

Investec Bank Limited
Group and Company Annual Financial Statements
for the financial year ended 31 March 2002

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

Annual Financial Statements
for the year ended 31 March 2002

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Directors' Report

Investec Bank Limited is a 100% held subsidiary of Investec Limited (formerly Investec Group Limited). Investec 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 5 to 29 were approved by the Board of Directors on 5 July 2002 and are signed on its behalf by:

Director

Director

Investec Bank Limited

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Directorate and corporate information for the financial year ended 31 March 2002.

Executive Directors

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

Non-Executive Directors

HS Herman (Chairman)
SE Abrahams
RS Berkowitz
GH Davin (resigned 26 June 2002)
DE Jowell
IR Kantor
D Kuper
MP Malungani (appointed 21 August 2001)
Dr RD Mokate
D R Motsepe (appointed 3 July 2002)
Dr MZ Nkosi
PRS Thomas
F Titi (appointed 03 July 2002)
RAP Upton

Divisional Directors

M Barr
GH Gerber
PB Hanley
SJ Heilbron
PR Jacobson (Canadian)
SM Shapiro
JKC Whelan (Irish)
J Witter

Investec Bank Limited

Annual Financial Statements

Directorate and corporate information for the financial year ended 31 March 2002

(continued)

Secretary and registered office

S Noik
2nd Floor
100 Grayston Drive
Sandown
Sandton
2196

P.O. Box 785700
Sandton
2146

Auditors

KPMG Inc.
Ernst & Young

Declaration by Company Secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2002, 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
5 July 2002

Report of the independent auditors

To the members of Investec Bank Limited

We have audited the annual financial statements and Group annual financial statements set out on pages 5 to 29 for the year ended 31 March 2002. 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 2002 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
5 July 2002

KPMG Inc.
Chartered Accountants (SA)
Registered Accountants & Auditors
5 July 2002

Investec Bank Limited

Accounting policies for the financial year ended 31 March 2002

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.

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

Accounting for associates

Entities other than subsidiary undertakings, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group accounts, associates are accounted for using the equity method.

Equity accounting involves recognising the attributable share of the results and reserves of associated undertakings, based on accounts made up to dates not earlier than six months prior to 31 March. The Group's interests in associated undertakings are included in the consolidated balance sheet at the Group's share of net assets. Goodwill relating to associates is included in goodwill on the balance sheet and amortised as detailed below.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates is written off against income over its useful economic life, not exceeding 20 years. Negative goodwill arising on acquisitions is included within goodwill and released to the income statement over the period that non-monetary assets are recovered. Negative goodwill arising on the acquisition of monetary assets is taken to income in the year of acquisition.

Deleted: normally a period

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 to reserves. The results of foreign subsidiaries are translated at weighted average rates of exchange for the relevant period. The difference between the profit and loss translated at an average rate and the closing rate is recorded as a movement in reserves. Any exchange differences for foreign currency loans, which are used to hedge the net investment in foreign subsidiaries, are also taken to reserves. Goodwill arising on the acquisition of foreign entities is translated at historical rates of exchange.

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 and non-monetary assets are translated at the later of acquisition or revaluation exchange rates.

Investec Bank Limited

Accounting policies (continued) for the financial year ended 31 March 2002

Foreign currency transactions

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

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Interest bearing securities

Except for instruments held to maturity, interest bearing securities are marked to market and profits and losses recognised in the income statement. 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. Profits 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 legally binding netting arrangements and there is an intention to settle and realise simultaneously, positive and negative values of derivatives are offset within the balance sheet totals.

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 con.

These are accounted for on the same basis as the underlying asset, liability, position or cash flow being hedged with income and expense being recognised in the income statement. Hedging transactions which 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 profit or loss arising from re-measurement is deferred and amortised into income or expense over the remaining life of the item previously hedged.

Deleted: Financial instruments in the trading book are measured at fair value, whereas financial instruments in the non-trading book, including loans and investment securities are measured at accrued cost

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Deleted: Income and expenses

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Deleted: instruments

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Deleted: profit and loss account

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Investec Bank Limited

Accounting policies (continued) for the financial year ended 31 March 2002

Derivatives (continued)

When the underlying asset, liability position or cashflow is terminated prior to the hedging transaction, the hedging instrument is re-measured at fair value and the resulting profit or loss is included in the category of income or expense relating to the previously hedged transaction.

Deleted: transaction

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Equity investments

Listed equity investments are stated at market value. Unlisted equity investments are stated at the lower of cost or director's 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 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 director's valuation.

Instalment credit, leases and rental agreements

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

Deleted: loans and

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 provision 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 which has been transferred to specific provisions.

Deleted: loans and

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 taking into account the structure and the risk characteristics of the Group's loan portfolio, in accordance with South African banking regulations.

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General provisions are deducted from advances in the balance sheet but, unlike specific provisions, are included in tier 2 capital when calculating the Group's capital base for regulatory purposes.

Deleted: loans and

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Accounting policies (continued) for the financial year ended 31 March 2002

Tangible property and equipment

Property and equipment is stated at amortised cost, less impairments. Depreciation is provided on a straight-line basis over their anticipated useful lives. Leasehold improvements are amortised over the remaining period of the leases.

The annual rates used to depreciate assets are as follows:

Computer equipment	33%
Infrastructure	20%
Motor vehicles	20%
Office equipment	20%
Furniture and fittings	10%
Operating properties	2%

Certain of the Group's properties are held for long-term investment purposes.. The properties are revalued to their open market value and the aggregate surplus or deficit on revaluation is recognised in the profit and loss account for the year.

No depreciation is provided in respect of investment properties.

Deferred taxation

Deferred taxation is provided using the balance sheet 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.

Deleted: on the comprehensive basis

Deleted: timing

Deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deleted: arising from the recognition of income and expenditure in different periods for accounting and tax purposes.

Impairments

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

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

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.

Investec Bank Limited

Accounting policies (continued) for the financial year ended 31 March 2002

Income recognition

Interest income

Interest income 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. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Other income

Trading profits 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.

Deleted: Interest income is recognised in the profit and loss account as it accrues other than interest the collectibility of which is considered doubtful which is credited to a suspense account and excluded from interest income. The closing balance on the suspense account is netted in the balance sheet against accrued interest receivable or, as the case may be, the amount debited to the borrower

Deleted: Dealing

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. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly.

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

Retirement benefits

In South Africa 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 plus interest and capital appreciation. Life cover is incorporated in the fund.

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 and are 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 scheme, and included under staff costs.

Comparative figures

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

Further disclosure

The Group Staff Share Scheme and risk is managed on a global basis. Please refer to the Investec Group Limited March 2002 annual report for further details.

Investec Bank Limited

**Balance sheets
at 31 March 2002**

(R millions)	Note	Group		Company	
		2002	2001	2002	2001
Assets					
Cash and short-term funds	1	9 116	9 561	8 857	8 877
Short-term negotiable securities	2	7 354	5 117	7 095	5 031
Investment and trading securities	3	11 228	6 039	11 728	3 939
Other assets	4	796	1 465	591	1 220
Advances	5	28 955	20 209	21 308	17 025
Loans to group companies	6	11 523	8 830	5 780	8 649
Subsidiary companies	7	-	-	5 731	1 974
Associated companies	8	15	15	-	3
Property and equipment	9	860	617	838	149
Intangible assets	10	10	23	-	-
		69 857	51 876	61 928	46 867
Equity and Liabilities					
Capital and Reserves					
Ordinary share capital	11	16	16	16	16
Compulsorily convertible debentures	12	1 938	1 938	1 938	1 938
Reserves	13	6 695	6 102	6 592	5 812
		8 649	8 056	8 546	7 766
Interest of minority shareholders in subsidiaries		31	23	-	-
Total shareholders funds		8 680	8 079	8 546	7 766
Subordinated debt	14	2 245	1 945	2 245	1 945
		10 925	10 024	10 791	9 711
Liabilities					
Deposits and other accounts	15	58 884	41 790	51 100	37 098
Taxation	16	48	62	37	58
		69 857	51 876	61 928	46 867

Investec Bank Limited

**Income statements
For the year ended 31 March 2002**

(R millions)	Note	Group		Company	
		2002	2001	2002	2001
Interest received	17.1	5 997	12 129	5 117	4 261
Interest paid	17.2	4 599	10 409	4 449	3 881
Net interest income		1 398	1 720	668	380
Provision for bad and doubtful debts		178	198	116	138
		1 220	1 522	552	242
Other income	18	832	3 233	1 355	945
Total income		2 052	4 755	1 907	1 187
Operating expenses	18	936	3 249	885	697
Income before exceptional items		1 116	1 506	1 022	490
Exceptional items	18	9	(1 235)	39	(427)
Income before taxation		1 125	271	1 061	63
Taxation	19	191	195	128	-
Income after taxation		934	76	933	63
Earnings attributable to minority shareholders		1	13	-	-
Net income		933	63	933	63
Convertible debenture interest		266	223	266	223
Earnings attributable to ordinary shareholders		667	(160)	667	(160)
Headline earnings attributable to ordinary shareholder					
Earnings attributable to ordinary shareholders		667	(160)	667	(160)
Headline adjustments		(9)	1 235	(39)	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
Disposal of subsidiaries		(22)	-	(39)	-
Goodwill amortised		13	264	-	-
Negative goodwill written off		-	(3)	-	-
Headline earnings		658	1 075	628	267

Investec Bank Limited

**Cash flow statement
For the year ended 31 March 2002**

(R millions)	Note	Group		Company	
		2002	2001	2002	2001
Cash flow from operating activities					
Cash generated by operating activities	22.1	1 346	1 845	805	167
Taxation paid	22.2	(205)	(131)	(149)	1
Cash available from operating activities		1 141	1 714	656	168
Ordinary dividends paid	22.3	(47)	(289)	(47)	(289)
Convertible debenture interest paid		(266)	(223)	(266)	(223)
Net cash inflow from operating activities		828	1 202	343	(344)
Cash utilised in investing activities					
Cash flow on acquisitions or disposal of subsidiaries	22.4	469	(54 967)	(3 353)	6 270
Net investment in associated companies		-	(10)	3	1
Net investment in fixed assets		(735)	(396)	(735)	(49)
Net cash outflow from investing activities		(266)	(55 373)	(4 085)	6 222
Cash flow from banking activities					
Movement in deposits and other accounts		17 137	12 990	14 045	1 175
Movement in income earning assets	22.5	(17 551)	(16 466)	(10 682)	(6 259)
Net cash inflow from banking activities		(414)	(3 476)	3 363	(5 084)
Cash flow from financing activities					
Proceeds on issue of ordinary shares		-	1 999	-	1 999
Proceeds on issue of convertible debentures		-	399	-	399
Issue of bonds		300	1 445	300	1 445
Net increase in loans to Group companies		(893)	(9 632)	59	(8 187)
		(593)	(5 789)	359	(4 344)
Net (decrease)/ increase in cash and short-term funds		(445)	(63 436)	(20)	(3 550)
Cash and short-term funds at beginning of year		9 561	72 997	8 877	12 427
Cash and short-term funds at end of year		9 116	9 561	8 857	8 877

Investec Bank Limited

**Statement of changes in shareholders' funds
For the year ended 31 March 2002**

(R millions)	Note	Group 2002	2001	Company 2002	2001
Share capital					
Balance at beginning of year		16	14	16	14
Issue of shares		-	2	-	2
Balance at end of year	11	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
Compulsorily convertible debentures					
Balance at beginning of year		1 938	1 539	1 938	1 539
Issue of debentures		-	399	-	399
	12	<u>1 938</u>	<u>1 938</u>	<u>1 938</u>	<u>1 938</u>
Share premium					
Balance at beginning of year		4 732	2 735	4 732	2 735
Issue of shares-net of issue expenses		-	1 997	-	1 997
Balance at end of year	13	<u>4 732</u>	<u>4 732</u>	<u>4 732</u>	<u>4 732</u>
General reserves					
Balance at beginning of year		1 313	1 762	1 158	1 607
Earnings attributable to ordinary shareholders		667	(160)	667	(160)
Dividends	20	(47)	(289)	(47)	(289)
Balance at end of year	13	<u>1 933</u>	<u>1 313</u>	<u>1 778</u>	<u>1 158</u>
Secondary reserves					
Balance at beginning of year		57	922	(78)	706
Movement in revaluations		(27)	(865)	160	(784)
Balance at end of year	13	<u>30</u>	<u>57</u>	<u>82</u>	<u>(78)</u>
		<u>8 649</u>	<u>8 056</u>	<u>8 546</u>	<u>7 766</u>

Investec Bank Limited

**Notes to the financial statements
For the year ended 31 March 2002**

(R millions)	Group		Company	
	2002	2001	2002	2001
1. Cash and short-term funds				
Balances with Central bank	1 070	1 882	1 061	1 878
Balances with other banks	3 467	4 116	3 221	4 048
Other short-term funds	4 579	3 563	4 575	2 951
	<u>9 116</u>	<u>9 561</u>	<u>8 857</u>	<u>8 877</u>
2. Short-term negotiable securities				
Analysis by portfolio				
Investment	692	911	457	848
Trading	6 662	4 206	6 638	4 183
	<u>7 354</u>	<u>5 117</u>	<u>7 095</u>	<u>5 031</u>
3. Investment and trading securities				
Category analysis				
Government and government guaranteed	1 965	2 749	1 241	2 149
Listed securities	1 373	1 068	1 280	535
Unlisted securities and investments	2 670	1 852	*4 050	885
Positive fair value of trading derivatives	5 220	370	5 157	370
	<u>11 228</u>	<u>6 039</u>	<u>11 728</u>	<u>3 939</u>
Analysis by portfolio				
Liquid assets	1 965	2 749	1 241	2 149
Trading	6 278	705	*9 016	633
Investment	2 985	2 585	1 471	1 157
	<u>11 228</u>	<u>6 039</u>	<u>11 728</u>	<u>3 939</u>
* Includes deposits of R2 810 million placed with Group banks, relating to trading activities.				
4. Other assets				
Settlement debtors	1	-	1	-
Other debtors and prepayments	795	1 465	590	1 220
	<u>796</u>	<u>1 465</u>	<u>591</u>	<u>1 220</u>

Investec Bank Limited

**Notes to the financial statements
For the year ended 31 March 2002 (continued)**

(R millions)	Group		Company	
	2002	2001	2002	2001
5. Advances				
Category analysis				
Commercial property loans	4 883	4 107	4 754	4 002
Residential mortgages	4 581	3 171	4 500	3 140
Leases and installment debtors	1 808	1 559	1 586	1 383
Corporate and public sector loans and advances	13 117	9 097	6 848	6 218
Other secured private advances	2 751	1 650	2 568	1 645
Other loans and advances	2 325	1 150	1 545	1 149
	29 465	20 734	21 801	17 537
Specific provisions against doubtful debts	(253)	(347)	(237)	(324)
General provisions against doubtful debts	(257)	(178)	(256)	(188)
	28 955	20 209	21 308	17 025
Maturity analysis				
On demand to one month	2 156	1 872	1 970	1 677
One month to six months	4 027	1 721	1 030	1 200
Six months to one year	1 499	2 578	1 116	2 274
One year to five years	11 450	7 659	4 465	4 189
Greater than five years	10 333	6 904	13 220	8 197
	29 465	20 734	21 801	17 537
6. Loans to group companies				
Loans to holding company – Investec Group Limited	6 763	6 710	3 357	6 800
Loans to fellow subsidiaries	4 760	2 120	2 423	1 849
	11 523	8 830	5 780	8 649

The loans to the holding company are mainly as a result of the Group restructure in preparation of a dual listed structure (please refer to the Investec Group Limited financial statements at 31 March 2002 for further details). At the end of July 2002, the loan from the company to its holding company would be reduced to under R1 billion.

The majority of loans to fellow subsidiaries and to IBL company subsidiaries earn either a rate of 3% below the prime overdraft rate or 65% of the prime overdraft rate, dependant on the nature of the finance.

Investec Bank Limited

**Notes to the financial statements
For the year ended 31 March 2002 (continued)**

(R millions)	Group		Company	
	2002	2001	2002	2001
7. Subsidiary companies				
Shares at book value	-	-	2 902	2 821
Amounts owing by/(to) subsidiaries	-	-	2 829	(847)
	-	-	5 731	1 974
8. Associated companies				
Listed shares at cost	15	15	-	3
Equity accounted share of retained earnings	-	-	-	-
	15	15	-	3
9. Property and equipment				
Operational properties and leasehold improvements				
-Cost	17	470	-	-
-Accumulated depreciation*	-	19	-	-
Net book value at end of year	17	451	-	-
Vehicles, furniture and equipment				
-Cost	359	336	349	315
-Accumulated depreciation	213	173	206	168
Net book value at end of year	146	163	143	147
Investment properties	697	3	695	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	860	617	838	149
Reconciliation of investment properties				
Opening balance	3	11	2	2
Acquisitions	694	-	693	-
Disposals	-	(8)	-	-
Revaluation	-	-	-	-
Closing balance	697	3	695	2
*Amounts less than R1 million				
10. Intangible assets				
Goodwill				
Balance at beginning of year	23	2 421	-	-
Net (disposals)/acquisitions	-	(2 137)	-	-
Negative goodwill written off*	-	3	-	-
Goodwill amortised	(13)	(264)	-	-
Balance at end of year	10	23	-	-
*There is no negative goodwill balance in the current year.				

Investec Bank Limited

Notes to the financial statements For the year ended 31 March 2002 (continued)

(R millions)	Group 2002	2001	Company 2002	2001
11. Share capital				
Ordinary share capital				
Authorised				
105 000 000 (2001 – 105 000 000) ordinary shares of 50 cents each.	53	53	53	53
Issued				
31 700 000 (2001 – 31 700 000) ordinary shares of 50 cents each.	16	16	16	16
Preference share capital				
4 000 000 authorised and unissued preference shares at R1 each.				

The unissued shares are under the control of the directors until the next annual general meeting.

12. Compulsorily convertible debentures

Issued

3 573 994 (2001 – 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R78.50 each.

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 Limited in exchange for Investec Limited ordinary shares.

282	282	282	282
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Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2002 (continued)

(R millions)	Group 2002	2001	Company 2002	2001
12. Compulsorily convertible debentures (continued)				

5 000 000 (2001 – 5 000 000) Class A unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50 each, net of issue expenses.	797	797	797	797
1 000 000 (2001 – 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.	160	160	160	160
1 500 000 (2001 – 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.	300	300	300	300
Interest is payable six monthly in arrears on 15 June and 15 December of each year at a rate of 15% for Class A and Class A Series II and 12% for Class B debentures.				
The Class A and Class A Series II debentures will convert into Investec Bank Limited ordinary shares on a 3,5 for one basis on 15 December 2004. Class B debentures will convert on a 2,8 for one basis on the same day resulting in the issue of 2 250 714 Investec Bank Limited shares.				
The 2 250 714 Investec Bank Limited shares arising out of the conversion have been sold forward by the holders thereof to Investec Limited in exchange for Investec Limited ordinary shares.				
2 000 000 (2001 – 2 000 000) Class C unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R199,50 each, net of issue expenses	399	399	399	399

Investec Bank Limited

Notes to the financial statements For the year ended 31 March 2002 (continued)

(R millions)	Group 2002	2001	Company 2002	2001
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12. Compulsorily convertible debentures (continued)

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.

	1 938	1 938	1 938	1 938
Total compulsorily convertible debentures				
13. Reserves				
Reserves comprise:				
Share premium	4 732	4 732	4 732	4 732
General reserves	1 933	1 313	1 778	1 158
Secondary reserves	30	57	82	(78)
	6 695	6 102	6 592	5 812
Secondary reserves comprise:				
Revaluation reserves	199	226	82	(78)
Goodwill written off	(169)	(169)	-	-
	30	57	82	(78)

Investec Bank Limited

Notes to the financial statements For the year ended 31 March 2002 (continued)

(R millions)	Group		Company	
	2002	2001	2002	2001
14. Subordinated debt				
R1 961 million (2001 – R1 945) Investec Bank Limited 16% local registered unsecured subordinated bonds due 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.	1 961	1 945	1 961	1 945
R284 million (2001 – nil) Class "E" 15% unsecured redeemable debentures due 2014. From the date of issue to the period ended 31 March and 30 September at a rate of 15% (nominal annual compounded). Thereafter to 31 March 2014, the interest is the floating rate of ZAR-JIBAR-SAFEX plus 2,5%, payable	284	-	284	-

quarterly on 31 March, 30 June, 30 September and 31 December.

	2 245	1 945	2 245	1 945
15. Deposits and other accounts				
Category analysis				
Deposits and loans from banks	4 754	4 258	4 099	3 563
Demand and saving deposits	10 417	7 750	9 912	7 338
Fixed and notice deposits	29 077	16 500	24 685	15 855
Negotiable certificates of deposit	2 018	8 072	2 018	8 072
Other deposits and loan accounts	619	2 474	619	-
Negative fair value of trading derivatives	7 076	941	7 076	941
Creditors and other accounts	4 923	1 795	2 691	1 329
	58 884	41 790	51 100	37 098
Maturity analysis				
On demand to one month	32 673	18 024	31 029	17 324
One month to six months	14 882	14 051	10 414	13 256
Six months to one year	4 055	2 750	3 454	2 743
Greater than one year	7 274	6 965	6 203	3 775
	58 884	41 790	51 100	37 098
16. Taxation				
Taxation payable	9	23	-	20
Deferred taxation liability	39	39	37	38
	48	62	37	58

Investec Bank Limited

Notes to the financial statements For the year ended 31 March 2002(continued)

(R millions)	Group		Company	
	2002	2001	2002	2001
17. Interest				
17.1 Interest received				
Cash and short-term funds	943	6 654	932	1 136
Short-term negotiable securities	411	2 450	407	385
Investment and trading securities	140	154	48	122
Advances	3 317	2 391	2 757	2 156
Intercompany loans	654	419	803	423
	5 465	12 068	4 947	4 222
Foreign currency gains	543	284	474	58
Foreign currency losses	(11)	(223)	(304)	(19)
	5 997	12 129	5 117	4 261
17.2 Interest paid				
Demand and saving deposits	935	269	879	684
Fixed and notice deposits	2 610	1 902	2 539	1 731
Negotiable certificates of deposits	474	823	474	786
Repurchase agreements	2	6 586	2	-
Other deposits and loan accounts	563	578	307	197

Intercompany loans	15	251	248	483
	4 599	10 409	4 449	3 881

18. Other income, exceptional items and operating expenses

Other income comprises

Commissions and fees – recurring	255	2 042	241	213
Principal transactions and trading income	331	539	85	49
Commissions and fees – once off	204	617	240	160
Dividends received	42	36	410	18
Equity accounted income of subsidiaries	-	-	379	506
Equity accounted income of associates	-	(1)	-	(1)
	832	3 233	1 355	945

Exceptional items comprise

Reversal of equity accounted income and foreign currency gains and losses on intergroup disposal of subsidiaries	-	(105)	-	442
Disposal of subsidiaries	22	-	39	-
Losses on realisation of foreign currency loans	-	(869)	-	(869)
Goodwill amortised	(13)	(264)	-	-
Negative goodwill written off	-	3	-	-
	9	(1 235)	39	(427)

Investec Bank Limited

**Notes to the financial statements
For the year ended 31 March 2002 (continued)**

(R millions)	Group		Company	
	2002	2001	2002	2001
18. Other income, exceptional items and operating expenses (continued)				
Operating expenses comprise				
Personnel remuneration	423	1 657	393	317
Pension and provident fund contributions	44	123	43	33
Auditors remuneration	10	22	8	8
audit fees	10	20	8	8
fees for other services	-	2	-	-
Directors' emoluments paid by subsidiary* (*non executive directors receive market-related fees based on attendance at meetings^)				
Executive directors	2	6	1	1
remuneration	2	6	1	1
other benefits	-	-	-	-
Depreciation	52	141	46	45
Premises	65	233	82	56
Equipment	57	299	52	50
Business expenses	221	583	199	137
Marketing expenses	62	185	61	50
	936	3 249	885	697
Total employment cost: -Personnel remuneration	423	1657	393	317

-Pension and provident fund contributions	44	123	43	33
-Executive directors remuneration	2	6	1	1
-Directly allocated against income*	150	783	147	159
	619	2 569	584	510

* Payments made to employees as a result of contractual obligations directly relating to income generation.

^ Remuneration is less than R1 million.

19. Taxation

19.1 Tax charge for the year

Taxation on income

South African normal taxation

- current	186	32	128	-
- deferred	-	(6)	-	-
Secondary taxation on companies	2	-	-	-
Total South African taxation	188	26	128	-
Foreign taxation	3	169	-	-
- United Kingdom and Europe	-	116	-	-
- United States of America	-	37	-	-
- Israel	-	25	-	-
- Other	3	(9)	-	-
Total tax charge for the period	191	195	128	-

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2002(continued)

(R millions)	Group		Company	
	2002	2001	2002	2001
19. Taxation (continued)				
19.1 Tax charge for the year (continued)				
Income before taxation as per income statement	1 125	452	1 061	244
Less: Convertible debenture and bond interest	(266)	(404)	(266)	(404)
	859	48	795	(160)
Total taxation on income	191	195	128	-
Less : Secondary tax on companies	2	-	-	-
	189	195	128	-
Effective rate of taxation on income	22%	406%	16%	0%
The standard rate of South African normal taxation has been affected by				
- exempt dividend income	1%	236%	1%	(45%)
- exceptional items – goodwill	-	(164%)	-	-
- exceptional items: sale of subsidiaries	1%	(66%)	1%	(87%)
- accumulated tax losses	8%	(412%)	8%	124%
- foreign earnings	22%	353%	-	-
- other permanent differences	(24%)	(323%)	4%	38%
	30%	30%	30%	30%
20. Ordinary dividends				
Declared and paid	47	289	47	289

21. Contingent liabilities

Guarantees and letters of credit	1 807	2 297	521	1 858
Acceptances on behalf of clients	2 227	658	2 388	643
Forward repurchase agreements	-	40	-	-
	4 034	2 995	2 909	2 501

21.1 Included in deposits and other accounts for the Group are funding preference shares issued by subsidiaries to the value of R 2 206 million (2001 – 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.

21.2 Preference shares to the value of R 321 million (2001 – R 669 million) have been issued between Group companies in respect of which Investec Bank Limited has granted a put option.

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2002(continued)

	Group 2002	Group 2001	Company 2002	Company 2001
22. Notes to the cash flow statement				
22.1 Cash generated by operating activities				
Net income before taxation	1 125	271	1 061	63
Adjustments for non-cash items:				
Depreciation	52	141	46	45
Provision for bad and doubtful debts	178	198	116	138
Exceptional items	(9)	1 235	(39)	427
Equity accounted income from subsidiaries	-	-	(379)	(506)
	1 346	1 845	805	167
22.2 Taxation paid				
Taxation balances at beginning of year	(62)	(295)	(58)	(57)
Reduction in liability due to disposal of subsidiaries	-	266	-	-
Deferred tax asset raised on acquisitions	-	31	-	-
Amounts charged to income statement	(191)	(195)	(128)	-
Taxation balances at end of year	48	62	37	58
	(205)	(131)	(149)	1
22.3 Ordinary dividends paid				
Amounts unpaid at beginning of year	-	-	-	-
Declared from reserves	(47)	(289)	(47)	(289)
Amounts unpaid at end of year	-	-	-	-
	(47)	(289)	(47)	(289)
22.4 Cash flow on acquisitions or disposal of subsidiaries				
Investment in subsidiaries	-	-	(3 392)	6 697
Deposits and other accounts	-	(127 704)	-	-
Loans to Group companies	-	336	-	-

Investment and trading securities	-	3 291	-	-
Advances and other assets	-	68 303	-	-
Fixed assets	440	588	-	-
Deferred tax asset on acquisitions	-	(31)	-	-
Taxation	-	(266)	-	-
Minority shareholders on (disposal)/ acquisition of subsidiaries	7	(281)	-	-
Goodwill	-	2 137	-	-
Foreign currency translation	-	(366)	-	-
Income statement charge on disposal of subsidiaries	22	(974)	39	(427)
	469	(54 967)	(3 353)	6 270

22.5 Increase in income earning assets

Short term negotiable securities	(2 237)	(11 923)	(2 064)	(504)
Investment and trading securities	(5 259)	(96)	(4 848)	(15)
Advances and other assets	(10 055)	(4 447)	(3 770)	(5 740)
	(17 551)	(16 466)	(10 682)	(6 259)

Investec Bank Limited

Notes to the financial statements

For the year ended 31 March 2002 (continued)

23. Derivative instruments

Group derivative instruments

(R millions)

	2002			2001		
	Notional Principal	Positive fair value	Negative fair value	Notional principal	Positive fair value	Negative fair value
Trading derivatives						
Foreign exchange derivatives						
Forward foreign exchange	193 362	13 369	13 107	151 800	4 124	4 055
Currency swaps	9 527	832	2 643	6 682	77	620
OTC options bought and sold	8 445	135	478	3 763	75	32
Other foreign exchange contracts	-	-	-	640	18	16
OTC derivatives	211 334	14 336	16 228	162 885	4 294	4 723
Exchange traded futures	118 808	21	34	-	-	-
Exchange traded options	-	-	-	-	-	-
Total	330 142	14 357	16 262	162 885	4 294	4 723
Interest rate contracts						
Caps and floors	53 993	71	87	12 941	14	20
Swaps	280 095	3 986	3 970	149 254	2 669	2 688
Forward rate agreements	364 114	802	752	132 192	124	83
OTC options bought and sold	23 362	268	384	25 673	119	143
OTC derivatives	721 564	5 127	5 193	320 060	2 926	2 934
Exchange traded futures	322	1	-	51 630	23	20
Exchange traded options	1 300	1	1	462	-	-
Total	723 186	5 129	5 194	372 152	2 949	2 954
Equity and stock index derivatives						
OTC options bought and sold	10 889	723	698	2 885	197	307
Exchange traded futures	29	-	2	1 415	104	106
Exchange traded options	2 102	42	40	1 973	204	205
Warrants	776	112	49	361	2	26

Total	13 796	877	789	6 634	507	644
Commodity derivatives						
OTC options bought and sold	17 133	674	674	-	-	-
Commodity swaps and forwards	1 055	55	29	-	-	-
OTC derivatives	18 188	729	703	-	-	-
Exchange traded futures	-	-	-	-	-	-
Exchange traded options	-	-	-	-	-	-
Total	18 188	729	703	-	-	-
Total trading derivatives	1 085 312	21 092	22 948	541 671	7 750	8 321
Effect of netting	-	(15 872)	(15 872)	-	(7 380)	(7 380)
	1 085 312	5 220	7 076	541 671	370	941

Investec Bank Limited
Notes to the financial statements
For the year ended 31 March 2002 (continued)

23. Derivative instruments
Company derivatives instruments

(R millions)

	Notional Principal	2002 Positive fair value	Negative fair value	Notional principal	2001 Positive fair value	Negative fair value
Trading derivatives						
Foreign exchange derivatives						
Forward exchange contracts	193 360	13 371	13 107	151 800	4 123	4 055
Currency swaps	9 527	832	2 643	6 682	77	620
OTC options bought and sold	8 445	135	478	3 763	75	32
Other foreign exchange contracts	-	-	-	640	18	16
OTC derivatives	211 332	14 338	16 228	162 885	4 293	4 723
Exchange traded futures	118 808	21	34	-	-	-
Exchange traded options	-	-	-	-	-	-
Total	330 140	14 359	16 262	162 885	4 293	4 723
Interest rate contracts						
Caps and floors	53 993	71	87	12 941	14	20
Swaps	280 095	3 986	3 970	149 254	2 669	2 688
Forward rate agreements	364 050	737	752	132 192	124	83
OTC options bought and sold	23 362	268	384	25 673	119	143
OTC derivatives	721 500	5 062	5 193	320 060	2 926	2 934
Exchange traded futures	322	1	-	51 630	23	20
Exchange traded options	1 300	1	1	462	-	-
Total	723 122	5 064	5 194	372 152	2 949	2 954
Equity and stock index derivatives						
OTC options bought and sold	10 889	723	698	2 885	197	307
Exchange traded futures	29	-	2	1 415	104	106
Exchange traded options	2 102	42	40	1 973	204	205
Warrants	776	112	49	361	2	26
Total	13 796	877	789	6 634	507	644
Commodity derivatives						
OTC options bought and sold	17 133	674	674	-	-	-
Commodity swaps and forwards	1 055	55	29	-	-	-
OTC derivatives	18 188	729	703	-	-	-
Exchange traded futures	-	-	-	-	-	-
Exchange traded options	-	-	-	-	-	-
Total	18 188	729	703	-	-	-
Total trading derivatives	1 085 246	21 029	22 948	541 671	7 749	8 321
Effect of netting		(15 872)	(15 872)	-	(7 380)	(7 380)
	1 085 246	5 157	7 076	541 671	369	941

Investec Bank Limited

Notes to the financial statements For the year ended 31 March 2002 (continued)

23. 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 2002

Principal subsidiary companies	Nature of business	Issued ordinary share capital	Holding %	Shares at book value R million
Directly held				
Investec Bank (Mauritius) Limited*	Banking institution	R281 630 447	100	934
Grayinvest Limited (formerly Investec Limited)	Investment holding	R14 150 000	100	549
Reichmans Limited	Trade financing	R2 343 9668	100	87
Investec Holdings (Botswana) Ltd	Investment holding	Pula55 000 000	75	79
SIB Investments Limited	Investment holding	R592 923 543	100	585
Secfin Finance Ltd	Investment holding	R20 600 000	100	36
Securities Equities (Pty) Ltd	Investment holding	R200 000 000	100	136
Sechold Finance Services (Pty) Ltd	Investment holding	R1 000	100	142
KWJ Investments (Pty) Ltd	Investment holding	R1 000	100	47
AEL Investment Holdings (Pty) Ltd	Investment holding	R1 000	100	71
Vesque Limited	Finance and investment	R2 236 200	100	236
				<u>2 902</u>

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

* Mauritius □ Botswana

Investec Bank Limited

**Company Capital Adequacy
For the year ended 31 March 2002**

The regulatory capital of the bank as reported to the South African Reserve Bank is detailed below.

(R million)	31 March 2002	31 March 2001
Primary capital	5 204	4 900
Secondary capital	4 276	3 848
Total	9 480	8 748
Less: Impairments	753	1 147
Net qualifying capital	8 727	7 601
Capital adequacy ratio	19.29%	19.05%