.

Notes to the Financial Statements

For the year ended 31 March (R millions)	Company 2000	1999
3. Earnings per share		
Earnings attributable to ordinary shareholders	392	329
Investec Group exceptional items	165	35
Minority share of exceptional items	(91)	(19)
	74	16
Headline earnings attributable to ordinary shareholders	466	345
Earnings per share (cents)	962,6	809,9
Headline earnings per share (cents)	1 143,2	848,9
Weighted average ordinary shares in issue (millions)	40,8	40,7
Earnings per share is calculated using earnings attributable to ordinary shareholders, divided by the weighted average number of shares in issue. Headline earnings per share is calculated on a similar basis using headline earnings as the numerator.		
Earnings attributable to ordinary shareholders	392	329
Increase in after tax earnings as a result of conversion of convertible debentures which have a dilutive effect on earnings per share	–	–
	392	329
Investec Group exceptional items, net of minority share	74	16
	466	345
Diluted earnings per share (cents)	962,6	809,9
Diluted headline earnings per share (cents)	1 143,2	848,9
Fully diluted weighted average shares in issue (millions)	40,8	40,7

In the prior year the company entered into a forward purchase of Investec Bank Limited Ordinary Shares which will result from the conversion of the Investec Bank Limited compulsorily convertible debentures, in exchange for 4 033 507 ordinary shares in the company. The Investec Bank ordinary shares have simultaneously been sold to Investec Group Limited in exchange for 3 573 994 ordinary shares in that company.

The company has also entered into a forward purchase of 6 800 000 Investec Group Limited shares in exchange for 7 480 000 ordinary shares in the company.

Diluted earnings per share is calculated using diluted earnings attributable to ordinary shareholders divided by the fully diluted weighted average number of shares in issue. Only conversions which have a diliutive effect on earnings per share have been taken into consideration in the compensation of diluted earnings per share. Conversions which have a positive effect on earnings have not been taken into consideration. Diluted headline earnings per share is calculated on a similar basis using diluted headline earnings as the numerator.

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
18 May 2000

Report of the Independent Auditors

To the members of Investec Bank Limited

We have audited the Group annual financial statements for the year ended 31 March 2000. Extracts of these financial statements are set out on pages 149 to 156. 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 Group at 31 March 2000 and the results of their operations 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.

KPMG Inc.
Ernst + Young

KPMG Inc.
Chartered Accountants
(SA)
Registered Accountants
and Auditors
Johannesburg
18 May 2000

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

Consolidated Balance Sheet

For the year ended 31 March		Group	
(R millions)	Notes	2000	1999
Assets			
Cash and short-term funds	1	72 997	36 630
Short-term negotiable securities	2	39 043	37 014
Investment and trading securities	3	8 637	7 731
Other assets	4	7 150	4 781
Advances	5	32 720	21 537
Associated companies	6	13	264
Fixed assets	7	950	860
Intangible assets	8	2 421	2 120
		163 931	110 937
Equity and Liabilities			
Capital and reserves			
Ordinary share capital	9	14	12
Debentures	10	2 039	1 539
Reserves	11	5 419	4 703
		7 472	6 254
Interests of minority shareholders in subsidiaries		291	560
Total shareholders' funds		7 763	6 814
Liabilities			
Deposits and other accounts	12	155 407	102 299
Loans from group companies	13	466	1 646
Taxation	14	295	178
		163 931	110 937

Consolidated Income Statement

For the year ended 31 March	Group	
(R millions)	2000	1999
Interest received	9 729	9 419
Interest paid	8 341	8 240
Net interest income	1 388	1 179
Provision for bad and doubtful debts	211	223
	1 177	956
Other income	2 990	2 021
Total income	4 167	2 977
Operating expenses	2 571	1 890
Income before exceptional items	1 596	1 087
Exceptional items	166	(8)
Income before taxation	1 430	1 095
Taxation	421	242
Net income	1 009	853
Earnings attributable to minority shareholders	15	38
	994	815
Debenture interest	223	78
Earnings attributable to ordinary shareholders	771	737

Statement of Changes in Shareholders' Funds

For the year ended 31 March (R millions)	Group 2000	1999
Share capital		
Balance at beginning of year	12	12
Issue of shares	2	–
Balance at end of year	14	12
Compulsorily convertible and redeemable debentures		
Balance at beginning of year	1 539	282
Issues of redeemable debentures	500	1 257
Balance at end of year	2 039	1 539
Share premium		
Balance at beginning of year	2 536	2 536
Issue of shares	199	–
Balance at end of year	2 735	2 536
General reserves		
Balance at beginning of year	1 300	827
Prior year adjustments:		
Interest rate differential	–	(119)
Earnings attributable to ordinary shareholders	771	737
Dividends	(328)	(71)
Negative goodwill written off	–	(74)
Transfer from secondary reserves	19	–
Balance at end of year	1 762	1 300
Secondary reserves		
Balance at beginning of year	867	854
Prior year adjustments:		
Interest rate differential	–	119
Mark to market of associated companies	–	(4)
Reclassification of general provisions	–	(129)
Transfer to general reserves	(19)	–
Movement in revaluations	74	27
Balance at end of year	922	867
	7 472	6 254

Notes to the Financial Statements

For the year ended 31 March	Group	
(R millions)	2000	1999
1. Cash and short-term funds		
Cash and gold coins	25	2
Balances with Central Bank	6 147	2 617
Balances with other banks	22 750	12 275
Loans under resale agreements	34 131	14 645
Secured stock borrowings	6 543	4 830
Other short-term funds	3 401	2 261
	72 997	36 630
2. Short-term negotiable securities		
Analysis by portfolio		
Investment	1 361	790
Trading	37 682	36 224
	39 043	37 014
3. Investment and trading securities		
Category analysis		
Government and government guaranteed	3 787	2 033
Listed securities	2 070	1 744
Unlisted securities and investments	2 780	3 954
	8 637	7 731
Analysis by portfolio		
Liquid assets	3 894	2 265
Trading	500	401
Investment	4 243	5 065
	8 637	7 731
4. Other assets		
Settlement debtors	5 552	3 157
Other debtors and prepayments	1 598	1 624
	7 150	4 781
5. Advances and other accounts		
Category analysis		
Commercial property loans	4 030	3 161
Residential mortgages	5 154	3 262
Leases and instalment debtors	2 342	2 212
Corporate and public sector loans and advances	11 722	9 015
Margin lending	5 327	394
Other private bank lending	2 706	1 032
Other loans and advances	2 251	3 191
	33 532	22 267
Specific provisions against doubtful debts	515	494
General provisions against doubtful debts	297	236
	32 720	21 537

Notes to the Financial Statements

For the year ended March 2000	Group	
(R millions)	2000	1999
5. Advances and other accounts (Continued)		
Maturity analysis		
On demand to one month	10 678	5 304
One month to six months	3 250	3 034
Six months to one year	2 350	953
One year to five years	8 379	7 042
Greater than five years	8 875	5 934
	33 532	22 267
6. Associated companies		
Shares at cost	16	267
Equity accounted reserves	(3)	(3)
Book value at end of year	13	264
7. Fixed assets		
Operational properties and leasehold improvements		
– Cost	705	669
– Accumulated depreciation	105	91
Net book value	600	578
Vehicles, furniture and equipment		
– Cost	644	601
– Accumulated depreciation	305	323
Net book value	339	278
Investment properties at cost	11	4
A register of operational and investment properties is available for inspection at the registered office of the company.		
Net book value at end of year	950	860
8. Intangible assets		
Goodwill		
Balance at beginning of year	2 120	120
Amount on acquisitions	467	2 161
Negative goodwill written off	15	15
Goodwill amortised	(181)	(176)
Balance at end of year	2 421	2 120

For the year ended 31 March (R millions)	Group 2000	Group 1999
9. Ordinary share capital		
Authorised		
105 000 000 (1999 – 105 000 000) ordinary shares of 50 cents each.	53	53
Issued		
27 000 000 (1999 – 25 000 000) ordinary shares of 50 cents each.	14	12
The unissued shares are under the control of the directors until the next annual general meeting.		
10. Compulsorily convertible debentures		
10.1 Compulsorily convertible debentures		
Authorised		
10 000 000 (1999 – 10 000 000) unsecured subordinated compulsorily convertible debentures of 50 rand each.	4	5
5 000 000 (1999 – 5 000 000) Class A unsecured subordinated compulsorily convertible debentures of 50 cents each.	3	3
1 000 000 (1999 – 1 000 000) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents each.	1	1
1 500 000 (1999 – 1 500 000) Class B unsecured subordinated compulsorily convertible debentures of 50 cents each.	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

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 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.

Notes to the Financial Statements

For the year ended 31 March (R millions)	Company 2000	1999
10.1 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
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
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
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.		
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.		
All unissued debentures are under the control of the directors until the next annual general meeting.		
Total compulsorily convertible debentures	1 539	1 539
10.2 IN01 Bond 2012		
Issued		
500 000 000 (1999 – Nil) local registered unsecured subordinated bonds due 2012.	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	2 039	1 539

For the year ended 31 March (R millions)	Group 2000	Group 1999
11. Reserves		
Reserves comprise:		
Share premium	2 735	2 536
General reserves	1 762	1 300
Secondary reserves	922	867
	5 419	4 703
12. Deposits and other accounts		
Category analysis		
Deposits and loans from banks	12 719	9 291
Demand and saving deposits	21 029	14 352
Fixed and notice deposits	36 209	16 465
Negotiable certificates of deposit	9 553	5 257
Other deposits and loan accounts	3 478	2 700
Liabilities in respect of repurchase agreements	53 653	37 575
Stock lending	5 843	7 654
Creditors and other accounts	12 923	9 005
	155 407	102 299
Maturity analysis		
On demand to one month	99 780	65 446
One month to six months	40 705	27 159
Six months to one year	7 635	6 649
Greater than one year	6 373	3 045
	154 493	102 299
13. Loans from group companies		
Loan to holding company – Investec Group Limited	(199)	(1 484)
Loans from fellow subsidiaries	665	3 130
	466	1 646
14. Taxation		
Taxation payable	301	177
Deferred taxation liability	48	70
Deferred taxation asset	(54)	(9)
	295	178

Notice to Members

Notice is hereby given that the annual general meeting of members of Investec Group Limited will be held in the boardroom on the 2nd Floor, 100 Grayston Drive, Sandown, Sandton on 26 September 2000 at 09:00 for the purpose of transacting the following business:

1. To receive and adopt the annual financial statements for the year ended 31 March 2000 together with the reports of the auditors and of the directors.
2. To determine the remuneration of the directors.*
3. To sanction the dividends paid.**
4. Auditors: To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration.
5. To elect directors in a single resolution.
6. To re-elect Messrs G H Davin, D M Lawrence, D H Mitchell, B Tapnack P R S Thomas and Dr H K Davies who retire by rotation, but being eligible, offer themselves for re-election.
7. To consider and if deemed fit to pass, with or without modification, the following resolutions as special and ordinary resolutions of the company:

SPECIAL RESOLUTION NO.1

– That the authorised share capital of the company be and it is hereby increased from R63 030 000,00 (sixty three million and thirty thousand rand) comprising 105 000 000 (one hundred and five million) ordinary shares of sixty (60) cents each and 50 000 (fifty thousand) variable rate redeemable cumulative preference shares of sixty (60) cents each to R90 030 000,00 (ninety million and thirty thousand rand) comprising 150 000 000 (one hundred and fifty million) ordinary shares of sixty (60) cents each and 50 000 (fifty thousand) variable rate redeemable cumulative preference shares of sixty (60) cents each by the creation of 45 000 000 (forty five million) ordinary shares of sixty (60) cents each. The new ordinary shares will rand pari passu in all respects with the existing ordinary shares in the authorised share capital of the company.

SPECIAL RESOLUTION NO.2

– That subject to the passing and registration of Special Resolution Number 1, the Memorandum of Association of the company be and it is hereby amended by the deletion of the present paragraph 8 and the substitution thereof with the following new paragraph 8:

"8. Capital
The authorised share capital of the company is R90 030 000 (ninety million and thirty thousand rand) divided into:
(a) 150 000 000 (one hundred and fifty million) ordinary shares of 60 (sixty) cents each;
(b) 50 000 (fifty thousand) variable rate redeemable cumulative preference shares of 60 (sixty) cents each.

The Company has power from time to time to increase or reduce its capital, or to extinguish liability in respect of any share capital not paid up or to consolidate or sub-divide the shares of the original or increased capital and upon subdivision of a share to apportion or vary the right to participate in profits or in the distribution of surplus assets or the right to vote in any manner as between the shares resulting from any subdivision.

* Note to the financial statements
** Note to the financial statements

The rights and privileges for the time being attached to any class of shares may be altered, modified, varied, abrogated or taken away in accordance with the provisions of the Articles of Association for the time being but not otherwise."

The reasons for special resolutions numbers 1 and 2 are to increase the company's authorised share capital by the creation of new ordinary shares in order to facilitate future equity based acquisitions and to amend the Memorandum of Association of the company to reflect the new authorised share capital.

The effect of Special Resolution Numbers 1 and 2 is that the authorised share capital of the company will be increased and the Memorandum of Association will be amended to reflect the new authorised share capital.

ORDINARY RESOLUTION NO. 1

– That subject to the passing and registration of Special Resolutions Numbers 1 and 2 all the unissued shares and convertible debentures of the company be and are hereby placed under the control of the directors of the company until the next annual general meeting and that subject to the provisions of the Companies Act, 1973 and the Banks Act, 1990, the directors be authorised to allot or issue such shares and debentures at their discretion.

ORDINARY RESOLUTION NO. 2

– That, subject to the passing of the above ordinary resolution, the Listings Requirements of the Johannesburg Stock Exchange and the Banks Act, 1990, the directors be and they are hereby authorised to issue ordinary shares of 60 cents each and convertible debentures of 60 cents each for cash as and when suitable situations arise, subject to the following limitations:
  – this authority shall not extend beyond 15 (fifteen) months from the date of this general meeting;
  – a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of an issue representing, on a cumulative basis within one year, 5% or more of the number of shares in issue prior to such issues;
  – that issues in aggregate in any one financial year will not exceed 10% of the number of ordinary shares and convertible debentures in issue and further, that any such issues will not in aggregate in any three year period exceed 15% of the company's issued share capital, including instruments which are compulsorily convertible;
  – that, in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the average ruling price of the shares in question, as determined over the 30 days prior to the date of the announcement or where no announcement is made, the date of issue of the instruments.

8. Investec Group Limited Security Purchase and Option Scheme.
   To approve an increase in the maximum number of securities which may be subject to the scheme from 9 750 000 to 12 000 000, in terms of clause 15 of the Trust Deed of the Investec Group Limited Security Purchase and Option Scheme.

9. To transact such other business as may be transacted at an annual general meeting.

   A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the office of the transfer secretaries at least 24 hours before the commencement of the meeting.

By order of the board

S Noik
Group Secretary
4 August 2000
100 Grayston Drive, Sandown
Sandton, 2196

Notice to Members

Notice is hereby given that the annual general meeting of members of Investec Holdings Limited will be held in the boardroom on the 2nd Floor, 100 Grayston Drive, Sandown, Sandton on 26 September 2000 at 09h15 for the purpose of transacting the following business:

1. To receive and adopt the annual financial statements for the year ended 31 March 2000 together with the reports of the auditors and of the directors.

2. To sanction the dividends paid.*

3. To determine the remuneration of the directors.**

4. To re-elect directors in a single resolution.

5. To re-elect directors in place of those retiring by rotation.
   In accordance with the company's Articles of Association, the directors retiring by rotation are Messrs A I Basserabie, G R Burger, G H Davin, B Kardol and D H Mitchell, all of whom being eligible, offer themselves for re–election.

6. Auditors: To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration.

7. To consider and if deemed fit, to pass, with or without amendment, the following resolutions as special and ordinary resolutions of the company:

SPECIAL RESOLUTION NO. 1

– That the authorised share capital of the company be and it is hereby increased from R5 712 500 (five million seven hundred and twelve thousand five hundred rand) comprising 57 000 000 (fifty seven million) ordinary shares of ten (10) cents each and 25 000 (twenty five thousand) redeemable cumulative preference shares of fifty (50) cents each to R10 012 500 (ten million and twelve thousand five hundred rand) comprising 100 000 000 (one hundred million) ordinary shares of ten (10) cents each and 25 000 (twenty five thousand) redeemable cumulative preference shares of fifty (50) cents each by the creation of 43 000 000 (forty three million) ordinary shares or ten (10) cents each. The new ordinary shares will rank pari passu in all respects with the existing ordinary shares in the authorised share capital of the company.

SPECIAL RESOLUTION NO.2

– That subject to the passing and registration of Special Resolution Number 1, the Memorandum of Association of the company be and it is hereby amended by the deletion of the present paragraph 8 and the substitution thereof with the following new paragraph 8:

"8. Capital
The authorised share capital of the company is R10 012 500 (ten million and twelve thousand five hundred rand) divided into:
(a) 100 000 000 (one hundred million) ordinary shares of 10 (ten) cents each;
(b) 25 000 (twenty five thousand) redeemable cumulative preference shares of 50 (fifty) cents each."

The reasons for Special Resolutions Numbers 1 and 2 are to increase the company's authorised share capital by the creation of the new ordinary shares in order to facilitate future equity based acquisitions and to amend the Memorandum of Association of the company to reflect the new authorised share capital.

The effect of Special Resolution Numbers 1 and 2 is that the authorised share capital of the company will be increased and the Memorandum of Association

* Note to the financial statements
** Note to the financial statements

will be amended to reflect the new authorised share capital.

ORDINARY RESOLUTION NO. 1

– That subject to the passing and registration of Special Resolution Numbers 1 and 2 all the unissued shares of the company be and are hereby placed under the control of the directors of the company until the next annual general meeting and that subject to the provisions of the Companies Act, 1973 and the Banks Act, 1990, the directors be authorised to allot or issue such shares at their discretion.

ORDINARY RESOLUTION NO. 2

– That, subject to the passing of the above ordinary resolution, the Listings Requirements of the Johannesburg Stock Exchange and the Banks Act, 1990, the directors be and they are hereby authorised to issue ordinary shares of 10 cents for cash as and when suitable situations arise, subject to the following limitations:
  – this authority shall not extend beyond 15 (fifteen) months from the date of this general meeting;
  – a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of an issue representing, on a cumulative basis within one year, 5% or more of the number of shares in issue prior to such issues;
  – that issues in aggregate in any one financial year will not exceed 10% of the number of ordinary shares in issue and further, that any such issues will not in aggregate in any 36 months period exceed 15% of the company's issued share capital, including instruments which are compulsorily convertible;
  – that, in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the average ruling price of the shares in question, as determined over the 30 days prior to the date of the announcement or where no announcement is made, the date of issue of the instruments.

8. To transact such other business as may be transacted at an annual general meeting.

A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the transfer secretaries, Mercantile Registrars Limited, 11 Diagonal Street, Johannesburg 2001, at least 24 hours before the commencement of the meeting.

By order of the board

S Noik

Secretary
4 August 2000
100 Grayston Drive
Sandown, Sandton, 2196

Form of Proxy

FORM OF PROXY FOR ANNUAL GENERAL MEETING ON 26 SEPTEMBER 2000 AT 09:00.
INVESTEC GROUP LIMITED
Reg. No. 1925/002833/06

I/We ____
of ____
being a holder(s) of ____________________ ordinary shares of 60 cents each; __________

do hereby appoint ____
of ____
or failing him ____
of ____

or failing them, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 26 September 2000 at 09:00 and at any adjournment thereof. Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. To adopt the annual financial statements			
2. To determine the remuneration of the directors			
3. To sanction the dividends paid			
4. To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration			
5. To elect directors in a single resolution			
6. To re-elect directors			
7. Special Resolutions			
No. 1			
No. 2			
Ordinary Resolutions:			
No. 1			
No. 2			
8. To approve an increase in the maximum number of securities which may be subject to the Investec Group Limitedc Security Purchase and Option Scheme			

Signature ______________________ Date ______________________

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and, on a poll, to vote in his place. In the event of the poll, a member or his proxy shall have one vote for every share held.

Notes

1. The date must be filled in on this form of proxy when it is signed.
2. This proxy must be received by the Transfer Secretaries:

   Mercantile Registrars Limited
   8th Floor,
   11 Diagonal Street, Johannesburg 2001
   PO Box 1053, Johannesburg 2000

not later than 24 hours before the commencement of the meeting.

Form of Proxy

FORM OF PROXY FOR ANNUAL GENERAL MEETING ON 26 SEPTEMBER 2000 AT 09:15. INVESTEC HOLDINGS LIMITED

Reg. No. 1985/005574/06

I/We ____
of ____
being a holder(s) of ____________________ ordinary shares of 10 cents each; __________

do hereby appoint ____
of ____
or failing him ____
of ____

or failing them, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 26 September 2000 at 09:15 and at any adjournment thereof. Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. To adopt the annual financial statements			
2. To sanction the dividends paid			
3. To determine the remuneration of the directors			
4. To elect directors in a single resolution			
5. To re-elect directors			
6. To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration			
7. Special Resolutions			
No. 1			
No. 2			
Ordinary Resolutions:			
No. 1			
No. 2			

Signature ____________________ Date ____________________

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and, on a poll, to vote in his place. In the event of the poll, a member or his proxy shall have one vote for every share held.

Notes

1. The date must be filled in on this form of proxy when it is signed.
2. This proxy must be received by the Transfer Secretaries:

   Mercantile Registrars Limited
   8th Floor,
   11 Diagonal Street, Johannesburg 2001
   PO Box 1053, Johannesburg 2000

not later than 24 hours before the commencement of the meeting.