

**Investec Bank Limited**  
**Group and Company Annual Financial Statements**  
**for the year ended 31 March 2001**

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

**Annual Financial Statements**  
**for the year ended 31 March 2001**

<i>Contents</i>	<i>Page</i>
Note on Group restructure	2
Directorate and corporate information	3 - 4
Report of the independent auditors	5
Accounting policies	6 –11
Balance sheets	12
Income statements	13
Cash flow statement	14
Statement of changes in shareholders' funds	15
Notes to the financial statements	16 –29
Principal subsidiaries	30

**Directors' Report**

Investec Bank Limited is a 100% held subsidiary of Investec Group Limited. Investec Group Limited is a company incorporated in South Africa for which consolidated financial statements are produced, which incorporate Investec Bank Limited. Taking the above into consideration a directors' report is not produced for Investec Bank Limited.

**Directors' Approval**

The annual financial statements set out on pages 6 to 30 were approved by the Board of Directors on 29 May 2001 and are signed on its behalf by:

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Director

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Director

## Investec Bank Limited

### Annual Financial Statements

#### Group restructure

During the financial year under review, with the consent of the South African Reserve Bank, Investec Bank Limited was restructured. This resulted in the sale of its major subsidiaries to its holding company, Investec Group Limited and to other fellow subsidiaries. Reflected in the earnings of Investec Bank Limited is a once off adjustment relating to the restructure.

The earnings capability of the bank has not been diluted due to the restructure as none of the activities and operations of the business units have been affected.

As a result of the restructure, the regulatory capital of the bank as reported to the South African Reserve Bank was strengthened as detailed below.

(R million)	<b>31 March 2001</b>	31 March 2000
Primary capital	<b>4 900</b>	4 757
Secondary capital	<b>3 848</b>	1 857
Total	<b>8 748</b>	6 614
Less: Impairments	<b>1 147</b>	3 477
<b>Net qualifying capital</b>	<b>7 601</b>	3 137
<b>Capital adequacy ratio</b>	<b>19.05%</b>	11.26%

## **Investec Bank Limited**

### **Annual Financial Statements**

Directorate and corporate information for the year ended 31 March 2001

#### **Executive Directors**

S Koseff (Chief Executive Officer)  
B Kantor (Managing Director)  
RS Berkowitz  
GR Burger  
RPMA Forlee  
S Hackner  
DM Lawrence (Deputy Chairman)  
AWJ Leith  
MCL Mason (Irish)  
DM Nurek (Appointed 1 July 2000)  
B Tapnack

#### **Non-Executive Directors**

HS Herman (Chairman)  
SE Abrahams  
AI Basserabie (Resigned 12 June 2001)  
GH Davin  
DE Jowell  
IR Kantor  
D Kuper  
Dr RD Mokate  
Dr MZ Nkosi  
PRS Thomas  
RAP Upton

#### **Divisional Directors**

##### **Private Banking**

M Barr  
GH Gerber  
PB Hanley  
SJ Heilbron  
PR Jacobson (Canadian)  
EA Richa (Resigned 31 December 2000)  
JKC Whelan (Irish)  
J Witter

##### **Corporate and Investment Banking**

SD Hain (Resigned 1 April 2001)  
SM Shapiro

**Investec Bank Limited**

**Annual Financial Statements**

Directorate and corporate information for the year ended 31 March 2001  
*(continued)*

**Secretary and registered office**

S Noik  
2<sup>nd</sup> Floor  
100 Grayston Drive  
Sandown  
Sandton  
2196

P.O. Box 785700  
Sandton  
2146

**Auditors**

KPMG Inc.  
Ernst & Young

**Declaration by Company Secretary**

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2001, 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

29 May 2001

## **Report of the independent auditors**

### **To the members of Investec Bank Limited**

We have audited the annual financial statements and Group annual financial statements set out on pages 6 to 30 for the year ended 31 March 2001. 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 2001 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 in South Africa.

**Ernst & Young**  
**Chartered Accountants (SA)**  
**Registered Accountants & Auditors**  
29 May 2001

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

## **Investec Bank Limited**

### **Accounting policies for the year ended 31 March 2001**

#### **Basis of presentation**

The annual financial statements have been prepared on the historical cost basis, unless otherwise indicated, in conformity with South African 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 tax related charges in the income statement and the treatment of trading derivatives on the balance sheet. (refer to note 20 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. In the case of Investec Bank (Israel) Limited, whose accounts are compiled to 31 December annually, the Group projects earnings for the three months to 31 March, after adjusting for any significant events.

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.

#### **Goodwill**

Goodwill arising on the acquisition of subsidiaries and associates is written off against income over its useful economic life, normally a period not exceeding 20 years. Negative goodwill arising on acquisitions is included within goodwill and released to profit and loss account in the periods in which the assets are expected to be recovered. Negative goodwill arising on the acquisition of monetary assets is taken to income in the year of acquisition. Any impairments in goodwill are written off immediately.

#### **Foreign entities**

The net assets of foreign subsidiaries, which are classified as foreign entities, are translated at closing rates of exchange and the translation differences arising are taken directly to reserves. The results of these foreign subsidiaries are translated at weighted average rates of exchange for the relevant period. Any exchange differences for foreign currency loans that are used to hedge or fund the net investment in foreign subsidiaries are also taken to reserves.

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

## **Investec Bank Limited**

### **Accounting policies (continued) for the year ended 31 March 2001**

#### **Integrated foreign operations**

The monetary net assets of foreign operations, that are considered to be an integral part of the operations of the reporting entity, are translated at closing rates of exchange and the translation differences arising are included in income for the period. The results of integral foreign operations are translated at weighted average rates of exchange for the relevant period.

#### **Foreign currency transactions**

Monetary assets and liabilities in foreign currencies are translated at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated at the exchange rates ruling at the time of the transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as a foreign currency gain or loss 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 for instruments held to maturity. Interest bearing securities held to maturity are carried at amortised cost, net of any impairment.

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 administration.

#### **Derivatives**

Derivatives entered into for trading purposes are measured at fair value. Gains and losses arising on the mark to market of trading derivatives are recognised in the income statement in the period in which they arise, whereas income and expenses on hedging instruments are amortised over the life of the instrument, with adjustments made to reflect changes in estimated premiums and discounts. Where the Group has entered into a legally binding netting agreement, related positive and negative fair values of derivatives are offset on the balance sheet. Exposures to market risks are limited through the use of hedging instruments.

The criteria used for a derivative instrument to be classified as a designated hedge include:

- the transaction must effectively reduce the price or interest rate risk of the asset, liability or cashflow to which it is linked; and
- adequate evidence of the intention to link with the underlying risk inherent in the asset, liability or cashflow; and
- must be designated as a hedge at the inception of the derivative contract.



## **Investec Bank Limited**

### **Accounting policies (continued) for the year ended 31 March 2001**

#### **Derivatives (continued)**

Derivatives designated as hedges are accounted for on the same basis as the underlying asset, liability, or cash flow being. Hedging transactions that are superseded, cease to be effective or are terminated prior to the end of the life of the asset, liability or cashflow being hedged are measured at fair value. Any gain or loss arising from the re-measurement is deferred and amortised into income or expenses over the remaining life of the item previously hedged. When the underlying asset, liability or cash flow is terminated prior to the hedging transaction, the hedging instrument is re-measured at fair value and the gain or loss is included in the category of income or expense relating to the previously hedged transaction.

#### **Equity investments**

Listed equity investments are stated at market value. Unlisted equity investments are stated at the lower of cost or directors' valuation, unless there is a reliable basis to re-measure to fair value.

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

The excess of market value of long-term investments over cost, determined on a portfolio basis, is taken directly 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.

#### **Installment credit, leases and rental agreements**

Amounts outstanding on these contracts, net of unearned finance charges, are included in advances. Finance charges on lease and installment sale transactions are credited to income in proportion to the capital balances outstanding. Finance lease income is credited to interest income according to the effective interest method.

#### **Specific and general provisions**

Specific provisions represent the quantification of actual and expected losses from identified accounts and are deducted from advances in the balance sheet. The amount of specific provisions raised is the Group's conservative estimate of the amount needed to reduce the carrying value of the asset to the expected ultimate net realisable value, taking into account the financial status of the customer and any security for the loan. Included in the specific provisions are 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 that has been transferred to specific provisions.

## **Investec Bank Limited**

### **Accounting policies (continued) for the year ended 31 March 2001**

#### **Specific and general provisions (continued)**

General provisions augment specific provisions and provide cover for loans which are impaired at the balance sheet date but which will not be identified as such until some time in the future. The Group's general provision has been determined after taking into account the structure and the risk characteristics of the Group's loan portfolio, in accordance with South African banking regulations. General provisions are deducted from advances in the balance sheet.

#### **Tangible property and equipment**

Tangible property (excluding freehold land, operational properties and investment properties) and equipment is recorded in the balance sheet at amortised cost less impaired losses. 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, operational properties 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 using the liability method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assessed tax losses can be utilized.

#### **Impairments**

At each balance sheet date the Group reviews the carrying value of assets, that are not carried at fair value, for indication of impairment. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified.

## **Investec Bank Limited**

### **Accounting policies (continued) for the year ended 31 March 2001**

#### **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 Group, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

#### **Interest received**

Interest received is recognised in the income statement as it accrues, based on the effective rates of interest.

Included in interest income is the accrual of unserviced interest, which is fully provided for in the charge for bad and doubtful debt in the income statement. Net interest margin is determined after taking into account the bad and doubtful debt charge.

Interest related to intergroup transactions has been eliminated from interest received in the Group results.

In the notes to the annual report, interest received is detailed in terms of the assets generating the income.

#### **Other income**

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

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.

Principal and trading income consists of investment income and trading income.

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

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

## **Investec Bank Limited**

### **Accounting policies (continued) for the year ended 31 March 2001**

#### **Retirement benefits**

Prior to July 2000, employees had a choice to join either the Group's pension or provident fund. The group pension fund, governed by the Pension Fund Act (1956), 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 plus interest and capital appreciation.

Life cover is compulsory for all employees.

For employees joining after July 2000, it is compulsory to join the Group provident fund. The fund is administered by Alexander Forbes Consultants and Actuaries (Tvl) (Pty) Limited and is registered in South Africa.

The Group has no liabilities for other post retirement benefits.

All employer contributions are charged to income, as they become payable in accordance with the rules of the schemes, and included under staff costs.

#### **Comparative figures**

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

**Investec Bank Limited**

**Balance sheets  
at 31 March 2001**

(R millions)	Note	Group		Company	
		2001	2000	2001	2000
<b>Assets</b>					
Cash and short-term funds	1	9 561	72 997	8 877	12 427
Short-term negotiable securities	2	5 117	39 043	5 031	4 527
Investment and trading securities	3	6 039	9 733	3 939	4 113
Other assets	4	1 465	7 150	1 220	153
Advances	5	20 209	32 720	17 025	12 490
Loans to group companies	6	8 830	-	8 649	462
Subsidiary companies	7	-	-	1 974	8 760
Associated companies	8	15	13	3	4
Fixed assets	9	617	950	149	145
Intangible assets	10	23	2 421	-	-
		<b>51 876</b>	165 027	<b>46 867</b>	43 081
<b>Equity and Liabilities</b>					
<b>Capital and Reserves</b>					
Ordinary share capital	11	16	14	16	14
Compulsorily convertible debentures	12	1 938	1 539	1 938	1 539
Reserves	13	6 102	5 419	5 812	5 048
		<b>8 056</b>	6 972	<b>7 766</b>	6 601
Interest of minority shareholders in subsidiaries		23	291	-	-
Total shareholders funds		<b>8 079</b>	7 263	<b>7 766</b>	6 601
Subordinated debt	14	1 945	500	1 945	500
		<b>10 024</b>	7 763	<b>9 711</b>	7 101
<b>Liabilities</b>					
Deposits and other accounts	15	41 790	156 503	37 098	35 923
Loans from group companies	6	-	466	-	-
Taxation	16	62	295	58	57
		<b>51 876</b>	165 027	<b>46 867</b>	43 081

**Investec Bank Limited**

**Income statements**

**For the year ended 31 March 2001**

(R millions)	Note	Group		Company	
		2001	2000	2001	2000
Interest received	17.1	12 129	9 697	4 261	3 560
Interest paid	17.2	10 228	8 341	3 700	3 256
<b>Net interest income</b>		<b>1 901</b>	1 356	<b>561</b>	304
Provision for bad and doubtful debts		198	211	138	166
		<b>1 703</b>	1 145	<b>423</b>	138
Other income	18	3 233	2 990	945	1 514
<b>Total income</b>		<b>4 936</b>	4 135	<b>1 368</b>	1 652
Operating expenses	18	3 249	2 644	697	658
<b>Income before exceptional items</b>		<b>1 687</b>	1 491	<b>671</b>	994
Exceptional items	18	(1 235)	(166)	(427)	-
<b>Income before taxation</b>		<b>452</b>	1 325	<b>244</b>	994
Taxation	19	195	316	-	-
<b>Net income</b>		<b>257</b>	1 009	<b>244</b>	994
Earnings attributable to minority shareholders		13	15	-	-
		<b>244</b>	994	<b>244</b>	994
Convertible debenture and convertible bond interest		404	223	404	223
<b>Earnings attributable to ordinary shareholders</b>		<b>(160)</b>	771	<b>(160)</b>	771
<b>Headline earnings attributable to ordinary shareholder</b>					
Earnings attributable to ordinary shareholders		(160)	771	(160)	771
Headline adjustments		1 235	166	427	-
Reversal of equity accounted income and foreign currency gains and losses on disposal of subsidiaries		105	-	(442)	-
Foreign currency losses on realisation of foreign loans		869	-	869	-
Goodwill amortised		264	181	-	-
Negative goodwill written off		(3)	(15)	-	-
<b>Headline earnings</b>		<b>1 075</b>	937	<b>267</b>	771

**Investec Bank Limited**

**Cash flow statement  
For the year ended 31 March 2001**

(R millions)	Note	Group 2001	2000	Company 2001	2000
<b>Cash flow from operating activities</b>					
Cash generated by operating activities	23.1	2 026	1 818	348	579
Taxation paid	23.2	(131)	(131)	1	9
Cash available from operating activities		1 895	1 687	349	588
Ordinary dividends paid	23.3	(289)	(328)	(289)	(328)
Debenture and bond interest paid		(404)	(223)	(404)	(223)
<b>Net cash inflow from operating activities</b>		<b>1 202</b>	<b>1 136</b>	<b>(344)</b>	<b>37</b>
<b>Cash utilised in investing activities</b>					
Cash flow on acquisitions or disposal of subsidiaries	23.4	(54 967)	5 819	6 270	(2 613)
Net investment in associated companies		(10)	-	1	-
Net investment in fixed assets		(396)	(182)	(49)	(52)
<b>Net cash outflow from investing activities</b>		<b>(55 373)</b>	<b>5 637</b>	<b>6 222</b>	<b>(2 665)</b>
<b>Cash flow from banking activities</b>					
Movement in deposits and other accounts		12 990	43 357	1 175	12 418
Movement in income earning assets	23.5	(16 466)	(13 407)	(6 259)	(3 383)
<b>Net cash inflow from banking activities</b>		<b>(3 476)</b>	<b>29 950</b>	<b>(5 084)</b>	<b>9 035</b>
<b>Cash flow from financing activities</b>					
Proceeds on issue of ordinary shares		1 999	201	1 999	201
Proceeds on issue of convertible debentures		399	-	399	-
Issue of bonds		1 445	500	1 445	500
Net increase in loans to Group companies		(9 632)	(1 180)	(8 187)	(881)
		(5 789)	(479)	(4 344)	(180)
<b>Net (decrease)/ increase in cash and short-term funds</b>		<b>(63 436)</b>	<b>36 244</b>	<b>(3 550)</b>	<b>6 227</b>
<b>Cash and short-term funds at beginning of year</b>	23.6	<b>72 997</b>	<b>36 753</b>	<b>12 427</b>	<b>6 200</b>
<b>Cash and short-term funds at end of year</b>		<b>9 561</b>	<b>72 997</b>	<b>8 877</b>	<b>12 427</b>

**Investec Bank Limited**

**Statement of changes in shareholders' funds  
For the year ended 31 March 2001**

(R millions)	Note	Group 2001	2000	Company 2001	2000
<b>Share capital</b>					
Balance at beginning of year		14	12	14	12
Issue of shares		2	2	2	2
Balance at end of year	11	<b>16</b>	14	<b>16</b>	14
<b>Compulsorily convertible debentures</b>					
Balance at beginning of year		1 539	1 539	1 539	1 539
Issue of debentures		399	-	399	-
	12	<b>1 938</b>	1 539	<b>1 938</b>	1 539
<b>Share premium</b>					
Balance at beginning of year		2 735	2 536	2 735	2 536
Issue of shares-net of issue expenses		1 997	199	1 997	199
Balance at end of year	13	<b>4 732</b>	2 735	<b>4 732</b>	2 735
<b>General reserves</b>					
Balance at beginning of year		1 762	1 300	1 607	1 164
Earnings attributable to ordinary shareholders		(160)	771	(160)	771
Dividends	20	(289)	(328)	(289)	(328)
Transfer from secondary reserves		-	19	-	-
Balance at end of year	13	<b>1 313</b>	1 762	<b>1 158</b>	1 607
<b>Secondary reserves</b>					
Balance at beginning of year		922	867	706	533
Transfer to general reserves		-	(19)	-	-
Movement in revaluations		(865)	74	(784)	173
Balance at end of year	13	<b>57</b>	922	<b>(78)</b>	706
		<b>8 056</b>	6 972	<b>7 766</b>	6 601



**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>1. Cash and short-term funds</b>				
Cash and gold coins	-	25	-	-
Balances with Central bank	1 882	6 147	1 878	2 700
Balances with other banks	4 116	22 750	4 048	7 203
Loans under resale agreements	-	34 131	-	-
Secured stock lending	-	6 543	-	-
Other short-term funds	3 563	3 401	2 951	2 524
	<b>9 561</b>	<b>72 997</b>	<b>8 877</b>	<b>12 427</b>
<b>2. Short-term negotiable securities</b>				
<b>Analysis by portfolio</b>				
Investment	911	1 361	848	1 226
Trading	4 206	37 682	4 183	3 301
	<b>5 117</b>	<b>39 043</b>	<b>5 031</b>	<b>4 527</b>
<b>3. Investment and trading securities</b>				
<b>Category analysis</b>				
Government and government guaranteed	2 749	3 787	2 149	1 210
Listed securities	1 068	2 070	535	768
Unlisted securities and investments	1 852	2 527	885	786
Positive fair value of trading derivatives	370	1 349	370	1 349
	<b>6 039</b>	<b>9 733</b>	<b>3 939</b>	<b>4 113</b>
<b>Analysis by portfolio</b>				
Liquid assets	3 119	3 894	2 528	1 020
Trading	334	1 596	254	1 480
Investment	2 586	4 243	1 157	1 613
	<b>6 039</b>	<b>9 733</b>	<b>3 939</b>	<b>4 113</b>
<b>4. Other assets</b>				
Settlement debtors	-	5 552	-	42
Other debtors and prepayments	1 465	1 598	1 220	111
	<b>1 465</b>	<b>7 150</b>	<b>1 220</b>	<b>153</b>

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>5. Advances</b>				
Category analysis				
Commercial property loans	4 107	4 030	4 002	3 170
Residential mortgages	3 171	5 154	3 140	2 330
Leases and installment debtors	1 559	2 342	1 383	1 120
Corporate and public sector loans and advances	9 097	11 722	6 218	2 908
Margin lending	-	5 327	-	593
Other secured private advances	1 650	2 706	1 645	1 136
Other loans and advances	1 150	2 251	1 149	1 683
	<b>20 734</b>	<b>33 532</b>	<b>17 537</b>	<b>12 940</b>
Specific provisions against doubtful debts	<b>(347)</b>	<b>(515)</b>	<b>(324)</b>	<b>(319)</b>
General provisions against doubtful debts	<b>(178)</b>	<b>(297)</b>	<b>(188)</b>	<b>(131)</b>
	<b>20 209</b>	<b>32 720</b>	<b>17 025</b>	<b>12 490</b>
<b>Maturity analysis</b>				
On demand to one month	1 872	10 678	1 677	1 005
One month to six months	1 721	3 250	1 200	1 162
Six months to one year	2 578	2 350	2 274	1 256
One year to five years	7 659	8 379	4 189	4 654
Greater than five years	6 904	8 875	8 197	4 863
	<b>20 734</b>	<b>33 532</b>	<b>17 537</b>	<b>12 940</b>
<b>6. Loans to/(from) group companies</b>				
Loans to holding company – Investec Group Limited	6 710	199	6 800	1 789
Loans to/(from) fellow subsidiaries	2 120	(665)	1 849	(1 327)
	<b>8 830</b>	<b>(466)</b>	<b>8 649</b>	<b>462</b>
<b>7. Subsidiary companies</b>				
Shares at valuation	-	-	2 821	9 057
Amounts owing (to)/by subsidiaries	-	-	(847)	(297)
	<b>-</b>	<b>-</b>	<b>1 974</b>	<b>8 760</b>
<b>8. Associated companies</b>				
Listed shares at cost	15	16	3	4
Equity accounted share of retained earnings	-	(3)	-	-
	<b>15</b>	<b>13</b>	<b>3</b>	<b>4</b>

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>9. Fixed assets</b>				
Operational properties and leasehold improvements				
-Cost	470	705	-	-
-Accumulated depreciation	19	105	-	-
Net book value at end of year	<u>451</u>	600	-	-
 Vehicles, furniture and equipment				
-Cost	336	644	315	287
-Accumulated depreciation	173	305	168	144
Net book value at end of year	<u>163</u>	339	<u>147</u>	143
 Investment properties at cost	3	11	2	2
A register of investment and operational properties is available for inspection at the registered office of the company				
Net book value at end of year	<u>617</u>	950	<u>149</u>	145
<b>10. Intangible assets</b>				
<b>Goodwill</b>				
Balance at beginning of year	2 421	2 120	-	-
Net (disposals)/acquisitions	(2 137)	467	-	-
Negative goodwill written off	3	15	-	-
Goodwill amortised	(264)	(181)	-	-
Balance at end of year	<u>23</u>	2 421	-	-
<b>11. Ordinary share capital</b>				
<b>Authorised</b>				
105 000 000 (2000 – 105 000 000) ordinary shares of 50 cents each.	<u>53</u>	53	<u>53</u>	53
<b>Issued</b>				
31 700 000 (2000 – 27 000 000) ordinary shares of 50 cents each.	<u>16</u>	14	<u>16</u>	14
The unissued shares are under the control of the directors until the next annual general meeting.				

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group 2001	2000	Company 2001	2000
<b>12. Compulsorily convertible debentures</b>				
<b>Issued</b>				
3 573 994 (2000 – 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R78.50 each.	<b>282</b>	282	<b>282</b>	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 a one for one basis, on 31 July 2008. The company at its discretion may at the request of the holder convert at an earlier date, but not before 31 July 2002.				
The Investec Bank Limited shares arising out of conversion have been sold forward by the holder thereof to Investec Holdings Limited in exchange for 4 033 507 Investec Holdings Limited ordinary shares. The Investec Bank Limited shares have been simultaneously sold by Investec Holdings Limited to Investec Group Limited in exchange for 3 573 994 Investec Group Limited ordinary shares.				
5 000 000 (2000 – 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.	<b>797</b>	797	<b>797</b>	797
1 000 000 (2000 – 1 000 000) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50 each, net of issue expenses.	<b>160</b>	160	<b>160</b>	160

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group 2001	2000	Company 2001	2000
<b>12. Compulsorily convertible debentures (continued)</b>				
1 500 000 (2000 – 1 500 000) Class B unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R199.50 each, net of issue expenses.	<b>300</b>	300	<b>300</b>	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.				
2 000 000 (2000 – Nil) Class C unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R199,50 each, net of issue expenses	<b>399</b>	-	<b>399</b>	-

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>12. Compulsorily convertible debentures (continued)</b>				
Interest is payable six monthly in arrears on 30 September and 31 March of each year at a rate of 11% per annum for the Class C debentures.				
The Class C debentures will convert into Investec Bank Limited ordinary shares on a 2,3 for one basis on 31 March 2008.				
All the convertible debentures are issued as part of the Group's employee share ownership initiatives and are exempt from the requirements of AC 125.				
<b>Total compulsorily convertible debentures</b>	<b>1 938</b>	1 539	<b>1 938</b>	1 539
<b>13. Reserves</b>				
Reserves comprise:				
Share premium	4 732	2 735	4 732	2 735
General reserves	1 313	1 762	1 158	1 607
Secondary reserves	57	922	(78)	706
	<b>6 102</b>	5 419	<b>5 812</b>	5 048
Secondary reserves comprise:				
Revaluation reserves	226	1 149	(78)	706
Goodwill written off	(169)	(227)	-	-
	<b>57</b>	922	<b>(78)</b>	706
<b>14. Subordinated debt</b>				
Investec Bank Limited 16% local registered unsecured subordinated bonds due 2012.	<b>1 945</b>	500	<b>1 945</b>	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.				

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>15. Deposits and other accounts</b>				
<b>Category analysis</b>				
Deposits and loans from banks	4 258	12 719	3 563	3 985
Demand and saving deposits	7 750	21 029	7 338	6 734
Fixed and notice deposits	16 500	36 209	15 855	13 524
Negotiable certificates of deposit	8 072	9 553	8 072	9 064
Other deposits and loan accounts	2 474	3 478	-	361
Liabilities in respect of repurchase agreements	-	53 653	-	-
Stock lending	-	5 843	-	-
Negative fair value of trading derivatives	941	1 096	941	1 096
Creditors and other accounts	1 795	12 923	1 329	1 159
	<b>41 790</b>	<b>156 503</b>	<b>37 098</b>	<b>35 923</b>
<b>Maturity analysis</b>				
On demand to one month	18 024	100 876	17 325	19 294
One month to six months	14 051	40 705	13 256	12 182
Six months to one year	2 750	7 635	2 743	2 431
Greater than one year	6 965	7 287	3 775	2 016
	<b>41 790</b>	<b>156 503</b>	<b>37 099</b>	<b>35 923</b>
<b>16. Taxation</b>				
Taxation payable	23	301	20	19
Deferred taxation liability	39	48	38	38
Deferred taxation asset	-	(54)	-	-
	<b>62</b>	<b>295</b>	<b>58</b>	<b>57</b>
<b>17. Interest</b>				
<b>17.1 Interest received</b>				
Cash and short-term funds	6 654	4 930	1 136	951
Short-term negotiable securities	2 450	353	385	297
Investment and trading securities	154	325	122	57
Advances	2 391	3 267	2 156	1 934
Intercompany loans	419	719	423	247
	<b>12 068</b>	<b>9 594</b>	<b>4 222</b>	<b>3 486</b>
Foreign currency gains	284	167	58	75
Foreign currency losses	(223)	(64)	(19)	(1)
	<b>12 129</b>	<b>9 697</b>	<b>4 261</b>	<b>3 560</b>

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>17. Interest (continued)</b>				
<b>17.2 Interest paid</b>				
Demand and saving deposits	269	1 327	684	714
Fixed and notice deposits	1 902	2 212	1 731	1 408
Negotiable certificates of deposits	823	812	786	716
Repurchase agreements	6 586	2 844	-	-
Other deposits and loan accounts	397	357	16	6
Intercompany loans	251	789	483	412
	<b>10 228</b>	<b>8 341</b>	<b>3 700</b>	<b>3 256</b>
<b>18. Other income, operating expenses and exceptional items</b>				
<b>Other income comprises</b>				
Commissions and fees – recurring	2 042	1 673	213	184
Principal transactions and trading income	539	735	49	193
Commissions and fees – once off	617	539	160	201
Dividends received	36	33	18	314
Equity accounted income of subsidiaries	-	-	506	622
Equity accounted income of associates	(1)	10	(1)	-
	<b>3 233</b>	<b>2 990</b>	<b>945</b>	<b>1 514</b>
<b>Operating expenses comprise</b>				
Personnel remuneration	1 657	1 347	317	278
Pension and provident fund contributions	123	96	33	24
Auditors remuneration	22	20	8	8
audit fees	20	15	8	8
fees for other services	2	5	-	-
Directors' emoluments paid by subsidiary* (*non executive directors receive market-related fees based on attendance at meetings)				
Executive directors	6	4	1	1
remuneration	6	4	1	1
other benefits	-	-	-	-
Depreciation	141	116	45	41
Premises	233	210	56	51
Equipment	299	187	50	13
Business expenses	583	535	137	192
Marketing expenses	185	129	50	50
	<b>3 249</b>	<b>2 644</b>	<b>697</b>	<b>658</b>

**Investec Bank Limited**



**Notes to the financial statements**  
**For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>18. Other income, operating expenses and exceptional items (continued)</b>				
<b>Exceptional items comprise</b>				
Reversal of equity accounted income and foreign currency gains and losses on intergroup disposal of subsidiaries	(105)	-	442	-
Losses on realisation of foreign currency loans	(869)	-	(869)	-
Goodwill amortised	(264)	(181)	-	-
Negative goodwill written off	3	15	-	-
	<b>(1 235)</b>	<b>(166)</b>	<b>(427)</b>	<b>-</b>
The disposal of subsidiaries and associates is as a result of a restructuring of Investec Group Limited and its subsidiaries. This restructuring resulted mainly in the sale of foreign held subsidiaries to Investec Group Limited and fellow subsidiaries.				
<b>19. Taxation</b>				
<b>19.1 Tax charge for the year</b>				
Taxation on income				
South African normal taxation				
- current	32	25	-	-
- deferred	(6)	-	-	-
Secondary taxation on companies	-	3	-	-
Total South African taxation	26	28	-	-
Foreign taxation	169	288	-	-
- United Kingdom and Europe	116	151	-	-
- United States of America	37	102	-	-
- Israel	25	31	-	-
- Other	(9)	4	-	-
Total tax charge for the period	195	316	-	-
<b>19.2 Tax rate reconciliation</b>				
Income before taxation as per income statement	452	1 325	244	994
Less: Convertible debenture and bond interest	(404)	(223)	(404)	(223)
	48	1 102	(160)	771
Total taxation on income	195	316	-	-
Less : Secondary tax on companies	-	(3)	-	-
	195	313	-	-
Effective rate of taxation on income	406%	28%	0%	0%

**Investec Bank Limited**

**Notes to the financial statements**  
**For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>19. Taxation (continued)</b>				
<b>19.2 Tax rate reconciliation (continued)</b>				
The standard rate of South African normal taxation has been affected by				
- dividend income	236%	1%	(45%)	12%
- exceptional items – goodwill	(164%)	(4%)	-	-
- exceptional items: sale of subsidiaries	(66%)	-	(87%)	-
- accumulated tax losses	(412%)	6%	124%	-
- foreign earnings	353%	(1%)	-	-
- other permanent differences	(323%)	-	38%	18%
	30%	30%	30%	30%

**20. Changes in accounting policies**

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

**20.1 Taxation**

Compliance with the revised South African standard relating to the disclosure of taxation (AC102) resulted in the reclassification of certain tax related charges to interest received and operating expenses. This resulted in the reduction of the prior year tax charge by R105 million, with no resultant effect on income after taxation

**20.2 Trading derivatives**

In line with a stepped approach to full compliance with the new South African standard on Financial Instruments (AC133), all trading derivatives are carried at gross positive and negative fair values (after permissible netting) on the balance sheet. This has resulted in an increase in the investment and trading assets in the prior year of R1 096 million, with a corresponding increase in liabilities. There is no effect on the income statement.

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>21. Ordinary dividends</b>				

Declared and paid	<b>289</b>	328	<b>289</b>	328
<b>22. Contingent liabilities</b>				
Guarantees and letters of credit	<b>2 297</b>	3 856	<b>1 858</b>	2 284
Acceptances on behalf of clients	<b>658</b>	381	<b>643</b>	-
Forward repurchase agreements	<b>40</b>	2 582	-	-
Other	-	140	-	18
	<b>2 995</b>	6 959	<b>2 501</b>	2 302
<b>22.1</b> Included in deposits and other accounts for the Group are funding preference shares issued by subsidiaries to the value of R 2 206 million (2000 – R 2 925 million) in respect of which Investec Bank Limited has granted a put option to the holders in the event of default by the issuer.				
<b>22.2</b> Preference shares to the value of R 321 million (2000 – R 669 million) have been issued between Group companies in respect of which Investec Bank Limited has granted a put option.				
<b>23. Notes to the cash flow statement</b>				
<b>23.1 Cash generated by operating activities</b>				
Net income before taxation	<b>452</b>	1 325	<b>244</b>	994
Adjustments for non-cash items:				
Depreciation	<b>141</b>	116	<b>45</b>	41
Provision for bad and doubtful debts	<b>198</b>	211	<b>138</b>	166
Exceptional items	<b>1 235</b>	166	<b>427</b>	-
Equity accounted income from subsidiaries	-	-	<b>(506)</b>	(622)
	<b>2 026</b>	1 818	<b>348</b>	579
<b>23.2 Taxation paid</b>				
Taxation balances at beginning of year	<b>(295)</b>	(178)	<b>(57)</b>	(48)
Deferred tax asset raised on acquisitions	<b>31</b>	68	-	-
Reduction in liability due to disposal of subsidiaries	<b>266</b>	-	-	-
Amounts charged to income statement	<b>(195)</b>	(316)	-	-
Taxation balances at end of year	<b>62</b>	295	<b>58</b>	57
	<b>(131)</b>	(131)	<b>1</b>	9

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

(R millions)	Group		Company	
	2001	2000	2001	2000
<b>23. Notes to the cash flow statement (cont.)</b>				
<b>23.3 Ordinary dividends paid</b>				
Amounts unpaid at beginning of year	-	-	-	-
Declared from reserves	<b>(289)</b>	(328)	<b>(289)</b>	(328)
Amounts unpaid at end of year	-	-	-	-
	<b>(289)</b>	(328)	<b>(289)</b>	(328)
<b>23.4 Cash flow on acquisitions or disposal of subsidiaries</b>				
Investment in subsidiaries	-	-	<b>6 697</b>	(2 613)
Deposits and other accounts	<b>(127 704)</b>	9 998	-	-
Loans to Group companies	<b>336</b>	-	-	-
Investment and trading securities	<b>3 291</b>	(1 267)	-	-
Advances and other assets	<b>68 303</b>	(2 365)	-	-
Fixed assets	<b>588</b>	(23)	-	-
Deferred tax asset on acquisitions	<b>(31)</b>	(68)	-	-
Taxation	<b>(266)</b>	-	-	-
Minority shareholders on (disposal)/ acquisition of subsidiaries	<b>(281)</b>	11	-	-
Goodwill	<b>2 137</b>	(467)	-	-
Foreign currency translation	<b>(366)</b>	-	-	-
Income statement charge on disposal of subsidiaries	<b>(974)</b>	-	<b>(427)</b>	-
	<b>(54 967)</b>	5 819	<b>6 270</b>	(2 613)
<b>23.5 Increase in income earning assets</b>				
Short term negotiable securities	<b>(11 923)</b>	(1 958)	<b>(504)</b>	(226)
Investment and trading securities	<b>(96)</b>	(100)	<b>(15)</b>	(985)
Advances and other assets	<b>(4 447)</b>	(11 349)	<b>(5 740)</b>	(2 172)
	<b>(16 466)</b>	(13 407)	<b>(6 259)</b>	(3 383)
<b>23.6 Cash and short term funds – opening balance</b>				
Cash and short term funds	<b>72 997</b>	36 630	<b>12 427</b>	6 200
Effect of exchange rates	-	123	-	-
	<b>72 997</b>	36 753	<b>12 427</b>	6 200

**Investec Bank Limited**

**Notes to the financial statements  
For the year ended 31 March 2001 (continued)**

**24. Group and company derivative instruments**  
(R millions)

	<b>Notional Principal</b>	<b>2001 Positive fair value</b>	<b>Negative fair value</b>	<b>Notional principal</b>	<b>2000 Positive fair value</b>	<b>Negative fair value</b>
<b>Trading derivatives</b>						
<b>Foreign exchange derivatives</b>						
Forward exchange contracts	151 800	4 123	4 055	81 176	1 483	1 324
Currency swaps	6 682	77	620	4 285	187	404
OTC options bought and sold	3 763	75	32	-	-	-
Other foreign exchange contracts	640	18	16	-	-	-
OTC derivatives	162 885	4 293	4 723	85 461	1 670	1 728
Exchange traded futures	-	-	-	-	-	-
Exchange traded options	-	-	-	146	3	-
<b>Total</b>	<b>162 885</b>	<b>4 293</b>	<b>4 723</b>	<b>85 607</b>	<b>1 673</b>	<b>1 728</b>
<b>Interest rate contracts</b>						
Caps and floors	12 941	14	20	4 383	2	7
Swaps	149 254	2 669	2 688	101 690	1 314	1 072
Forward rate agreements	132 192	124	83	67 809	68	63
OTC options bought and sold	25 673	119	143	18 434	133	67
OTC derivatives	320 060	2 926	2 934	192 316	1 517	1 209
Exchange traded futures	51 630	23	20	-	-	-
Exchange traded options	462	-	-	-	-	-
<b>Total</b>	<b>372 152</b>	<b>2 949</b>	<b>2 954</b>	<b>192 316</b>	<b>1 517</b>	<b>1 209</b>
<b>Equity and stock index derivatives</b>						
OTC options bought and sold	2 885	197	307	-	-	-
Exchange traded futures	1 415	104	106	-	-	-
Exchange traded options	1 973	204	205	-	-	-
Warrants	361	2	26	-	-	-
<b>Total</b>	<b>6 634</b>	<b>507</b>	<b>644</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total trading derivatives</b>	<b>541 671</b>	<b>7 749</b>	<b>8 321</b>	<b>277 923</b>	<b>3 190</b>	<b>2 937</b>
Effect of netting	-	(7 380)	(7 380)	-	(1 841)	(1 841)
	<b>541 671</b>	<b>369</b>	<b>941</b>	<b>277 923</b>	<b>1 349</b>	<b>1 096</b>

## **Investec Bank Limited**

### **Notes to the financial statements For the year ended 31 March 2001 (continued)**

#### **24. Group and company derivative instruments (continued)**

##### **Derivative instruments**

Derivative instruments have been classified into trading and hedging transactions. Hedging transactions are those used to reduce price and interest rate risk in the activities of Investec Bank Limited. All other derivatives are entered into for proprietary trading purposes. The above table shows the Group's and company'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 present value of 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 determined from quoted market prices or instrument pricing models where appropriate.

## Investec Bank Limited

### Subsidiaries

For the year ended 31 March 2001

Principal subsidiary companies	Nature of business	Issued ordinary share capital	Holding %	Shares at book value R million
<b>Directly held</b>				
Investec Bank (Mauritius) Limited*	Banking institution	R630 105 464	100	950
Investec Limited	Investment holding	R14 150 000	100	417
Reichmans Limited	Trade financing	R24 574 678	100	89
Investec Holdings (Botswana) Ltd ☐	Investment holding	Pula55 000 000	75	72
SIB Investments Limited	Investment holdings	R592 923 543	100	558
Secfin Finance Ltd	Investment holding	R20 600 000	100	36
Securities Equities (Pty) Ltd	Investment holding	R200 000 000	100	152
Sechold Finance Services (Pty) Ltd	Investment holding	R1 000	100	93
KWJ Investments (Pty) Ltd	Investment holding	R1 000	100	42
AEL Investment Holdings (Pty) Ltd	Investment holding	R1 000	100	78
Vesque Limited	Finance and investment	R2 236 200	100	235
Other subsidiaries				99
				2 821

Investec Bank (Israel) Ltd year-end is 31 December in line with Israeli statutory requirements. This company was consolidated up to 31 March 2001 at which point it was sold to Investec Group Limited, the holding company of Investec Bank Limited.

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

\* Mauritius      ☐ Botswana