Mission statement

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

PHILOSOPHIES

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

VALUES

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

History

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

1980

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

1986

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

Investec Holdings Limited is listed on the Johannesburg Stock Exchange.

1988

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

1990

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

1991

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

1992

Investec acquires London-based Allied Trust Bank Limited (ATB). This represents the first international expansion by the Group.

1993

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

1994

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

1995

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

Sechold is delisted.

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

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

At this point all of the Group's UK trading activities fall under Clive.

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

1996

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

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

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

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

1997

ATB is renamed Investec Bank (UK) Limited.

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

The Group engages in an internal restructure whereby all banking operations fall under Investec Merchant Bank Limited. Investec Bank Limited changes its name to Investec Group Limited and simultaneously, Investec Merchant Bank Limited changes its name to Investec Bank Limited.

Investec establishes a grass roots operation in Australia.

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

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

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

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

1998

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

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

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

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

Investec sells Fleet Management to ABN Amro Lease Holding N.V.

Investec acquires management's stake in Guinness Flight Hambro

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

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

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

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

1999

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

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

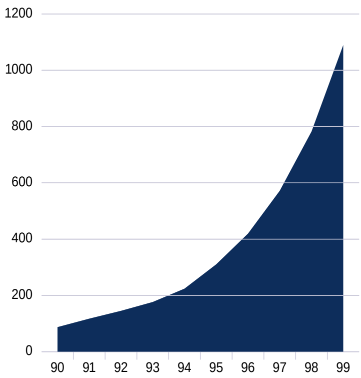
Investec sells Securities Investment Bank Limited into Saflife Limited.

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

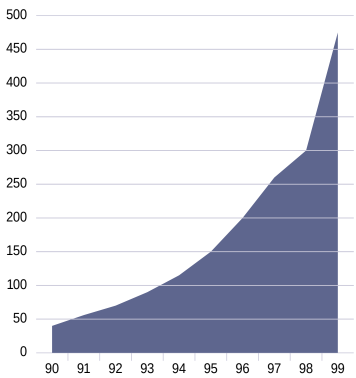
Financial Highlights

INVESTEC GROUP LIMITED	1999	1998	% Increase
Headline earnings attributable to ordinary shareholders (R'millions)	857,0	572,0	49,8
Headline earnings per share (cents)	1077,5	790,1	36,4
Diluted headline earnings per share (cents)	1089,9	782,4	39,3
Dividends per share (cents)	475,0	350,0	35,7
Net tangible asset value per share (R)	65,7	76,5	(14,1)
Total assets (R'billions)	113,0	83,0	36,1
Assets under management (R'billions)	361,0	196,0	84,2
Capital and reserves to total assets	7,8%	8,7%	
Capital adequacy ratios			
Capital and reserves to risk-weighted assets	15,2%	19,8%	
Tier one	14,4%	15,8%	
Tier two	0,8%	4,0%	
INVESTEC HOLDINGS LIMITED			
Headline earnings attributable to ordinary shareholders (R'millions)	377,0	266,0	41,7
Headline earnings per share (cents)	927,2	699,6	32,5
Diluted headline earnings per share (cents)	994,5	677,0	46,9
Dividends per share (cents)	425,0	300,0	41,7
Net tangible asset value per share (R)	47,5	61,7	(23,0)
Total assets (R'billions)	113,0	83,0	36,1
Assets under management (R'billions)	361,0	196,0	84,2

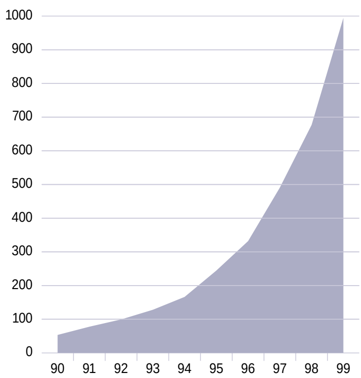
Investec Group Limited
Diluted headline earnings per share
(cents)



Investec Group Limited
Dividends per share
(cents)



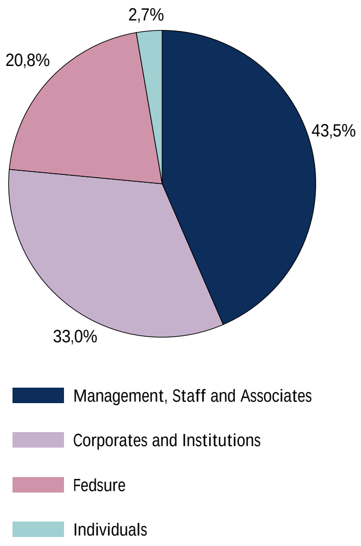
Investec Holdings Limited
Diluted headline earnings per share
(cents)



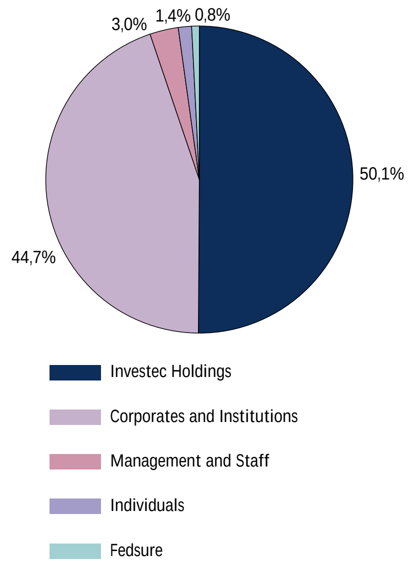
Shareholder Analysis

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

INVESTEC HOLDINGS
(Fully diluted)



INVESTEC GROUP
(Fully diluted)



INVESTEC GROUP ORDINARY SHARES

Number of shareholders	Holdings	% of total shareholders	Number of shares	% of issued share capital
2 995	1 – 500	79,1	433 170	0,5
331	501 – 1 000	8,7	261 234	0,3
300	1 001 – 5 000	7,9	691 869	0,9
60	5 001 – 10 000	1,6	423 431	0,5
65	10 001 – 50 000	1,7	1 367 464	1,7
16	50 001 – 100 000	0,4	1 127 948	1,4
21	100 001 and over	0,6	76 054 716	94,7
3 788		100,0	80 359 832	100,0

INVESTEC HOLDINGS ORDINARY SHARES

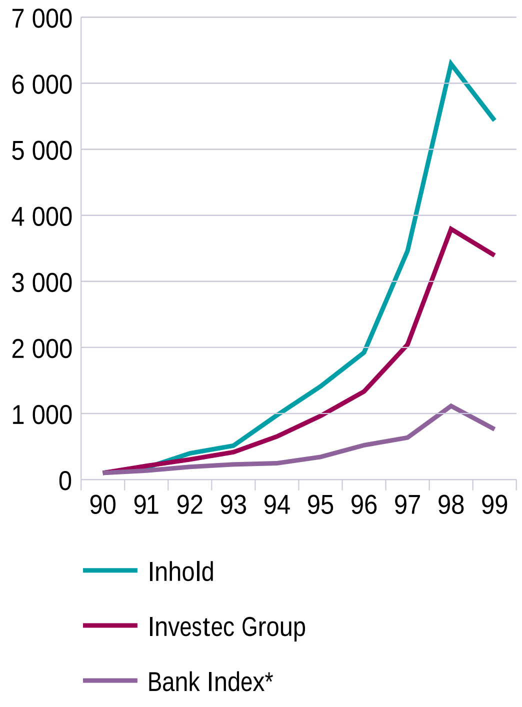
Number of shareholders	Holdings	% of total shareholders	Number of shares	% of issued share capital
1 724	1 – 500	72,0	228 632	0,6
220	501 – 1 000	9,2	168 687	0,4
294	1 001 – 5 000	12,3	629 142	1,6
54	5 001 – 10 000	2,2	382 850	0,9
63	10 001 – 50 000	2,6	1 377 487	3,4
11	50 001 – 100 000	0,5	748 531	1,8
28	100 001 and over	1,2	37 234 466	91,3
2 394		100,0	40 769 795	100,0

SHARE PERFORMANCE

INVESTEC GROUP'S SHARE price has increased from 375 cents on 1 April 1988 to R229,00 on 31 March 1999. This steady growth in the share price has resulted in a 10-year compound growth rate of 49,3% compared with 26,0% compound growth in the Bank index over the same period.

Investec has enjoyed an excellent rating from the investment community, with the increase in its share price exceeding growth in earnings and dividends, both in absolute terms and relative to the Bank index. As a result of the rating of its underlying investment, Inhold's share price has increased from 375 cents on 1 April 1988 to R212,00 on 31 March 1999, a 10-year compound growth rate of 59,4%.

Relative Share Price Index 1990 = 100

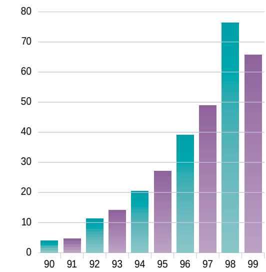


* Prior to 1998 the graph shows the banks and financial services index. In March 1999 the index was split, and the 1999 figure shows the banks index only.

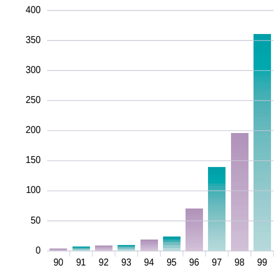
Ten Year Review

For the years ended 31 March	10 Year Rand Compound Growth	1999 US$[g]	1999 RAND	1998 RAND	1997	1996	1995	1994	1993	1992	1991	1990
INVESTEC GROUP LIMITED												
Profits[a]												
Headline earnings attributable to ordinary shareholders (millions)	50,9%	138	857	572	375	235	148	80	54	33	24	18
Return on average shareholders' funds		18,8%	18,8%	17,8%	18,1%	15,5%	17,1%	20,4%	15,5%	19,9%	22,4%	23,5%
Return on average risk-weighted assets		2,5%	2,5%	2,5%	2,5%	2,5%	2,3%	2,0%	1,8%	1,4%[b]	1,5%[b]	1,6%[b]
Balance sheet												
Total assets (billions)	60,4%	18	113	83	63	48	15	11	6	4	3	1
Ordinary shareholders' funds (millions)	58,2%	1 047	6 481	5 941	3 293	2 046	1 683	724	425	300	131	83
Total shareholders' funds[c] (millions)	63,0%	1 414	8 756	7 194	4 447	3 074	2 259	1 185	658	437	201	83
Cash and short-term funds[d] as a percentage of total assets		65,3%	65,3%	65,9%	68,5%	73,4%	43,6%	46,5%	31,0%	22,6%	27,4%	18,9%
Assets under management (billions)		58	361	196	139	70	24	19	10	9	7	4
Share statistics												
Diluted headline earnings per share (cents)	31,6%	176,0	1 089,9	782,4	572,1	419,8	310,7	224,2	176,8	145,4	117,6	87,5
Dividends per share (cents)	31,0%	76,7	475	350	260	200	150	115	90	70	56	40
Dividend cover (times)		2,2	2,2	2,3	2,2	2,2	2,2	2,2	2,1	2,2	2,1	2,2
Net tangible asset value per share[e] (Rands)	34,8%	12,35	65,70	76,45	48,87	39,10	27,10	20,50	14,13	11,27	6,76	4,13
Share price (cents)	49,3%	3 698	22 900	25 600	13 800	9 000	6 500	4 500	2 800	2 050	1 400	675
Number of shares in issue on a diluted basis (millions)		92,48	92,48	79,89	76,95	68,94	60,00	47,38	40,00	32,88	23,00	23,00
Weighted number of shares in issue on a diluted basis (millions)		85,17	85,17	77,72	72,36	63,37	53,28	41,65	35,59	25,78	22,25	20,00
Market capitalisation on a diluted basis (millions)[f]	74,0%	3 420	21 178	20 451	10 619	6 205	3 900	2 132	1 120	674	322	155
Personnel												
Number of employees in the Group		3 721	3 721	2 706	2 238	1 659	1 345	1 067	826	806	704	602
Net contribution per employee based on average number of employees (thousands)	25,6%	52	323	270	240	178	139	108	78	47	38	29
INVESTEC HOLDINGS LIMITED												
Profits[a]												
Headline earnings attributable to ordinary shareholders (millions)	47,0%	61	377	266	175	107	65	34	24	20	16	10
Return on average shareholders' funds		16,1%	16,1%	17,7%	18,4%	14,7%	14,8%	17,9%	16,9%	18,2%	20,6%	20,9%
Share statistics												
Diluted headline earnings per share (cents)	38,1%	160,6	994,5	677,0	490,9	332,0	244,6	166,3	128,1	99,4	77,8	53,4
Dividends per share (cents)	38,8%	68,6	425	300	220	150	96	72	56	36	28	20
Dividend cover (times)		2,1	2,1	2,3	2,5	2,4	2,7	2,2	2,2	2,8	2,8	2,7
Share price (cents)	59,4%	3 423	21 200	24 540	13 500	7 500	5 500	3 800	2 000	1 525	710	390
Number of shares in issue on a diluted basis (millions)		52,28	52,28	44,55	40,57	36,54	33,00	26,00	23,10	20,00	20,00	20,00
Weighted number of shares in issue on a diluted basis (millions)		46,08	46,08	43,02	38,04	34,76	29,83	23,88	22,39	20,00	20,00	20,00
Market capitalisation on a diluted basis (millions)[f]	73,8%	1 628	10 081	10 933	5 477	2 740	1 815	988	462	305	142	78

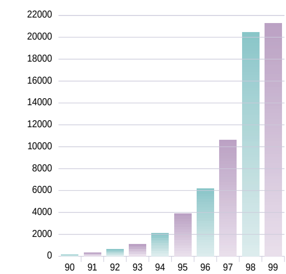
Investec Group Limited Net Tangible Asset Value Per Share (Rand)



Investec Group Limited Assets Under Management (R'billion)



Investec Group Limited Market Capitalisation (R'million)



a. Calculations are based on profits excluding exceptional items.
b. Calculations are based on average total assets.
c. Total shareholders' funds include all convertible instruments and minority shareholders' interest in subsidiaries.
d. Cash and short-term funds include short-term negotiable securities.
e. Calculation is based on the number of shares in issue assuming conversion of the debentures.
f. The convertible debentures have been valued at the market price of the ordinary shares as at 31 March.
g. US Dollar information is converted at a rate of R6,1925 to US Dollar.

Hugh Herman
Chairman
Investec Group Limited

Chairman's Statement

RESULTS

FOR THE TWENTIETH successive year, the Investec Group has posted another strong performance. Headline earnings in 1999 increased by 49,8% to R857 million, with diluted headline earnings per share registering a 39,3% increase, to 1089,9 cents. A final dividend of 300 cents was declared, which brings to 475 cents the dividend for the full year, an increase of 35,7% on that of the previous year. The Group now has a 10-year compound growth in diluted headline earnings per share of 31,6% per annum. A significant feature of the Group's overall performance last year was the 84,2% growth in assets under management, in large measure due to acquisitions. A more detailed breakdown of results is to be found in the Chief Executive Officer's and Managing Director's Review but last year's performance clearly also occurred as a consequence of strong organic growth.

OPERATING ENVIRONMENT

THE VICISSITUDES OF global investor sentiment during the period rendered financial markets everywhere unusually volatile and the operating environment more than usually difficult. This was particularly the case in South Africa, where emerging market concerns made themselves acutely felt, to the subsequent marked detriment of local markets and the domestic economy.

In hindsight, calendar 1998 was an extraordinary year, if only because of the sheer scale of the market extremes experienced during that time. Whether for bonds, equities, foreign exchange, money markets or commodities and whether for first, second or third world economies, the period will be remembered as a very turbulent and enormously volatile one. Although the year began favourably enough, with international confidence beginning to return after the various economic crises of the previous year, this quickly proved short-lived. Subsequent sharp currency depreciations in Korea and Indonesia paved the way for new, increasingly widespread, market concerns. These were to last for much of the year and although initially confined to emerging economies alone, later gave rise to near-universal investor anxiety, a dramatic flight to quality, a severe widening in international credit spreads and outright fears of both a global credit crunch and ensuing systemic weakness.

As it happens, these fears were overdone. The immediate response of the US authorities was to lower US interest rates, on several occasions, an official response that was mirrored to varying degrees elsewhere. Following on from this, market calm and confidence began to return, gradually building momentum, to the point where, by early 1999, successive new stock market highs were once again being established in several developed economies. Within emerging markets, however, confidence remained fairly brittle, a development underscored by the continuing realities of fierce deflation and involuntary, often massive, balance of payments adjustments.

In South Africa, too, these realities hit hard. Deepening global concerns about the prospects for emerging economies and a sudden withdrawal of foreign investment capital from local markets resulted in the rand's losing almost 40% of its value, a substantial depletion of foreign exchange reserves and an interest rate increase of almost 8%, all within a matter of weeks. Although financial stability was, in time, restored, this occurred at the expense of the real economy which, by year-end, had weakened substantially and which, despite successive interest rate cuts in early 1999, entertained little real prospect of meaningful recovery until at least the second half of the year.

That the Group managed to attain fine results, against a generally invidious operating environment, is a tribute to its formulated strategy, the benefits of earlier acquisitions and the tireless efforts by its staff to ensure the Group's increased recognition as a niche, specialist, banking group.

DEVELOPMENTS

IN LINE WITH the Group's stated objective of concentrating only on core areas of competence, Investec sold some non-core interests during the period. These included Investec Fleet Management, District Securities Bank and Securities Investment

Bank, the latter two of which had been acquired under Investec's 1994 acquisition of Sechold.

The period under review saw clear benefits arising as a consequence of the Group's increased international presence. Having early in the period announced the purchase of Guinness Flight Hambro Asset Management, Guinness Mahon PLC and Hambros PLC, the Group later acquired Stuart Coleman & Company in New York, ACSIS in Sydney and, subsequent to the year-end, the Johannesburg-based retail brokerage operation of HSBC Simpson McKie (Pty) Limited. Although the benefits generated by these acquisitions had not, in all instances, fully come through by the end of the financial year, very considerable gains had nonetheless been made, to the clear advantage of the Group's aggregate performance, whether in terms of financial contribution or in terms of augmenting critical mass.

The period also saw the centralisation of all Investec's London-based interests in its new offices at 2 Gresham Street in the City. Having previously been scattered in several different locations, the Group's UK operations now have a clear identity and locale. Modelled on 100 Grayston in Johannesburg, 2 Gresham Street is also open-plan and, in the short-time since everyone has moved in, has played a powerful role as a motivating and integrating mechanism for the diverse people, and functions, contained therein.

Headquartered in Johannesburg, the Group remains firmly committed to South Africa and the region. Last year saw the Group obtain a banking licence in Botswana while the strategic importance of Mauritius as an operating base for the Group became increasingly apparent, with very significant volume growth in the types of business and transactions that can be sourced from there. Indeed, the Group expects significant benefits to accrue over time from its exposure to these economies, both of which have frequently been identified as among Africa's, and the developing world's, most dynamic.

PROSPECTS

IN THIS, THE election year during which President Mandela steps down, the eyes of the world will once again be on South Africa. Although the country has no reason to fear renewed media or investor scrutiny, since policy consistency, credibility and continuity are hallmarks of government, some domestic shortcomings will nonetheless be clearly identified. The most obvious of these relate to continued sub-par economic performance and a wholly inadequate degree of labour absorption into the formal workplace. That both of these should remain so conspicuous by their absence reflects, in part, the inevitable time delays associated with recent structural reform. Furthermore, it reflects considerations, such as emerging market "contagion" and ensuing commodity cycle realities, that are largely external to South Africa. However, the country's persistent underperformance in recent years also reflects considerations that do fall under government's immediate sphere of influence which, for whatever reason, have not yet been addressed. These include privatisation, civil service reform, reduced government dis-saving, a reduced tax burden and the creation of an enabling environment for small and medium business, all of which must be more forcefully tackled, if South Africa is to retain the long-term confidence of global investors.

In a continent long dogged by so-called Afro-pessimism, it is all too easy to become pessimistic about South Africa's long-term economic prospects, particularly when set against the litany of structural and other woes bestowed by previous administrations. However, it is common cause that "when you are inside the frame, you don't see the picture". In truth, the ANC government deserves a much greater degree of credit for getting to grips with unwinding, albeit in gradual and incremental manner, the many structural constraints which have hitherto served to hamper domestic economic growth. An alternative, and by far the easiest political route, would have been to succumb to the temptation of populism, particularly during last year's emerging markets crisis when South Africa, among others, was singled out for punishment.

To many, however, the positive changes brought about in the ANC's first term of office count for nought when set against the seemingly over-arching sense of negativity that permeates day-to-day reality in South Africa as a consequence of completely unacceptable levels of violent crime. The need to change this collective mind-set is therefore the single most important imperative for the incoming administration and this can really only be done through evidence that it intends to address crime, with emphasis and with vigour, in the months ahead. Sustaining confidence is pivotal if long-term investment is to be ignited as a force for more robust growth in South Africa and, in this respect, domestic confidence is every bit as important as that of the potential foreign investors on whom long-term growth will clearly ultimately depend. We are confident, however, that government knows what has to be done to relieve the more pressing of current business concerns. More importantly, we believe that remedial action by government will be forthcoming.

Even the most cursory glance at Investec's current profile, when compared with that of some four or five years ago, provides striking confirmation of the Group's very deliberate strategic orientation in recent years. Modelled on a desire to replicate outside of South Africa the formula that has proved so successful in South Africa, the Group's desire to become an equally significant player outside of South Africa in no way reflects a loss of faith in its country of origin. Quite the contrary. The Group retains its passion for, and deeply-held belief in, the long-term potential of South Africa. That said, we, like many others, are concerned about certain aspects of the operating environment which render long-term business planning more difficult than would be the case in an environment unconstrained by South Africa's peculiar emerging market realities.

Mindful of the role which it too must play, South African business has already made a very active contribution to bridging those national constraints which have hitherto served to limit a more dramatic reversal of recognised socio-economic deficiencies in South Africa. Continued active support from business, in many different areas, can be expected in future and Investec fully supports, and participates in, ongoing initiatives such as those represented by Business Against Crime and the SA Foundation's Business Initiative.

Against the acute recognition that if people's needs are not met, political instability usually unfolds, the most immediate future challenge for South Africa is to confer on large numbers of the population the sense of self worth and dignity that goes hand in hand with having a job.

Job creation, therefore, will continue to be the main challenge for both government and business in the years ahead and, driven by a mutual desire to build a winning nation, both sides are clearly solicitous of working together, to the long-term benefit of the economy and its people.

For Investec's part, while it is fully recognised that the fundamental raison d'etre for business is to create shareholder value, it is also recognised that business cannot be expected, nor indeed does it try, to operate in a vacuum. It remains one of the Group's goals to play as full a role as possible in contributing to the various regions in which it operates but, of these, nowhere is the need for a social conscience more obvious than in South Africa. To this end, Investec has chosen to place considerable emphasis on the need to augment the country's education base, details of which are to be found in the Group's Corporate and Social Investment Review in this report. As will be seen, a new Group initiative relates to the recent decision by Investec to provide a property in the Johannesburg central business district for the purpose of creating a micro entrepreneurial centre. This will house a cluster of different services aimed at providing local micro entrepreneurs with the necessary access to finance, training, information, technology, networking and support. Itself a visible product of the power of entrepreneurialism, Investec is particularly delighted to be associated with this project and wishes hearty success to the many future micro-entrepreneurs likely to be associated with it. Investec looks forward to working closely with all operators involved with this project.

CORPORATE GOVERNANCE

AS WILL BE seen from the detail elsewhere in this report, the Group has put in place a number of measures designed to ensure a high standard of corporate governance in each of the regions in which it operates. Motivated by a desire to enhance shareholder value and foster the interests of all stakeholders in the Group, Investec fully endorses the King Report and operates in broad compliance with this, and all equivalent codes in the other jurisdictions in which the Group is represented.

MANAGEMENT AND STAFF

INVESTEC'S STRONG PERFORMANCE last year was largely due to the effort, energy and enthusiasm shown by all management and staff, often in trying circumstances. Indeed, it is largely thanks to ongoing staff endeavours that Investec's name is now inevitably associated in the market place with the simultaneous promotion of ideas, creativity, innovation and excellence of service. As an organisation, however, Investec is very much more than the sum of its parts and I would like to express my appreciation, and personal thanks, to all staff everywhere for their continuing efforts on behalf of the Group. Driven by the Group's unique culture and a strong adherence to its values, Investec staff have developed a very keen sense of self, as opposed to net, worth, which can only be of benefit to us all, whether as individuals or as part of the broader Group, as well as to all stakeholders.

A warm vote of appreciation is also due to the non-executive directors for their unwavering dedication and commitment to the efforts of the Group and to our clients and shareholders everywhere, whose valued support has been an important element of the Group's continued success.

FAREWELL TO PRESIDENT MANDELA

AS PRESIDENT MANDELA now formally exits public life, I would like, on behalf of the Investec Group, to extend to him our sincere thanks and deep appreciation for the role which he has played in promoting both reconciliation and renewed self-confidence in South Africa. That this country has matured to a point barely imaginable when President Mandela first took office, is largely attributable to the personal efforts of Madiba himself and he is owed an enormous debt of gratitude as a consequence. We salute him as an icon of our times, a tremendous inspiration to all those who will follow in his footsteps and wish him a long, healthy and happy retirement.

LOOKING AHEAD

AFTER TWENTY CONSECUTIVE years of strong growth, Investec's track record speaks for itself, is commonly accepted and has resulted in manifold new opportunities for the Group. The new financial year brings a strong sense of internal drive and commitment, unwavering morale and Group-wide determination to secure an even firmer positioning in those markets and regions in which it operates. Clearly, in an environment as acutely competitive as that represented by financial services, there are no grounds for complacency and, despite both the personal demands and sacrifices which sustained Group performance requires and the uncertainties sometimes imposed on the Group by broader socio-economic realities, I am confident that Investec is on course for another strong year of growth. In this new information age, where intellectual capital is a clear driver of growth, the Group is well positioned to make even further advances in its chosen fields, to the clear and continued benefit of all shareholders. As a Group, we look forward to the year ahead, to the challenges and opportunities that it will bring and to reaping the ongoing benefits of our continuing strategic endeavours.

Hugh Herman
Chairman

Stephen Koseff
Chief Executive Officer
Investec Group Limited

Bernard Kantor
Managing Director
Investec Group Limited

Chief Executive Officer's and Managing Director's Review

LAST YEAR'S CRISIS in global financial markets inevitably served to cast a spotlight on banks and banking, and the perceived risks contained therein. Although much of this focus was initially directed at the general usefulness of the risk management techniques commonly deployed in the industry, banks were also subjected to additional scrutiny as a consequence of the changing realities in an industry where increased risk-taking has become one of the more obvious ways of reducing traditional reliance on margin income. As an unintended consequence, last year's global crisis served to expose some of the vulnerabilities in an industry continuing to experience quite significant change.

INDUSTRY REVIEW - INTERNATIONAL

THAT THE TYPES of activity in which the banks have traditionally engaged has been in decline, has been apparent for some years. Formerly content to rely on taking deposits and lending out the proceeds, banks everywhere, prompted by the advent of both deregulation and meaningfully increased competition, have seen an activity that was previously solely their preserve fall victim to increasing degrees of disintermediation. Confronted by this, banks have clearly been forced to change and their obvious need to increase returns has effectively boiled down to either of two options, to reduce costs or to increase revenues. While recent technological advances have certainly assisted in respect of the former, cutting costs is often difficult, so pursuit of the latter, frequently by banks moving into other types of non-traditional business, has been seen to be their preferred competitive response.

This has resulted in an unprecedented degree of consolidation in banking, a trend most visibly manifest in the number of mega-mergers that have occurred in the industry in recent years and the subsequent creation of a number of both global, and regional, banking behemoths. Perceived to be a clear driver of value in financial markets, this global trend can be expected to persist over the medium-term, despite the recognised difficulty of making acquisitions in an environment where, in part facilitated by the continuing global bull market, the value of financial assets is being constantly driven upwards.

Whereas the perpetuation of frenzied mega-merger activity in banking, as well as clear evidence of a desire by banks to diversify their earnings into annuity-rich types of business, has, in recent years, appeared to suggest that size would be the sole determining factor of success in the financial services industry, this perception has since changed, largely on the recognition that size does not necessarily equate with success. That big is not necessarily better from a banking perspective means that there is now seen to be a clear role for the niche player as well, with many players now actively seeking to differentiate themselves in this manner.

INDUSTRY REVIEW - SOUTH AFRICA

RECENT TRENDS WITHIN the domestic financial landscape have to a large extent echoed those being experienced globally. The environment has become increasingly competitive, largely prompted by the post-1994 move by many large foreign players into the local market, and this has prompted many domestic players to reshape existing structures and/or to seek alliances with a foreign partner. The global trend towards mergers and acquisitions in financial services is clearly also being replicated in South Africa, where there are now increasing signs of consolidation among the larger players, as well as visible moves towards a simplification of ownership structures. The financial landscape is also currently characterised by the development of a market for bancassurance, largely as a response to an aggressive move by many banks into the market for the distribution of life assurance products.

Other current trends are more unique to South Africa. These include moves towards accommodating the banking needs of the previously unbanked sections of the population, this giving rise to the emergence of a number of micro-lending initiatives, and the current desire by a number of corporate entities to migrate away from South Africa so as to advance their core capital-raising requirements. In respect of the latter, at least part of the motivation for wanting to migrate from South Africa is a desire on the part of those corporates concerned to build their international investor base away from what, until now, has been generated out of almost exclusively emerging market investment interest. By listing outside of South Africa and by being included in the indices of first world jurisdictions, these companies can immediately widen their investor base to include the so-called "tracker funds" which represent a much broader-based investment interest. For these companies, electing to pursue a lower cost of capital, in a world where capital is clearly a scarce resource, is an entirely rational decision, even if the resulting apparent shrinkage of the Johannesburg Stock Exchange has prompted an emotional response from those who have interpreted these corporate moves as a desire to flee South Africa. However, while these moves have undoubtedly generated a degree of controversy, they have really only been pursued by those companies whose global aspirations have hitherto been constrained by the continuing existence of domestic exchange controls.

In contrast to many other examples elsewhere, banks in South Africa weathered last year's global financial crisis well. The sector is fortunate in being profitable, healthy and well supervised and clear differentiating factors in South Africa's favour have been the absence of "crony capitalism", officially directed lending or high ratios of either non-performing or short-term foreign loans in the banking sector. While the strength of the domestic banking system undoubtedly enabled the financial sector to withstand last year's shocks, with subsequent adjustment and normalisation in the sector occurring at a pace that has caused no material damage to either the sector or its viability, banks nonetheless continue to experience some fallout as a consequence of last year's very unfortunate developments on the interest rate front. Domestic borrowers remain under considerable pressure, not least because of continued high levels of personal indebtedness, as a result of which the lending environment is likely to remain unfavourable for some time to come.

Recent developments in banking in South Africa include the introduction of the new national payments system, the successful move towards a money market repo system and clear signs that local banks continue to keep pace with technological innovation, with electronic commerce and direct banking likely to grow at an accelerated pace over the medium-term. Banking institutions appear reasonably ready for Y2K, with the Reserve Bank already declared completely compliant and most other institutions fast approaching this goal. One less positive aspect of the current environment, however, relates to continued delays in the implementation of STRATE, or the move by the JSE towards the use of electronic scrip, which is taking much longer than anticipated, generally undermining the credibility of the local financial environment and causing obvious frustration to both foreign and local investors.

Although the financial services industry in South Africa in general has been characterised by quite significant recent change, with many local banks opting for a change in direction, Investec has not. The Group has chosen to remain focused on its areas of core competence rather than broaden its base of activities in South Africa. This is consistent with Investec's philosophy of being a banking group that "is not all things to all people" and has enabled Investec to be clearly differentiated from other South African-based banking groups.

RESULTS

THE GROUP ENJOYED another very successful year, with earnings and dividends advancing strongly during the period.

The salient features of the Group's 1999 results have been discussed in the Chairman's Statement. In elaborating on underlying trends, however, it is important to note that, quite apart from the benefit of international acquisitions, last year's performance was driven by strong organic growth, particularly from such areas as Corporate Finance and Specialised Finance, Securities Trading and Asset Management. Organic growth in total income amounted to 37,3% while organic growth in net income amounted to 54,9%.

Total shareholders' funds increased from R7,2 billion to R8,8 billion, a figure that reflects new capital of R1,43 billion.

Previously 19,8%, the Group's risk-weighted capital to assets ratio fell to 15,2%, a figure that reflects the Group's increased asset base and the goodwill element of recent acquisitions. This figure remains substantially in excess of both international statutory requirements and domestic industry norms.

Total assets increased to R113 billion, an increase of 36,0%. Total assets under management increased to R361,3 billion, an increase of 84,2%, of which 15% represented balance sheet growth and 69,2% represented growth in third party assets under management.

The Group's Income Statement reveals total income of R3,3 billion, a figure 88% higher than that of the previous year. Of this, 37,3% is organic while the balance is attributable to the inclusion of acquisitions. Net interest income after provision for bad and doubtful debts increased by 42%, despite a significantly increased charge (114,4%) for bad and doubtful debts. This reflects not only a 30,7% increase in growth in advances during the year but the need for prudence in a domestic environment still reeling under the burden of successive interest rate shocks, high personal indebtedness and rising bad debts.

"Other income" increased by 123,8%, to R2,2 billion, through acquisitions and strong performances by the Group's Corporate and Investment Banking, Securities Trading and Asset Management operations. The annuity component of "other income" rose by 136,8%.

Although slightly down on the previous year, recurring or annuity income accounts for 77% of total income. The non-rand component of total income increased to 51% in 1999, from 37% in 1998.

Operating expenses increased by 104,4% last year, to R2,1 billion, a figure that largely reflects the international acquisitions made by the Group during the period. The Group's aggregate expenses to total income ratio rose to 58,9% in 1999, from 54,7% in 1998, a figure that can be further broken down into a ratio of 48,4% for South Africa and 66,7% for the Group's international activities (73% in the UK and 55,5% elsewhere). A further subdivision of the Group's expense ratio is that between Group banking and non-banking activities, for which the respective ratios were 54,6% and 71,1%.

The after-tax profit per employee increased during the year to R320 000 from R270 000.

OPERATIONAL ISSUES

AGAINST LAST YEAR'S environment of markedly increased financial volatility, and subsequent calls for changes to the manner in which banks manage risk, the importance traditionally placed by the Group on the need for independent and prudent risk management reaped enormous dividends. The Group was well-positioned to withstand the successive shocks experienced during the course of the period, emerging relatively unscathed. Investec continues to pay very considerable attention to this critical area and a separate chapter in this report outlines the various techniques and processes used by the Group to manage all of the various risks, across all geographies, to which it is exposed.

Investec has traditionally prided itself on maintaining levels of capital adequacy well in excess of those stipulated by the Basle Committee. However, in recent years, this ratio, while still well above domestic industry norms, has fallen to levels deemed more appropriate to the Group's activities. Furthermore, Group emphasis will, in future, be placed on the need to increase return on equity (ROE), as opposed to nominal capital. As part of its determination to deploy capital more productively, the Group has set ambitious targets for a return on average shareholders funds, core capital employed and a return on risk-weighted assets over the medium-term.

Although Investec reports a generally favourable efficiency level, it remains a core objective for the Group that key cost ratios should be contained even further. With this in mind, the Group has identified a target cost to income ratio of 40% for its South African operations and an equivalent target cost to income ratio of 60% for its international operations. While the latter implicitly recognises the inherently higher costs associated with doing business in foreign jurisdictions, these costs arising most obviously in relation to rent and personnel, the efficiency target which the Group has set for its foreign operations is clearly demanding and will require disciplined pursuit on the part of all those involved. That said, as integration progresses, cost ratios will naturally decline.

Last year saw significant progress in a number of operational areas, most particularly in relation to the Group's numerous IT initiatives. The Group has now reached advanced levels of Y2K preparedness, with all core system testing to be completed by July 1999, and recent project emphasis has turned to the risk projects relating to clients, suppliers and counter parties, and the development of contingency planning. Another notable achievement on the IT front was the successful launch of the Investec Call Centre, Investec Connect, which provides Internet-enabled foreign exchange trading for corporate clients and equity trading for private clients. Yet another project close to fruition is the launch of the Investec Private Bank card account.

As mentioned elsewhere in this report, Investec continues to devote much time and attention to the need to address historic shortcomings in education in South Africa. Much of the Group's corporate and social investment policy is devoted to this end but South Africa continues to experience an acute shortage of skills, a problem that is further compounded by current emigration realities. It is therefore encouraging that, against this invidious background, Investec continues to attract top notch people, of the calibre required to entrench the Group's position as a leading, niche, player, both here and abroad. Attracted both by the challenging work environment that the Group provides, as well as by its unique culture and underlying philosophies, newcomers to Investec are openly encouraged to participate in all internal Group dynamics. Great emphasis is placed on the quality of the Group's human capital base and all employees are urged to advance themselves in their chosen fields, an endeavour greatly assisted by the existence of an in-house Business School and a number of tailor-made training courses and skills development programmes.

GROUP POSITIONING AND PROSPECTS

THE GROUP'S STRATEGIC goals and objectives are motivated by a desire to be one of the world's great specialist banking groups, through the active, and increasingly international, pursuit of clearly established core competencies in the areas of Corporate and Investment Banking, Private Banking and Asset Management. To this end, Investec made significant international advances last year. As is well known, the Group's global ambitions revolve around a three-pronged strategy: to follow Investec's customer base; to gain domestic competence and critical mass through selective acquisitions in each of the regions in which the Group establishes a presence; and, to build additional domestic capability by means of cross-border emphasis. A number of international acquisitions during the course of last year further bolstered the Group's already recognised international presence - Guinness Mahon Holdings PLC, Guinness Flight and Hambros PLC in the UK, ACSIS in Australia, Stuart Coleman & Co in the US - and the Group also obtained a banking licence in Botswana.

A key consideration last year was the need to integrate recent acquisitions into the broader Group. Indeed, looking back, it is quite remarkable just how quickly the integration process has proceeded, defying both internal and external expectations, particularly when it is considered that the actual finalisation of the Guinness Mahon and Hambros PLC acquisitions only occurred several months into the financial year. Examples of recent integration include Hambros PLC and Guinness Mahon, both of which have been subsumed into Investec Bank UK (IBUK); Investec Asset Management and Guinness Flight Hambro Asset Management, which have been merged into Investec Guinness Flight; and, Carr Sheppards and Henderson Crosthwaite, who have become Carr Sheppards Crosthwaite. Quite apart from these obvious changes in name, however, these businesses have also taken on much of the identity of the broader Investec Group, the results of which will be more clearly visible in time. Somewhat less formally, additional integration efforts occurred between Reichmans and the regional offices of Mauritius, Hong Kong and London.

However, of recent integration endeavours, none is more evident than in the case of Investec's UK operation, IBUK, all of whose activities were recently rehoused in Investec's new UK head office, located at 2 Gresham Street in the City. While the most visible manifestation of this integration is clearly to be found in IBUK's new physical space, it can also be seen in the benefits of a more focused marketing approach. Less visible, perhaps, but even more important, is the palpable sense of energy that now drives the UK business, an energy level that, in a matter of months, has served to migrate IBUK away from being the UK adjunct of an essentially South African-based operation to a vibrant domestic business with its own pulsating core.

That this should now be so, particularly given the enormous contrasts between the operating environments in South Africa and the UK, is a tribute to the unceasing efforts by the Executive, senior management and our long-standing resident consultants to "Investecise" these operations. On the premise that the open plan, open door, open access environment that has worked so well in South Africa should also reap the necessary benefits in the UK, last year saw tremendous attention paid by everyone in IBUK on the need to engage in deliberate Investec process, much of which was devoted towards the need for the various teams to strategise, debate, discuss, challenge, argue and resolve, all with a view to establishing and identifying IBUK's team priorities and challenges going forward. This has now been done and the Group is very confident about the prospects that lie ahead.

Although immediately apparent in terms of the Group's meaningfully increased UK presence, last year was significant, too, for the fact that the Group has visibly increased the overall global reach of its core areas of activity. Already boasting one single Private Bank and one single Asset Management business around the world, it remains the Group's clear goal that the Corporate and Investment Banking and Securities Trading businesses, already both increasingly international, should follow suit, in time also becoming one seamless operation across all geographies.

Although often regarded as essentially acquisitive, an obvious misperception in view of evidence of strong organic growth within the Group in recent years, the Group's deliberate programme of international expansion has clearly moved beyond the point of merely seeking to platform build. Rather, future acquisitions will have to be motivated by the prospect of either a high return on equity, additions to critical mass or to secure further Group positioning in its chosen markets. While remaining alert to opportunities to bolster the Group's international presence and product offering, Investec anticipates that the year ahead will essentially be a year of consolidation for the Group, with much time and attention still required for bedding down and further integrating recent acquisitions.

By remaining true to its stated intent of "not being an all things to all people" type of bank, Investec has strategically positioned itself, through steadfast pursuit of its recognised core competencies, to become one of the world's great, specialist, banking groups. Last year saw the first real evidence of how the Group has evolved from being a specialist niche player in South Africa to being a specialist niche player on a significantly increased international scale, with concomitant benefits to the Group and to all its stakeholders. Secure in the strategic direction that it has chosen and confident of further success, the Group looks forward to the year ahead and to the challenges and opportunities that it will bring.

ACKNOWLEDGMENTS

That last year was a highly successful year is, of course, thanks to the hard work, energy and determination of all Investec employees. We would like to convey our gratitude to each and every member of staff for his or her unique contribution to recent Group performance, as well as to our Chairman and members of the Board, for their unstinting enthusiasm and support. We look forward to another challenging, if demanding, year ahead.

STEPHEN KOSEFF
Chief Executive Officer

BERNARD KANTOR
Managing Director

Risk Management Review

OF THE VARIOUS lessons learned during last year's global financial crisis, when market volatility increased to twice its historic average, none hit hardest than the clear reminder of the critical importance of effective risk management in an environment vulnerable to sudden and dramatic shifts in sentiment. Triggered by events in Russia and the ensuing near-collapse of US hedge fund, Long Term Capital Management, global financial markets succumbed to a sudden wholesale re-assessment and re-pricing of financial risk. Accompanied by a re-balancing and de-leveraging of international portfolios that was accentuated by marked risk avoidance, outright market illiquidity and extreme price movements that cut across equity, fixed income, currency and derivative markets in mature and emerging economies alike, the unprecedented magnitude of last year's market turbulence at one point threatened to culminate in a complete freezing up of the global financial system, as a fierce credit crunch took hold.

As everyone now knows, global financial stability was eventually restored as a consequence of quick official action to provide global liquidity, principally by means of lower interest rates around the world. However, effective measures of damage control aside, the essentially coincidental and highly inter-related nature of last year's developments, with obvious scope for contagion and chain reaction, has left policy-makers and risk managers everywhere grappling to identify the reasons why such systemic turbulence occurred in the first place. Perhaps more importantly, people have begun to focus on what can be done to prevent this from happening again?

Many of these questions still remain and, no doubt, will do so for some time to come. In seeking answers, however, much market focus has inevitably centred on such macro issues as requisite banking supervision, financial market surveillance and the management of global systemic risk. While these initially prompted calls for a radical reform of the world's international financial architecture, such calls have inevitably been frustrated by the near-impossibility of reaching global consensus on the need for new institutions. As a consequence, focus has since shifted away from the architecture to the plumbing, with attention now being placed on the need for regulators to strengthen linkages between them, so as to provide more timely early warning systems and to orchestrate more effective responses. From a micro perspective, an equally pressing concern has been the perceived shortcomings in risk management and operational controls in many banks around the world and the possibility of deficiencies in the risk and portfolio management models and techniques now so commonly used by banks everywhere.

RISK MANAGEMENT IN INVESTEC

IN ITS OWN approach to risk management, long deemed a priority for the Group, Investec has sought to comply to the fullest possible extent with international best practice. Indeed, the importance traditionally placed by the Group on well defined, effective and disciplined risk management reaped obvious dividends during the successive crises of last year, with the Group well positioned to withstand the enormous increases in volatility which occurred in many of the markets in which it operates.

Over the years, Investec has sought to ingrain a comprehensive and independent risk management process throughout the Group, such that all risks can be consistently identified, understood and properly managed at all times. While the primary responsibility for risk management rests with the individual business units in managing the risks that arise from the transactions in which they engage, the final responsibility for Group risk management in Investec falls within a specifically dedicated, centralised and independent division. As such, there is a very clear division between risk approval and operational management within the Group.

The Group's basic risk philosophy is that no new products or markets will be traded in or entered into unless, and until, all associated risks have been fully identified and assessed and ensuing risk/reward ratios have been approved by both management and the Board of Directors. The Group risk management division has specific Group-wide responsibility for setting prudential limits for all areas of activity, for systematically measuring all risks and for constantly monitoring and reviewing all Group exposures. While the logistics of catering for a number of different geographies across the

Group have resulted in regional line responsibility up to a pre-defined amount, any decisions on limits in excess of this must be referred to Group risk management in Johannesburg for final approval. The Group risk management function is also responsible for maintaining standards and ensuring consistency across all divisional and regional risk management functions.

As Investec has expanded in recent years, so has the number of highly skilled professionals devoted to the objective of Group risk management. The Group boasts a very high level of technical and analytical expertise in its risk management endeavours and these have been further complemented by the use of recognised international surveillance techniques and risk-control methodologies. As previously mentioned, the Group was well-placed to withstand last year's financial shocks, largely because of the traditional importance placed by both the Executive and management on the ongoing pursuit of international best-practise in the Group's internal risk management endeavours.

GROUP RISK MANAGEMENT FORA

BOARD

AUDIT COMMITTEE
Tax
Financial Control
Compliance
Regulatory Environment
Internal Controls
IT

CREDIT COMMITTEE
Credit and Counterparty Risk
Price risk

DEAL COMMITTEE
Price Risk
Legal Risk
Documentation Risk
Investment Risk

ASSET AND LIABILITY COMMITTEE
Interest Rate Risk
Liquidity Risk
Currency Risk

CROSS BORDER COMMITTEE
Country Reviews
Country Limits

Investec's comprehensive risk management process manifests itself, across all of the different jurisdictions in which the Group operates, in a number of different decision-making bodies, the purpose of each of which is to identify, analyse, monitor and review the particular types of risk to which the Group is exposed. Essentially, these constitute *market risk,* arising from a change in value in portfolios, *liquidity risk,* relating to the funding of the Group's activities and the liquidity of the markets in which the Group operates, *credit risk,* relating to the quality of counterparties with whom the Group deals, as well as to their potential for default, *cross border risk,* relating to the possibility that actions by foreign governments may prevent counterparties from meeting their contractual obligations, *operating risk,* relating to the potential for loss arising from a breakdown in controls and the implementation of safeguards to ensure the proper functioning of people, systems and facilities, *legal risk,* arising out of the need to ensure that all work undertaken by the Group meets the strictest standards of legislation and documentation, and, *compliance,* arising out of the highly regulated and often stipulatory nature of the industry in which the Group operates.

MARKET RISK

MARKET RISK REPRESENTS the potential change in the value of a financial or derivative instrument caused by fluctuations in interest and foreign exchange rates, equity, bond and commodity prices, and credit spreads.

Investec trades primarily in the foreign exchange, equity, capital and money markets, both as principal and agent, in all of the regions where it is located. The Group also participates in the derivatives markets, again both as principal and agent.

The Group's approach to managing market risk is to ensure that all risks are clearly identified, on the basis of both current and future expectations, and to ensure that all trading activities occur within previously defined, broadly acceptable, parameters. In this regard, the Group has structured its risk management function substantially in compliance with internationally recommended practices and with the recent introduction by the South African Reserve Bank of capital adequacy reporting (CAR) for all trading activities on a daily basis.

An independent, centralised, price risk function is responsible for monitoring all of the Group's market risk, across all national and international subsidiaries of the Group. Investec's trading positions are marked to market daily, by pricing models that use mid-market valuations. The risk implied by the use of financial modelling is, in turn, addressed by regular, ongoing, reviews by both the Group's external auditors and expert international consultants, to ensure that these models correctly reflect the value of all financial instruments.

Trading activities are further monitored by the establishment of appropriate limits, the size of which are determined by the degree of Group risk tolerance to the nature of the markets and/or products traded, the liquidity and maturity of the market and the Group's desired risk/return profile. All trading limits are approved by both senior management and the Board of Directors. The Group has also implemented Algorithmics RiskWatch for the automated monitoring of all market risks across the Group.

The price risk of the portfolio is measured by use of the "value-at-risk" method, which is determined by probability analysis based upon a common confidence interval and time horizon. Those components of market risk considered across the term structure include change in price, convexity, volatility, time decay, correlation and the risk free rate. The price function monitors all portfolios and positions daily, on the basis of value at risk against approved limits and, if required, triggers an appropriate management response. The portfolios and positions are measured against two limits, these comprising a 95% one-day value at risk limit and a disaster scenario. This latter is based on an extreme movement in the underlying market instrument (usually a 15 standard deviation move) and a longer holding period. The portfolios and positions are also stress tested, using a wide range of scenarios in order to better understand the nature of the risks involved. In addition, profits and losses are analysed on a daily basis. This ensures that the sources of revenue are understood and that they are consistent with the risks involved.

The table in the next column represents the Group's value at risk at the end of the financial year.

	Value at Risk (Rm)	Limit (Rm)
Capital Market	5,983	10,500
Domestic Interest Rates	4,002	7,000
Money Market	5,530	8,000
Foreign Exchange	5,331	8,500
Equity Contracts	620	6,800
UK Operations	1,753	2,650
US Operations (Ernst & Co.)	4,402	5,300
TOTAL	27,622	48,750

MARKET RISK - DERIVATIVES

THE RISKS ASSOCIATED with the use of swaps, futures, forwards, options and other derivative instruments are monitored in the same highly systematised manner as those for the underlying instruments. Risks are also measured across the product range in order to take into account any correlation that might exist.

Derivative instruments have been classified into dealing and hedging transactions. Hedging transactions are those used to reduce price risk in the funding activities of the bank. All other derivatives are entered into for proprietary trading purposes. The table below shows the Group's derivative portfolio at the end of the financial year, on the basis of the notional principal and the fair value of all derivatives.

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. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred if the rights and obligations arising from that instrument were closed out by the Group in an orderly market transaction at year-end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Notional Principal	(Rm)
Capital Market	88 526
Money Market	179 811
Foreign Exchange	9 761
Equity Contracts	27

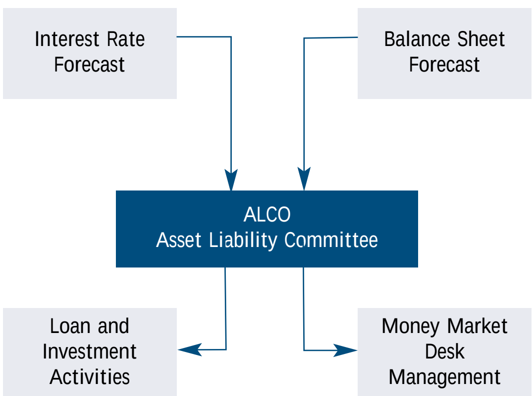
Fair Value	(Rm)
Capital Market	296
Money Market	35
Foreign Exchange	222
Equity Contracts	(12)

LIQUIDITY RISK

LIQUIDITY RISK ARISES in the course of Investec's general funding activities and in the management of the balance sheet. This risk includes both that of being unable to raise funding with appropriate maturity and interest rate characteristics and that of being unable to liquidate an asset in a timely manner at a reasonable price.

Responsibility for the management of both interest rate and liquidity risk in the various regions in which the Group operates falls to the relevant Asset and Liability Committee (ALCO) in each area. This committee is responsible for setting, monitoring and ensuring compliance with the Group's lending and borrowing policies, taking cognisance of both interest rate and liquidity risk, as well as capital adequacy. Varying management disciplines are represented at ALCO and highly sophisticated computer simulations of a range of "what-if" scenarios are deployed during the decision-making process, from which the Group's loan and statutory investment policy and appropriate money market desk management philosophies are derived. Although the Group's international subsidiaries engage in their own ALCO process, these are reviewed by the Group ALCO, to ensure that none of the Group's foreign subsidiaries is undertaking disproportionate or intolerable levels of liquidity and/or interest rate risk.

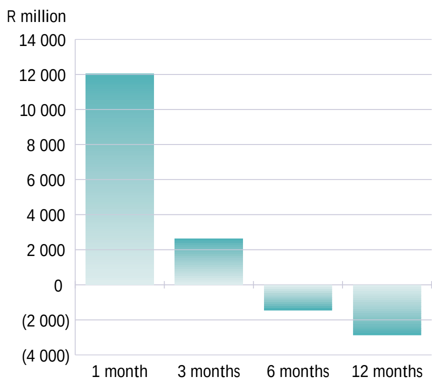
Funding and Liability Management



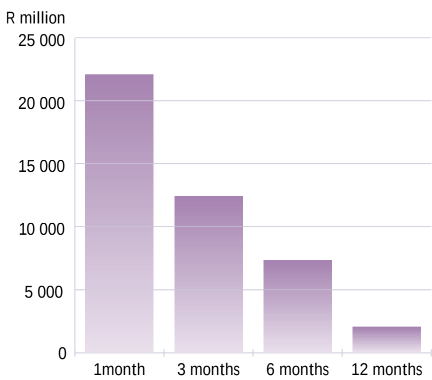
Investec's ALCO policy, across all regions, precludes taking substantial interest and currency mismatch positions and a core area of focus for the various ALCO teams is the need to manage the interest rate margin in such a way that it remains as neutral as possible. A prudential liquidity policy also dictates that, on a daily basis, the Treasury in each jurisdiction should hold surplus rediscountable assets and/or surplus cash on call with other banks, and have access to resources amounting to a minimum value as determined by Group ALCO. This evolves from the Group's stated intention of maintaining a continuous surplus liquidity position, based on a percentage of its deposit base in each jurisdiction.

The Group's repricing and cumulative liquidity gaps at the end of the financial year are shown below. The Group's repricing gap represents the extent to which assets and liabilities are sensitive to interest rate movements. The cumulative liquidity gap at year-end represents the magnitude of cash flows required by the Group, under normal operating conditions, to repay depositors should the need arise. The year-end figures depicted assume normal market conditions and an ability by the Group to realise its equity and tradeable instruments within the specified time frames.

Cumulative Liquidity Gap



Cumulative Repricing Gap



CREDIT RISK

CREDIT RISK IS that represented by the possibility of financial loss to the Group as a consequence of default by a counterparty to a transaction. It includes loan loss risk, settlement risk and replacement risk. Financial instruments that create credit risk include loans and advances and commitments to extend securities and derivatives.

The fundamental principles that Investec applies to the need to manage this most basic of risks include a clear definition of its target market; a rigorous assessment, both qualitative and quantitative, of the creditworthiness of all existing counterparties; an analysis of all related and risks, including those associated with concentration; a regular monitoring of all existing and potential exposures once facilities have been approved; and, a high level of both executive and non-executive involvement in all decision-making and review.

The interest rate shocks administered to the local South African economy in the past year have necessitated particular vigilance as far as the monitoring of domestic credit risk is concerned. A recent initiative in this regard is the introduction of a regular forum to discuss industry or sector specifics, in recognition of both the essentially cyclical nature of much economic activity and the frequent differences in individual industry cycles. Quite apart from the rigours required by purely domestic considerations, however, the Group's credit risk department has made considerable strides in ensuring improved methods for measuring and monitoring credit risk, both at product and portfolio level, across the Group. In an attempt to move towards international standards of credit risk management, a Global Credit Risk Management System was implemented last year.

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

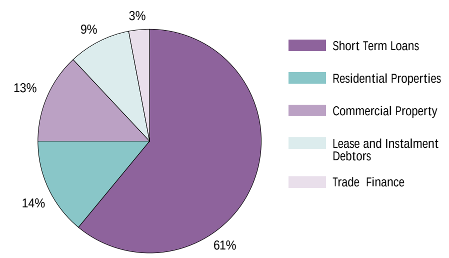
CROSS BORDER RISK

WHEN TRANSACTING OUTSIDE its national boundaries, the Group is exposed to cross border risk. This arises, essentially, when conditions in a foreign country adversely affect the ability of counterparties in that country to meet their contractual obligations, ie. as a consequence of political instability, civil war, the re-imposition of exchange controls, debt moratorium or any other restrictions on the remittance of funds.

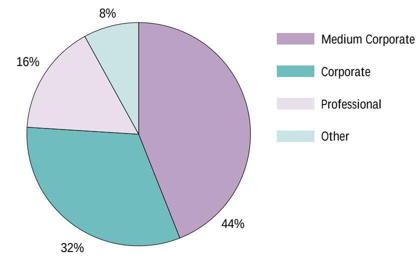
Investec manages its control of cross border risk by means of a regular cross border forum, at which those countries to which the Group is currently, or potentially, exposed are subject to both formal review and the setting of country limits. These are reviewed at least semi-annually, although this can occur more regularly, depending on prevailing circumstances. The cross border forum is attended by varying management disciplines within the Group as well as by executive and non-executive directors.

Group Loan Portfolio 1999

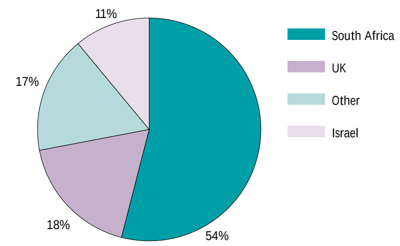
By Asset



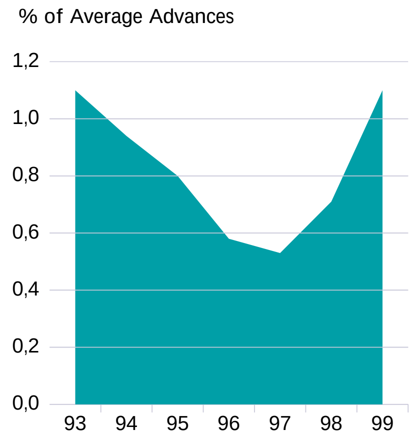
By Client



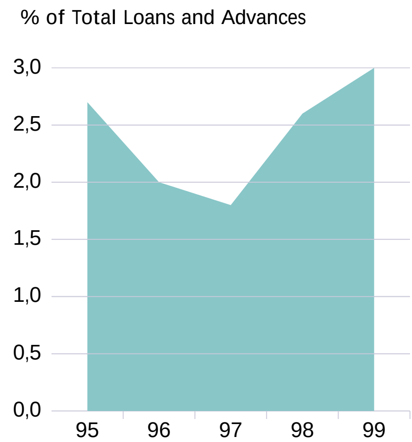
By Geography



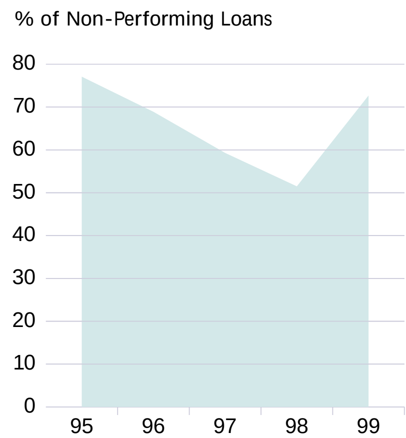
Bad Debt Charge



Non Performing Loans



Specific Provisions



Investec Group Limited: Asset Quality, Specific and General Provisions (Rm)

	1999	1998
Total loans and advances	22 430	17 006
Managed book	781	437
Net loans and advances	21 648	16 569
Specific provisions	494	229
General provisions	236	136
Total provisions	730	365

Investec Group Limited: Asset Quality, Specific and General Provisions (%)

General provisions as % of net loans and advances	1,1	0,8
Total provisions as % of total loans and advances	3,2	2,1
Non performing loans (Rm)	679	444
Specific provisions as % of non-performing loans	72,7	51,5
Non-performing loans as a % of total loans and advances	3,0	2,6

OPERATING RISK

THIS RELATES TO the potential for losses which arise from internal and external fraud, systems failures, incomplete data and inadequate internal control procedures.

The Group takes active measures to limit potential risks by acting to prevent, detect and recover any losses incurred. While primary responsibility for this type of risk management is to be found at operational management level, the Group has nonetheless taken a number of steps to ensure that the operational risk to which it is exposed is minimised. The most important policy measure is that represented by Group determination to instill in all employees a sound culture, ethics and values ethos. This is supplemented by strong management commitment to a number of recognised internal control procedures, which include effective and efficient accounting methods, administrative controls, disaster recovery and business resumption processes.

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

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

YEAR 2000

FOR SOME CONSIDERABLE time, the Group has concentrated its efforts on ensuring overall readiness for the advent of the new millennium. The Group has reached an advanced stage of preparedness, with virtually all in-house testing now complete and official Y2K project focus having shifted to the compliance status of all external stakeholders. Please refer to page 76 for a full report on Y2K.

LEGAL RISK

LEGAL RISK ARISES when inadequate documentation and legal controls exist.

The legal risk team evaluates the vulnerability and business implications of legal issues. In particular, it continues to focus on the review of areas where sophisticated legal documentation is required to give effect to more complex and structured transactions, such as those in the Specialised Finance, Treasury and Trading divisions.

COMPLIANCE

GROUP COMPLIANCE AIMS to address and co-ordinate best practice from both an industry and Group perspective, bearing in mind the different requirements in the different jurisdictions in which the Group operates. Designed as a means of enhancing management control, the Group Compliance function addresses the pervasive regulations associated with the industry in which the Group operates, draws on the internal risk management processes of the Group and monitors the specific regulations and rules necessary for Group compliance. The continually evolving compliance requirements of the domestic environment are being addressed through a strengthening of internal operational processes and in utilising best practice from the international markets where the Group operates, which are subject to vigorous compliance requirements.

LOOKING AHEAD

AGAINST THE BACKGROUND of the ever changing nature, structure and dynamics of the international markets in which the Group operates, enormous importance will continue to be placed by the Group on the need for effective internal controls and risk management methodologies. Mindful of its responsibility but confident in its pursuit of world best practice, whether in terms of human skills and/or technological tools, the Group's Risk Management function enjoys Group-wide support as a critically important element in the Group's historic success and future performance.

Notes

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

REPRICING GAP AT 31 MARCH 1999

(R million)	Up to 1 month	1-3 months	3-6 months	6-12 months	Greater than one year	Non-rate sensitive	Total
Assets	82 707	3 728	5 930	1 742	4 079	14 720	112 906
Liabilities	60 630	13 356	11 023	7 017	2 575	9 549	104 150
Equity	–	–	–	–	–	8 756	8 756
Repricing Gap	22 077	(9 628)	(5 093)	(5 275)	1 504	(3 585)	–
Cumulative Repricing Gap	22 077	12 449	7 356	2 081	3 585	–	–

LIQUIDITY GAP AT 31 MARCH 1999

(R million)	Up to 1 month	1-3 months	3-6 months	6-12 months	Greater than one year	Total
Cash and short term funds	29 758	998	5 693	262		36 711
Short term negotiable instruments	36 022	992				37 014
Investment and trading securities	2 033	1 761		4 043		7 837
Other assets	4 388	165	114	73	126	4 866
Advances	5 304	1 788	1 269	953	12 622	21 936
Associate companies		1 498				1 498
Fixed assets					924	924
Intangible assets					2 120	2 120
Assets	77 505	7202	7 076	5 331	15 792	112 906
Liabilities	65 452	16 613	11 184	6 743	4 158	104 150
Equity	–	–	–	–	8 756	8 756
Liquidity Gap	12 053	(9 411)	(4 108)	(1 412)	2 878	–
Cumulative Liquidity Gap	12 053	2 642	(1 466)	(2 878)	–	–

Notes

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

BREAKDOWN OF LOANS AND ADVANCES (INCLUDING OFF BALANCE SHEET ITEMS) AT 31 MARCH 1999

(R million)	Total	Residential Property	Commercial Property	Lease and Instalment Debtors	Trade Finance	Other loans
Medical and Professional	3 624	1 130	273	573	-	1 648
Private Clients/ Medium Corporates	10 238	2 015	2 033	683	431	5 076
Large Corporates	7 565	19	334	765	175	6 272
Other	1 934	98	477	190	–	1 169
TOTAL	23 361	3 262	3 117	2 211	606	14 165

Corporate and Social Investment Review

OF THE MANY consequences of last year's global financial crisis, one of the more durable has been the notion that capitalism must be seen to project a more human side. As is now well known, last year's crisis, prompted by a sudden reversal of the global capital flows that had previously been directed at emerging economies, gave rise to enormous social ramifications in these economies, with many millions of people being pushed below the poverty line and many millions losing their jobs as recession took hold. As a clear consequence, internal and national debate in many of these economies gravitated back to the identified need for "people-centred development", with official attention not so much on the niceties of finetuned monetary and fiscal policy but on the urgent need to create jobs, minimise social disruption and get growth back on track.

The developments of last year gave rise to growing sympathy for the view that market disciplines as applied to the industrial world may not, in fact, be appropriate for emerging economies and that too often market disciplines are really only imposed on ordinary citizens and not on the actual suppliers of global capital. However, whereas the events of last year may have added obvious poignancy to such debate, the identified need for a "kinder capitalism" is by no means new. The concept of corporate and social responsibility, for instance, has been in vogue for several years and revolves around the extent to which a firm should stretch its acceptance of responsibilities beyond its primary role as an economic agent, to include social duties as well. While a body of international literature, and theory, has now developed around this subject, Investec's corporate and social investment philosophy is based on the simple recognition that the realities of the economic and social landscape in which the Group operates simply cannot be ignored.

While this applies to each of the jursidictions in which the broader Group operates, nowhere is the need for Investec to act as a responsible corporate citizen greater than in South Africa at present. Operating in, and out of, South Africa, a country in which the backlog of national socio-economic requirements is simply enormous, and where government's ability to address these requirements is clearly limited, the Investec Group is patently aware of the role that it must play in underpinning social and political stability in its country of origin. As its preferred response, the Group has chosen to pursue the advancement of education in South Africa, seeing this as the most critical ingredient in improving peoples lives on a permanent basis.

Disbursements to a multi-faceted and very wide range of charitable causes constitute an important, but secondary, role in the Group's overall endeavours towards greater social upliftment in South Africa. While the Group has made a conscious choice to pursue education as the principal focus of its Corporate and Social Investment Policy, it has not ignored its social responsibility to other sectors of the community and has responded generously to the many requests which have been made by institutions and organisations, including those from the President's Office, on behalf of the less fortunate members of our society. As such, the Group renders ongoing assistance to a broad spread of cultural, educational and charitable causes. Investec is also very closely associated with the ongoing work of the National Business Initiative, the SA Foundation, Business Against Crime and the Business Trust.

Substantially implemented through the Investec Social Investment Trust, which was created by a formal deed of Donation and Trust in early 1994, and which is funded through a percentage of Investec's annual after-tax profits, Investec's corporate and social investment activities have been specifically aimed at increasing the skills base within the local economy. Investec has, for many years, been actively involved in furthering educational opportunities at a number of South African universities, mainly through the provision of substantial financial assistance to these tertiary establishments. Apart from its ongoing involvement with the Universities of the North, the Western Cape, Fort Hare and Zululand, the Group is now also closely associated with the Universities of the Witwatersrand and Rhodes, the former through the establishment of the Investec School of Econometrics and the latter through the establishment of the Investec School of Economic and Management Sciences. The Group has also donated funds towards the establishment of a specialist MBA course aligned to the banking industry at the University of Natal and is currently in the process of finalising a programme of financial assistance for the University of the Western Cape. The Group is also involved with a host of other universities and technikons in South Africa in many other ways.

Quite apart from the direct financial assistance which Investec makes to tertiary educational establishments in South Africa, the Group has also pledged funds for the specific purpose of providing selected students with an opportunity to pursue international post-graduate degrees. To this end, university scholarships for MBA courses are available, on an ad hoc basis, at the University of Nijenrode in the Netherlands.

A new initiative, launched last year and run in conjunction with Investec's Human Resources division, is that represented by the Investec Bursary Forum, according to which Investec will provide funding for tertiary education for those students that the Group has identified as potential recruits. This programme has got off to a very positive start and is expected to grow substantially over the medium-term.

Another local initiative on the education front is that represented by the Educational Enrichment Programme in Vosloorus, which assists matriculants with extra lessons to help them pass their exams, to which Investec has donated a number of computers. The Group also participates in The Star Newspaper's "Adopt a School" campaign, according to which Investec provides numerous copies of the daily newspapers to the Alafang High School in Katlehong.

Aside from its external initiatives on the education front, a number of additional initiatives have been explored within Investec itself. Through the auspices of Investec's Business School, which enjoys very wide support from both management and staff, customised training and development schemes have been created to provide the necessary theoretical and practical grounds for individual self-development and personal advancement for all Investec employees.

In pursuing its Corporate and Social Investment Policy as outlined above, Investec hopes to make its own unique contribution to rectifying some of the pressing and neglected legacies of South Africa's past. A new initiative, to have significant impact in the new financial year, is that represented by the imminent launch of Investec's Centre for Entrepreneurialism which, it is intended, will become a cluster of services for emerging micro-entrepreneurs. As part of a soon-to-be launched programme, Investec has given over one of its properties in the central business district of Johannesburg, free of rent, to a number of service providers to emerging micro-entrepreneurs for use as a central meeting point. Therein, entrepreneurs will have access to training, finance, technology, information and opportunities for networking, all of which will be clustered under one roof. Against much international evidence which suggests that nations that support entrepreneurship have grown and prospered, while nations that have placed barriers on the growth of small business have done poorly, Investec hopes that it can, through this project, help sow the seeds of prosperity for those involved. The Group is very excited about the enormous potential represented by this project and will be very closely associated with it on an ongoing basis.

Directorate

INVESTEC GROUP LIMITED
Reg. No. 04/02833/06

EXECUTIVE DIRECTORS

Hugh S Herman (58)
BA LLB
Chairman
Director of Investec Holdings Limited, Fedsure Holdings Limited, Investec Investment Trust Limited, Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer
Director of Fedsure Holdings Limited, The Bidvest Group Limited, Investec Holdings Limited and Investec Investment Trust Limited.

Bernard Kantor (49)
Managing Director
Director of Investec Holdings Limited.

David M Lawrence (48)
BA(Econ) (Hons) MCom
Managing Director of Corporate and Investment Banking.

Bradley Tapnack (52)
BCom CA(SA)
Chief Financial Officer

NON-EXECUTIVE DIRECTORS

Sam E Abrahams (60)
FCA CA(SA)
Director of Super Group Limited, Foschini Limited and Relyant Retail Limited

Arnold I Basserabie (54)
BSc FIA ASA FILPA
Group Chief Executive of Fedsure Holdings Limited. Director of Del Monte Royal Foods Limited, Investec Holdings Limited and Irish Life International. Chairman of Saambou Holdings Limited, South African Druggists Limited, Thebe Financial Holdings Limited, Deputy Chairman of FCB Fidelity Bank Holdings Limited and FCB Holdings Limited.

Dr Hilton K Davies (66)
BCom D Econ (Sc)
Director of Boart Longyear Limited, LTA Limited and Autopage Holdings Limited. Chairman of Allied Technologies and BTW Growth Consultants (Pty) Ltd.

Graham H Davin (43)
BCom BAcc CA(SA) MBA
Director of Investec Holdings Limited. Director and Chief Financial Officer of Insinger SA.

Donn E Jowell (57)
BCom LLB
Senior Partner of Jowell, Glyn & Marais Inc. Director of Anglovaal Mining Limited, Global Capital Limited, SIB Holdings Limited and South African Druggists Limited

Ian R Kantor (54)
BSc(Eng) MBA
Chairman of Investec Holdings Limited. Chief Executive Officer of Insinger SA. Director of Baltic Investments SA.

David H Mitchell (65)
Deputy Chairman of Fedsure Holdings Limited. Chairman of SA Builder (Pty) Limited. Director of DF Corlett Construction Group and Investec Holdings Limited.

Daphne R Motsepe (42)
BR B Compt MBA
Director of Highveld Steel and Vanadium Corporation Ltd

Dr Morley Z Nkosi (64)
BSc MBA PhD
Director of Avmin Limited.

Dr F van Zyl Slabbert (59)
DPhil.
Director of Adcorp Holdings Limited, CTP Holdings Limited and Wooltru Limited.

Peter R S Thomas (54)
CA(SA)
Director of Investec Holdings Limited.

Group Audit Committee

Sam E Abrahams (60)
FCA CA(SA)
Non-Executive Director of Investec Group Limited.

Arnold I Basserabie (54)
BSc FIA ASA FILPA
Non-Executive Director of Investec Holdings Limited and Investec Group Limited.

Jonathan Blackmore (33)*
BCom CA(SA)
Partner of Ernst & Young

Glynn R Burger (42)
BAcc CA(SA) H Dip BDP MBL
Group Risk Manager of Investec Group Limited and Director of Investec Holdings Limited.

Ruth Credo (42)*
BCom CA(SA)
Accounts and Finance Manager.

Graham H Davin (43)
BCom BAcc CA(SA) MBA
Non-Executive Director of Investec Holdings Limited and Investec Group Limited.

Colin Fiddes (39)*
BCom BAcc CA(SA)
Group Compliance Officer.

Donn E Jowell (57)
Chairman
BCom LLB
Senior Partner of Jowell, Glyn & Marais Inc.

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer of Investec Group Limited and Director of Investec Holdings Limited.

Ilan Lessick (36)*
BCom CA(SA) MBA
Risk Management Review Manager.

John Louw (46)*
CA(SA)
Partner of KPMG.

Bill McClure (56)*
CA(SA)
Partner of Ernst & Young.

Tracy Middlemiss (35)*
BCom BAcc CA(SA)
Partner of KPMG.

Simon Shapiro (40)*
BCom (Hons) MBA
Chief Technology Officer.

Bradley Tapnack (52)
BCom CA(SA)
Chief Financial Officer and Director of Investec Group Limited.

Peter R S Thomas (54)
CA(SA)
Non-Executive Director of Investec Holdings Limited and Investec Group Limited.

*By invitation

Directorate

INVESTEC HOLDINGS LIMITED

Reg. No. 85/05574/06

DIRECTORS

Ian R Kantor (52)
BSc(Eng) MBA
Chairman
Director of Investec Group Limited and Baltic Investments SA. Chief Executive Officer of Insinger SA.

Bas Kardol (Dutch) (72)
Deputy Chairman
Chairman of Investec Bank (UK) Limited and Insinger SA.

Arnold I Basserabie (54)
BSc FIA ASA FILPA
Group Chief Executive of Fedsure Holdings Limited. Director of Del Monte Royal Foods Limited, Investec Group Limited and Irish Life International. Chairman of South African Druggists Limited, Saambou Holdings Limited and Thebe Financial Holdings Limited. Deputy Chairman of FBC Fidelity Bank Holdings Limited and FCB Holdings Limited.

Glynn R Burger (42)
BAcc CA(SA) H Dip BDP MBL
Director of Investec Bank Limited.

Graham H Davin (43)
BCom BAcc CA(SA) MBA
Director of Investec Group Limited. Director and Chief Financial Officer of Insinger SA.

Hugh S Herman (58)
BA LLB
Chairman of Investec Group Limited. Director of Fedsure Holdings Limited, Pick ’n Pay Holdings Limited and Pick ’n Pay Stores Limited.

Bernard Kantor (49)
Managing Director of Investec Group Limited.

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer of Investec Group Limited. Director of Fedsure Holdings Limited and The Bidvest Group Limited.

David H Mitchell (65)
Deputy Chairman of Fedsure Holdings Limited. Chairman of SA Builder (Pty) Limited.
Director of DF Corlett Construction Group and Investec Group Limited.

Peter R S Thomas (54)
CA(SA)
Director of Investec Group Limited.

Subsidiary And Divisional Boards

INVESTEC BANK LIMITED

EXECUTIVE DIRECTORS

Stephen Koseff (47)
Chief Executive Officer
BCom CA(SA) H Dip BDP MBA

Bernard Kantor (49)
Managing Director

Reg S Berkowitz (62)
Natal Law Certificate

Glynn R Burger (42)
BAcc CA(SA) H Dip BDP MBL

Richard P M A Forlee (38)
BCom CA(SA) MBA

Sam Hackner (43)
BCom (Hons) CA(SA)

David M Lawrence (48)
BA(Econ) (Hons) MCom

Andy W J Leith (39)
BCom CA(SA)

M Carole L Mason†† (38)
BA (Econ) (Hons) MSc (Econ)

Bradley Tapnack (52)
BCom CA(SA)

NON-EXECUTIVE DIRECTORS

Hugh S Herman (58)
Non-Executive Chairman
BA LLB

Sam E Abrahams (60)
FCA CA(SA)

Arnold I Basserabie (54)
BSc FIA ASA FILPA

Alan Benn (71)
CA(SA)
(Retired 14 April 1999)

Graham H Davin (43)
BCom BAcc CA(SA) MBA

Prof. Dennis M Davis (48)

Donn E Jowell (57)
BCom LLB

Ian R Kantor (52)
BSc (Eng) MBA

David Kuper (64)

Renosi D Mokate (41)
BA MA PhD

Dr Morley Z Nkosi (64)
BSc MBA PhD

Peter R S Thomas (54)
CA(SA)

Russel A P Upton (64)
CA(SA)

DIVISIONAL DIRECTORS OF PRIVATE AND INVESTMENT BANKING DIVISIONS

Glen H Gerber (36)
BA (Hons) MBA

Stuart D Hain (50)
BCom

Steven J Heilbron (33)
CA(SA)

P Robin Jacobson (55)
BCom LLB MBA

Neil R MacNeillie (49)
BCom CA(SA)

Errol A Richa (56)

Simon M Shapiro (40)
BCom (Hons) MBA

David Shenker (50)
BCom CA(SA)

J K Ciaran Whelan†† (36)
CA (Irish) H Dip Tax

John Witter (44)
BCom PG Dip Acc CAIB (SA)

REGIONAL BOARDS

Cape Regional Board

Hugh Herman (58)
Chairman
BA LLB

Arthur Ansley (42)
BCom CAIB (SA)

Sam Hackner (43)
BCom(Hons) CA(SA)

Keith Hall (58)

Bernard Kantor (49)

Brian Kantor (56)
BCom BA Hons

Monty Kaplan (70)
CA(SA)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Julian Leibman (50)
BCom

David Shenker (50)
BCom CA(SA)

Roy Slack (40)
BCom (Hons) CA(SA)

Hendrik du Toit (37)
BCom(Hons) MCom MPhil

Russel Upton (64)
CA(SA)

Natal Regional Board

Hugh Herman (58)
Chairman
BA LLB

Gary Alport (42)
BCom CA(SA)

Alan Benn (71)
CA(SA)

Reg Berkowitz (62)
Natal Law Certificate

Colin Crowhurst (56)

Glen Gerber (36)
BA Hons CA(SA)

Sam Hackner (43)
BCom (Hons) CA(SA)

Bernard Kantor (49)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Neil MacNeillie (49)
BCom CA(SA)

Logan Naidoo (46)
BScQS MAQS A.A. ARB

Steven Saunders (39)
BA Economics MA Agricultural Science, MBA

Anthony Stiebel (58)

†† Irish

Subsidiary And Divisional Boards

INVESTEC GUINNESS FLIGHT (PTY) LIMITED

Howard Flight (50)
Joint Chairman
MA MBA

Timothy Guinness (51)
Joint Chairman
BA(Hons) MBA

Hendrik du Toit (37)
Chief Executive Officer
BCom(Hons) MCom MPhil

George Brits (40)
PhD, MBA

Brett Comley (40)
BCom CA(SA)

Domenico Ferrini (30)
BCom

Rhett Hammond (37)
BCom (Hons)

Hugh Herman (58)
BA LLB

Bernard Kantor (49)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

David Kuper (64)

Kim Mc Farland (35)
B(Acc), CA(SA), MBA

INVESTEC PROPERTY GROUP LIMITED

David Kuper (64)
Executive Chairman

Sam Leon▲ (49)
Managing Director
LLB (London)

Sam Hackner (43)
BCom(Hons) CA(SA)

Hugh Herman (58)
BA LLB

Donn Jowell (57)
BCom LLB

Bernard Kantor (49)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Ronald Sevitz (55)

Bradley Tapnack (52)
BCom CA(SA)

INVESTEC SECURITIES LIMITED

Hugh Herman (58)
Chairman
BA LLB

Steve Elliott (44)
Managing Director
BCom

Glynn R Burger (42)
BAcc CA(SA) H Dip BDP MBL

Peter Clucas (65)
CTA

Colin Crowhurst (56)

Paul Deuchar (34)
BCom

Lee Dix (36)

Chris Elliott (37)

Jonathan Feigin (36)

Mike Fergusson (55)

Colin Fiddes (39)
BCom BAcc CA(SA)

Nicolas Goodwin (39)

Keith Hall (58)

Craig Hudson (33)

Raymond John (39)
BCom (Hons)

Bernard Kantor (49)

David Kantor (44)

Avi Kaplan (32)
BCom (Hons)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Eric Levine (55)
CA(SA) MBA

M Carole L Mason (38)
BA (Econ) (Hons) MSc (Econ)

Ian Millard (31)
BCom

Chris Murray (67)
BCom MA UED CTA

Evelyn O'Byrne (35)

Keld Randleff-Rasmussen (42)
BSc (Chem Eng)

Dominic Rey (30)

Eureka Redelinghuys (39)
BCompt (Hons) CTA

Angus Robertson (37)
BCom

Jonathon Rogoff (28)
BCom

Steve Rubenstein (39)
BCom MBA

Hennie Vermeulen (43)
BCom (Hons)

Andrew Vogel (40)
BCom CA(SA)

Clinton Wood (38)
BCom BAcc CA(SA)

REICHMANS LIMITED

Hugh Herman (58)
Chairman
BA LLB

Brian Clark (44)
BCom CAIB

Robin Jacobson (55)
BCom LLB MBA

Bernard Kantor (49)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Michael Leisegang (52)
BCom CA(SA)

Philip Maisel (52)
CA(SA)

Selwyn Noik (52)
CA(SA)

Howard Tradonsky (36)
MBA LLB

▲ Italian

Subsidiary And Divisional Boards

INVESTEC INVESTMENT TRUST LIMITED

Hugh Herman (58)
Chairman
BA LLB

Bernard Kantor (49)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Clinton Wood (38)
BCom BAcc CA(SA)

INVESTEC INSURANCE BROKERS (PTY) LIMITED

David Kuper (64)
Chairman

Brenda Atkinson (49)
Managing Director

Sam Hackner (43)
BCom(Hons) CA(SA)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

INVESTEC BANK (UK) LIMITED

Bas Kardol† (72)
Chairman

David Potter (54)
Deputy Chairman
MA (OXON)
Resigned 30 April 1999

Barry Kalkhoven (46)
Managing Director
BCom

Michael Jameson-Till* (54)
Deputy Managing Director

John Abell* (67)
MA (Hons)

Hugh Herman (58)
BA LLB

Bernard Kantor (49)

Ian Kantor (52)
BSc(Eng) MBA

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Alan Tapnack* (52)
Chief Executive Officer
BCom CA(SA)

Colin Wakelin* (62)

CARR SHEPPARDS CROSTHWAITE LIMITED

Francis Carr (54)
Chief Executive
BA (Oxon) MSI

Nicholas Bagshaw (53)
MA (OXON) MSI

Clive Brangwin (56)
MSI

Alan Burr (48)
MSI

Patrick Crosthwaite (56)
MSI

Guy Davenport (50)
FCA MSI

Alun Evans (43)
BSc (Econ) Hons

Hugh Herman (58)
BA LLB

Christopher Hills (45)
MA (Cantab)

Bernard Kantor (49)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Robert Leach (58)
MSI

Tim May (46)
BSc PhD MSI

Ian Maxwell Scott (53)
MSI

Grant Nowell-Mitchell (56)
AMI Mec E MSI

Michael Pickford (56)
FCA MSI

Mark Redmayne (50)
FCA MSI

Anthony Richards (54)
MSI

Alan Tapnack* (52)
BCom CA(SA)

John Yeldham (59)
MSI

ISRAEL GENERAL BANK LIMITED

Hugh Herman (58)
Chairman
BA LLB

Johnathan Irroni (49)
Managing Director and
Chief Executive Officer.
BA

Moshe Arad (65)
LLB

David Golan (58)
MBA

Michael Herzberg (61)
LLB

Bernard Kantor (49)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Mordechai Limon (75)
MBA

Zeev Rotem (43)
Ph.D

Daniel Rothschild (53)
MSA

Zvi Zur (76)

† Dutch * British

Subsidiary And Divisional Boards

INVESTEC ERNST & COMPANY

William Behrens (60)
BA (Econ)

William Burdett (59)
BSc (Hons)

Daniel Cristofano (65)
BS Finance

Hugh Herman (58)
BA LLB

Bernard Kantor (49)

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

Derek Solomon (48)

Eliezer Yones (48)
MBA

INVESTEC AUSTRALIA LIMITED

Julian Block (65)
Dip Law H Dip Tax LLM M Taxation

Jonathan Braude (53)
ACA MBA

Sam Hackner (43)
BCom (Hons) CA(SA)

Hugh Herman (58)
BA LLB

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

David Lawrence (48)
BA (Econ) (Hons) MCom

Eric Melman (43)
BCom (Hons)

INVESTEC BANK (MAURITIUS) LIMITED

Désiré Basset (50)
BA LLB

Stuart Hain (50)
BCom

Hugh Herman (58)
BA LLB

Stephen Koseff (47)
BCom CA(SA) H Dip BDP MBA

David Lawrence (48)
BA (Econ) (Hons) MCom

Sir Hamid Moollan QC (66)
LLB (London)
(Resigned on 19 April 1999)

Sacheedanand Veerasamy (67)

† Dutch * British

INVESTEC GROUP LIMITED

Corporate & Investment Banking

SA, UK, AUSTRALIA, MAURITIUS

- CORPORATE FINANCE
  - Corporate Finance
  - Investment Banking
  - Direct Investment
  - Private Equity Finance
- SPECIALISED FINANCE
  - Structured Finance
  - Emerging Markets Finance
  - Mining & Resource Finance
  - Project & Infrastructure Finance
- TREASURY
  - Balance Sheet Management
  - Domestic Trading & Derivatives
  - Foreign Exchange
  - Corporate Treasury
  - Internet Treasury
  - Financial Products
- INTERNATIONAL BANKING
  - Correspondent Banking
  - Trade Finance
  - Documentary Services
  - International Banking
  - Exchange Control
- CORPORATE BANKING SERVICES

Private Banking Group

SA, ISRAEL, CHANNEL ISLANDS, UK, AUSTRALIA

- PRIVATE BANKING INTERNATIONAL
- PRIVATE BANKING DOMESTIC
  - International Private Banking
  - Private Banking
  - Investec Connect
- INVESTMENT MANAGEMENT SERVICES
- REICHMANS
  - Factors
  - Capital Acceptances Limited
- PROPERTY
  - Property Trading and Development
  - Property Administration
  - Property Asset Management
  - Property Fund Management

Securities Trading & Distribution

SA, UK, ISRAEL, USA, BOTSWANA

- INSTITUTIONAL STOCKBROKING
- PRIVATE CLIENT STOCKBROKING
- CORPORATE BROKING
- SA BOND BROKING
- RESEARCH
- SA BOND TRADING

Asset Management

SA, IRELAND, UK, GUERNSEY, USA, NAMIBIA, HONG KONG, BOTSWANA

- INSTITUTIONAL PORTFOLIO MANAGEMENT
  - Equities, Bonds, Cash
  - Specialist & Balanced Mandates
- SA UNIT TRUSTS
- UK UNIT TRUSTS
- INTERNATIONAL MUTUAL FUNDS
- US MUTUAL FUNDS

Group Services

- ACCOUNTING & FINANCE
- ECONOMIC RESEARCH
- FACILITIES
- HUMAN RESOURCES
- INFORMATION TECHNOLOGY
- MARKETING
- RISK MANAGEMENT
- SECRETARIAL LEGAL AND TAX
- STRATEGIC RESEARCH

Corporate and Investment Banking Activities

PREDOMINANTLY SOUTH AFRICAN-BASED, the Group's Corporate and Investment Banking endeavours have nonetheless recently expanded to include a significantly increased international capability, largely as a consequence of the Group's meaningfully increased international presence. There is now substantial regional interaction between the Corporate and Investment Banking teams in all of the areas where the Group is located and this should translate, in time, into one consolidated global corporate and investment banking business, along the lines of what the Group has already achieved in the areas of Private Banking and Asset Management.

In South Africa, Investec's Corporate and Investment Banking Division comprises an eclectic group of sophisticated and specialised business units, each of which is highly successful in its own right. The common element running through the various sub-groupings in the division, is an ability to supply complex high-value added service to a largely common client base, which includes top domestic and international corporates, governments and parastatal entities, and other financial institutions.

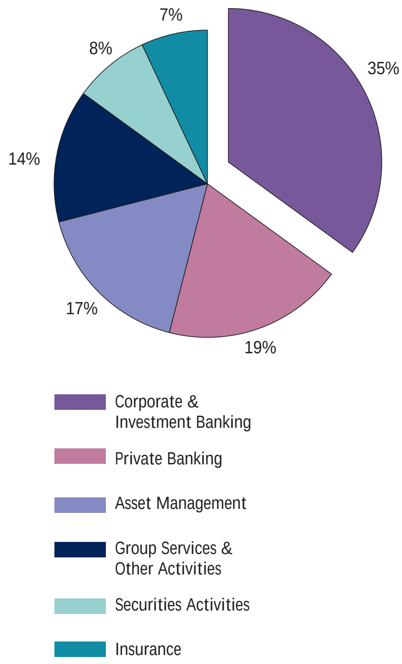
Structured into several discrete, strongly autonomous, business units, the Corporate and Investment Banking Division enjoys a strongly collaborative mutual interplay between its various teams, to the obvious benefit of both clients and the wider Group. The division, taken as a whole, enjoys a strong level of acceptance and support from its various client bases which, during the past year, contributed to the very successful profit generation emanating from the combined endeavours of the various teams within the division.

The division, in aggregate, enjoys recognised market strength as a top class service provider of choice, largely as a consequence of the skills base of its employees, their high energy and drive and their very solid grounding in highly technical and uniquely innovative financial expertise.

Financial Results, Corporate & Investment Banking (Rm)

	1999	1998	% Increase
Total Assets	30 852	20 789	48,4
Total Income	901	481	87,3
Contribution	435	294	48,0
% Contribution to Group	35	37	
Cost/Income Ratio	44,7		

Contribution Analysis



CORPORATE & INVESTMENT BANKING, AUSTRALIA

INVESTEC AUSTRALIA LIMITED

INVESTEC AUSTRALIA WAS established in June 1997 as a Merchant and Private Bank, to provide the Group with a continuous conduit for its international financial operations. Since inception as a grass roots operation, it has grown from a single representative into a multi-product financial service provider with a staff in excess of forty.

Year under review

As a wholly owned subsidiary of a South African bank, Investec Australia is recognised as potentially one of the premier facilitators of cross border investment between Australia and South Africa. With this in mind, towards the end of last year, Investec expanded into the corporate finance sector of the local market, servicing both individuals and the mid- and small cap sectors of the Australian market. Since then, it has facilitated a number of cross border business investments, co-ordinating both the finance and structure of these transactions. This has enabled key investors to leverage off the strength of their parent's balance sheet to successfully enter the Medical, Retail, Information Technology and Manufacturing sectors of the Australian market.

Looking ahead

Although growing from a small base and not yet a core focus, recognised similarities between Australia and South Africa and increasing levels of cross-border activity between the two countries, suggest substantial medium-term potential from a corporate finance perspective, with Investec Australia now strategically well-placed to take advantage of a broader range of opportunities that may arise.

CORPORATE & INVESTMENT BANKING, ISRAEL

ISRAEL GENERAL BANK LIMITED

ISRAEL GENERAL BANK is one of the most active members of the Tel-Aviv Stock Exchange and, by virtue of a number of subsidiaries and specialist departments, has long-established relationships with its corporate client base. It enjoys significant market share.

Year under review

Against a generally unfavourable economic and political background in Israel last year, corporate activity was reasonably muted.

Looking ahead

As a consequence of the more favourable political and economic prospects implied by the recent election result, the new financial year promises renewed corporate activity in the domestic economy, most particularly in relation to IPO's and the opportunities likely to be generated by a renewed official structural economic reform thrust.

CORPORATE & INVESTMENT BANKING, MAURITIUS

INVESTEC BANK (MAURITIUS) LIMITED

HAVING ACQUIRED AN offshore banking licence in Mauritius in mid-1997, Investec is the only South African bank to trade under its own name on the island and initially confined its activities to structuring transactions for its South African and international client base. In the short time that Investec has maintained its presence in Mauritius, however, business volumes have increased dramatically and have expanded to include corporate transactions, trade finance and limited treasury activities for both its South African, international and a growing Mauritian client base.

Year under review

Investec Mauritius registered a strong performance during the period, seeing a significant growth in business volumes in both previously established fields of endeavour and new areas of focus. Investec Mauritius also enjoyed significantly increased support from the broader Group during the period with the Bank's regional presence being used to facilitate many aspects of Group-wide activity. Towards the end of the year, for instance, Investec Mauritius assumed administrative responsibility for all of Reichmans' international trade finance and banking requirements. The staff complement of the Bank increased quite substantially during the period while a significant marketing drive was embarked upon.

Looking ahead

Investec Mauritius remains very optimistic about medium-term prospects. Quite apart from its established and growing areas of activity on the island, the Bank is seeking to take advantage of Mauritius' recognised favourable business and labour market realities to establish a local processing capability that would meet the requirements of many of the Group's operating divisions around the world.

CORPORATE & INVESTMENT BANKING, SOUTH AFRICA

CORPORATE FINANCE

INVESTEC'S CORPORATE FINANCE Division enjoys very strong market recognition for the strength of its franchise and for its very substantial growth in both market share and market penetration in recent years. The team's success continues to be based on the timely delivery of top notch solutions, meticulous execution and a perceived willingness to go the extra mile in order to satisfy client requirements. Investec's Corporate Finance Division has, through the various transactions in which it has engaged over the years, shown a strong underlying capability, and preference for, transactions of a high value-added, non-vanilla, nature which, at times, has translated into a willingness, subject to careful evaluation and risk management, to use the Group's own balance sheet so as to advance and facilitate client transactions.

The key to the continued success of Investec's Corporate Finance Division has, over the years, been the energy and commitment of an experienced team of professionals, who have been extremely successful in generating innovative and high value added solutions for their clients, resulting in the realisation of clear added value for shareholders. The size and quality of the division's client base continues to grow and based on its core belief in pursuing partnership arrangements with all targeted clients, irrespective of size, the division enjoys the benefit of long-term trusted advisor relationships with its established client base.

Year under review

Largely driven by corporate unbundlings and reorganisations, corporate finance activity in South Africa has witnessed explosive growth in recent years. 1998 was another such year and, despite the obvious effects of the international financial crisis which might have been expected to reduce the aggregate level of domestic activity, the overall value of mergers and acquisitions increased by some 89% on the previous year. Indeed, if anything, the domestic consequences of last year's crisis merely served to reinforce what has now become conventional wisdom within the South African corporate environment, ie. that the demands of globalisation can only be met through a concentration on core activities, the attainment of critical mass and meaningfully increased participation in the global economy.

With the obvious exception of privatisation, last year's domestic corporate finance endeavours encompassed the full spectrum of activities in this field. Investec's Corporate Finance Division participated strongly in these market dynamics, closing 117 reported corporate finance transactions, with an aggregate value of R58,8 billion. This compares with an equivalent 89 deals by the division in the previous year, with an aggregate value of R22,7 billion. On the basis of the 1998 annual Ernst & Young Review of Mergers and Acquisitions Activity, Investec ranked second in the number of transactions by value, and third by volume, in a market whose ongoing buoyancy was barely dented as a consequence of ongoing international financial difficulties.

Of the many deals in which the division engaged last year, a few are worthy of particular mention. These include the R4,7 billion purchase of Hambros PLC by the Investec Group, one of the six largest deals that occurred in South Africa last year and the single largest outward investment registered by a South African company during the period. Another was the very intricate but successful restructuring and refocusing of formerly listed JCI Limited, the clear purpose of which was to extract shareholder value. Yet another was the black empowerment initiative represented by the sale of De Beers' interest in the Marsfontein mine, to an empowerment consortium. Also notable was the role played by the division in the acquisition of the Rennies Group on behalf of Bidvest, as was the post- year-end acquisition of SA Druggists by Investec, this motivated by a desire to realign and refocus this particular corporate entity.

Quite apart from the reputational enhancement generated by the many newsworthy corporate deals in which it engaged last year, Investec's Corporate Finance Division earned further market recognition for its now well regarded advisory capability. In this respect, Investec's participation in such deals as the Libvest "fair and reasonable" holds out future promise for similar such participation in other transactions of this type.

Since Investec is the only South African banking group with a truly international dimension, its corporate finance division is well placed to take advantage of the ongoing desire by many South African companies to internationalise and expand offshore. Last year effectively saw the establishment of Investec's investment banking capability abroad and much time and attention was devoted by members of the South African corporate finance team to exploring possible synergies with Investec Henderson Crosthwaite in the UK. This will remain a key area of focus over the medium-term, but the Group's South African corporate client base is already assured that it will receive the same level of international service as that to which it has become accustomed domestically. Of course, just as it follows that the Group's international capability will be able to assist local corporate clients looking beyond South Africa, so it will be able to assist potential international corporate interest in South Africa as well.

Looking ahead

Although an essentially volatile and cyclical area of activity, Investec's Corporate Finance Division is confident that the new financial year will also prove favourable. The ongoing need for local companies to reposition themselves in an environment now characterised by markedly increased competition, the perceived urgency associated with unlocking shareholder value and the gradual removal of exchange controls means that the environment will be dominated by favourable structural considerations that will sustain and underpin activity levels over the medium-term. This, of course, will be further complemented, where appropriate, by the international dimension that can be brought to bear on the division's domestic corporate finance activities. Indeed, in this regard, the new year has already seen a joint advisory initiative by Investec's South African Corporate Finance Team and Investec Henderson Crosthwaite in relation to the GBP122,4 million acquisition by Bidvest of Booker PLC's food distribution interests in the UK.

The challenges for the year ahead clearly revolve around the need to strengthen the Group's corporate finance reach beyond South Africa, so as to develop a potent ability to operate effectively in an integrated manner in different locations. Along the lines of what has already been achieved by the Group in the areas of both Private Banking and Asset Management, this would afford Investec an additional degree of competitive advantage and, unmatched by its peers, would consolidate already well established endeavours on the domestic front.

Another thrust for the division in the year ahead will be to drive a wedge into those areas of the market not currently served by Investec, as well as to increase the visibility of its efforts in pursuing an identified pipeline of activity. Finally, the division anticipates a more concentrated effort towards building a discrete private equity capability, as distinct from Intrust.

INVESTEC INVESTMENT TRUST LTD (Intrust)

THE CORPORATE FINANCE division also manages Intrust, Investec's Investment Trust which is listed in the Financial-Investment Trusts sector of the Johannesburg Stock Exchange. Historically, Intrust has invested on a long-term view in established companies offering above average growth opportunities.

Year under review

A decision by the Board of Directors to strategically refocus Intrust was put into effect in August 1998, when Intrust members approved the partial unbundling of Intrust's investment portfolio by way of a distribution in specie, aggregating approximately R522 million. Despite having unbundled over half of its investment portfolio five months into the financial year, Intrust enjoyed another strong performance, primarily as a reflection of the excellent results of its core investment in the Bidvest Group. The discount at which Intrust's shares trade on the Johannesburg Stock Exchange has, however, continued to be a concern to management, and reflected a 21% discount at year end.

Looking ahead

Intrust was established at a time when the investment trust industry (in which Intrust operates) was a fairly unknown investment market to South African investors and Intrust sought to provide a "one-stop" entry into quality companies largely ignored by the institutional investor. Today, however, institutions invest directly in a wider range of investments and the "effectiveness" of Intrust has diminished, as evidenced by the consistent and widening discount to net asset value at which Intrust trades.

Accordingly, subsequent to year-end, a decision was taken, subject to certain regulatory approvals, to unbundle the balance of Intrust's investment portfolio to its members, thereby unlocking shareholder value.

SPECIALISED FINANCE

THE SPECIALISED FINANCE Division provides a range of finely-targeted financial products, solutions and services to a very wide array of clients.

The sub-groupings of activity within the division include project and infrastructure finance, structured finance, emerging markets finance and mining finance.

The division enjoys a very strong reputation, both in South Africa and abroad, because of its recognised degree of skill and technical expertise and because of the innovation, energy and drive that have come to be associated with the division's overall endeavours.

Year under review

The Specialised Finance Division had a particularly strong year last year, defying all expectations in terms of anticipated performance. Strong growth in contribution occurred in all sub-units and operating teams.

Having previously set pricing and contractual benchmarks for project finance in road transport through its ongoing involvement with the Maputo Toll Road Scheme, the division's *project and infrastructure team* has seen its success in this area act as a catalyst for its entrée into other road projects in South Africa, where it acts in an advisory capacity to the government and maintains very strong relationships with the various consortia involved in this industry. Having since seen its activities extend to include rail transport and the ports, in both an advisory and structured finance capacity, Investec's project and infrastructure finance team was cited by Global Finance Magazine as one of the top 25 project finance teams world-wide and, in particular, the leading project finance team in Africa in the transportation sector.

With the increased use of public/private partnerships very much on the South African government's agenda as a necessary and integral part of its long term capital expenditure programme, the project and infrastructure finance environment is characterised by a number of new opportunities for private sector participation, many of which include cross border dimensions, particularly in Southern Africa. In Investec's case, the team secured advisory mandates amounting to some R6 billion last year and it is currently involved with a wide and diverse range of projects that includes prisons and correctional services, casinos, water and waste concessions and power development, many of which have the potential to become role models for similar developments in other traditional areas of public sector activity.

Investec's involvement in the field of project and infrastructure finance also extends to the UK, where last year the Group was appointed as financial advisor to the English Football Association for its acquisition and redevelopment of the Wembley Stadium. During the period, the Group also won a mandate for structuring and financing the refurbishment of catering equipment in all schools and social services in the district of Lewisham.

The *structured finance team* enjoyed another very strong year in 1999, writing new business to the tune of some R2,1 billion. A recognised market leader in terms of both the scope and depth of product which it can offer its client base, the team saw strong growth in such areas as property finance, structured loans, share incentive schemes, cross border leasing loan transactions and equipment finance. Some of the more notable deals in which the team engaged last year included the provision of some GBP15 million in cross border finance for SA Druggists, a R270 million structured loan for ABI, a R45 million share scheme for Relyant Retail and both a R60 million structured loan for Avmin for the development of a new mine and a R500 million mandate for the financing of new plant. The team, which currently operates out of Johannesburg, Durban and Cape Town, has also seen a clear expansion in terms of cross-border activity and this focus will be complemented in the new financial year by the establishment of a dedicated structured finance team in London.

The *emerging markets finance team,* which focuses on the provision of long-term project finance in the emerging economies of Africa, also had a good year, with a number of sizeable deals kicking in as a consequence of the team's long-standing trusted relationships with its client base. A more favourable margin environment also contributed to improved performance. Despite the recognised market volatility associated with operating in and out of Africa, the team maintains a close working relationship with Group Risk Management and all exposures are closely monitored on an ongoing basis. The team has also developed an increased degree of interaction with Investec Mauritius in pursuit of its endeavours in its chosen market, so as to develop synergies where appropriate.

The *mining finance team,* which provides specialised financial services to the international mining and resource industry, enjoyed a successful year, despite a number of negative developments which served to render the operating environment much less conducive than in the previous year. These arose essentially as a consequence of the ongoing emerging markets crisis, the ensuing collapse in the international commodity cycle, and renewed war and/or civil disturbance in several countries in Africa, the principal jurisdiction in which the team pursues its endeavours. Business volumes, which had commenced the year in very buoyant fashion, quickly retraced as a consequence of a very marked deterioration in investor confidence and many of the mandates initially secured were delayed indefinitely. However, although the more traditional forms of lending activity in which the team engages effectively seized up during the course of last year, these were substituted for by a significant increase in both advisory and corporate finance-type activity, in turn enabling the team to make a sound overall contribution to bottom line. Underscoring the team's, and indeed Group's, ongoing commitment to the international resource sector, the team made a significant investment in the African Lion Fund last year which, aimed at the provision of venture capital to the African mining industry, made two initial investments in ventures in Tanzania. The team also established a physical presence in Investec Bank UK, with London's importance as a centre for mining and resource finance providing clear justification for this move.

Looking ahead

The Specialised Finance division is confident that prospects for the year ahead are highly positive. Many of the operating teams have secured a good pipeline of business, with an expected recovery in the domestic operating environment likely to elicit additional business flows. The benefits of recent restructuring and a continued focus on core areas of activity will also be instrumental in sustaining recent growth momentum, as will the pursuit of cross border synergies, where appropriate.

Essentially longer-term in focus, the *project and infrastructure team* has secured strong mandates that will result in sustained growth in volumes over the medium-term. In similar fashion, the *structured finance team* has built a steady transactional flow, from which further strong gains are expected this year. The *emerging markets finance team* also anticipates another year of strong performance while the *mining finance team,* having increased its staff complement in the past financial year, is well positioned to take advantage both of the expected near-term turnaround in the commodity cycle and the excellent opportunities now available at deeply discounted prices to investors in its target market.

TREASURY

TREASURY PROVIDES A central funding capability for the Group's South African operations, and houses all of the Group's proprietary trading functions in South African financial instruments. The Treasury Division is sub-divided into desks that incorporate foreign exchange, domestic trading and derivatives, liability and interest rate management, bonds and options, corporate trading and Internet treasury.

An important sub-grouping within Treasury is represented by the financial products team, which develops innovative structures and tailors creative solutions for its client base, in areas such as debt origination and structuring, investment products and derivative structuring.

Year under review

Despite the sudden and sharp reversals in both the local currency and domestic interest rates which generated a very uncertain trading environment last year, Treasury, through a combination of a continued adherence to conservative asset and liability management, a very substantial advance in its structuring activities and a dramatically-increased penetration of all markets, across all products, made a very substantial contribution to aggregate Corporate and Investment Banking performance during the period.

The Treasury function underwent a significant restructuring and consolidation drive last year, designed both to elicit greater synergies and cost savings and to enhance the range of value-added specialist products that Treasury provides. No longer constituting a mere trading orientation, the Treasury team has embraced the notion of adding value and providing solutions to clients and is now a fully integrated operation, combining traders, financial engineers, mathematicians and technicians all operating within the same team.

With much global attention paid during the course of last year to the types of trading risks to which investment banks are frequently exposed, Investec's Treasury function, in conjunction with Group Risk Management, strives at all times to ensure that the risks inherent in this business are well understood, managed, mitigated and/or hedged. As mentioned elsewhere in this report, the attention traditionally paid by Investec to this core discipline paid clear dividends during last year's periods of markedly heightened market volatility. Other areas of focus for the division remain the need for continual technological advances, by means of systems upgrades, and a refining of internal administrative and operational processes.

To enthusiastic client response, the Treasury team launched its new product, MarketMaker, last year. The first real time Internet treasury dealing system to be introduced in the local market for clients, with proposed further refinements, this is expected to be a clear value driver for Treasury over the medium-term. Additional strides in the utilisation of technology to grow business volumes, whether for Investec and/or its clients, will continue to be explored by the team, where appropriate.

The financial products team enjoyed a very successful year, with notable highlights for the team including two further official bond launches in Botswana, the launch of the first Capital Guaranteed Investment Product, high growth in preference share activity, continued success in financial engineering/derivative structuring in the corporate market and the commencement of a credit derivatives structuring and trading function. The team also extended its activities into the UK during the period. This additional representation will, it is believed, facilitate the exchange of ideas and development of new products, as well as creating a channel through which to realise synergies between Investec's London and South African operations.

Looking ahead

There are clear additional structural efficiencies to be gained by maintaining the recent momentum in Treasury's refocusing drive, many of which will become apparent in the new financial year and many of which will extend to the efficiencies and opportunities that can be identified from the perspective of the Group's greatly increased international presence. The division anticipates another year of very strong performance, across all sub-units and teams.

The financial products team, too, anticipates another good year. Strong growth is expected to emanate from such developments as: the expected launch of additional new products in so-called Capital Guaranteed Structures, to which end the team will use the existing retail distribution capability of the Private Bank; further promotion and development of the corporate bond market, with attendant transactional potential; ongoing deal flow from the corporate market; continued growth in the market for credit derivatives and the further development, through additional resourcing, of the team's equity derivatives structuring capability.

CORPORATE BANKING SERVICES

THIS DIVISION FOCUSES on the need to offer high value-added service to its targeted corporate client base by means of a unique form of "relationship banking" and by leveraging off the wider Group's recognised products and skills base.

Year under review

The division continued to focus on developing close long-term relationships with the major corporates in South Africa and once again played a key role in contributing to aggregate deal flow within the Corporate and Investment Banking Division during the period. The division plays a key role in marketing, in an integrated and effective manner, the attributes of the wider division and the Group, with clients using the resources of the division as an obvious point of entry into the wider Investec with its many specialist groupings.

The recognised success of the team is attributable to the individuals involved, to the creation of trusted relationships with their clients and to a continued enhancement of individual skills so as to keep abreast of industry realities.

Looking ahead

The team anticipates further solid progress in the year ahead, particularly given levels of client and Group acceptance of the role that it plays and the concept that it embodies. Significant further penetration of its target market, with attendant benefits, is expected over the period.

FINANCIAL INSTITUTIONS GROUP

THIS WING OF the Corporate and Investment Banking Division provides a logical extension to the division's many other activities and seeks to support many client and Group objectives, particularly those relating to cross border transactions. It incorporates the activities of the Financial Institutions Division and the Exchange Control team.

Year Under Review

Having previously invested much time and effort in establishing strong correspondent banking linkages to a very wide range of major financial institutions around the globe, the Financial Institutions Group has seen this reap enormous dividends in the past few years, particularly when advancing and facilitating both the Group's international expansion and capital raising requirements.

As the Group has grown in recent years, so has the need to co-ordinate and consolidate the responsibilities of the Group's Financial Institutions function across each of the regions in which the Group now operates. To this end, some internal restructuring was required during the period, the purpose of which was to render this key function more effective, by centralising, aggregating and consolidating all activities through Johannesburg.

TRADING BANKS

AS MENTIONED ELSEWHERE in this report, the two trading banks, Securities Investment Bank and District Securities Bank, were sold during the course of last year, the former into Saflife Holdings, now known as SIBH, in which Investec maintains a significant minority holding, and the latter to R. Cadiz & Company, which has since listed and in which Investec again retains a minority shareholding.

CORPORATE & INVESTMENT BANKING, SOUTHERN AFRICA

Investec has, over the years, sought to expand on its presence in the region. Complementing its regional operation in Mauritius, Investec has also established itself in both Botswana and Namibia, predominantly in the fields of Asset Management, Securities Trading and Private Banking. The Group has, however, also aquired a notable reputation for its endeavours in developing the regional capital market and is a long established player in both structured and debt finance in the region.

The Group's activities in Southern Africa are co-ordinated through a dedicated sub-division within Corporate & Investment Banking in South Africa. The African Regional Division works closely with all operating divisions within the Group and has been given the specific mandate of building on the Group's regional activities, through the deployment of top class local talent in each country, supplemented by the use of transactional specialists from South Africa.

Year under review

Following the earlier acquisition of a banking licence in Botswana, the period saw the Group establish a local Treasury operation in this country, designed to facilitate the Group's private banking aspirations and to develop a wholesale funding capability.

Looking ahead

The Group remains optimistic about the long-term potential for increased Corporate & Investment Banking activity in the region. Building on the advances which it has already made in the field of Asset Management and Securities Trading and, more recently, Private Banking, the Group will seek to advance its reputation and level of involvement in the region wherever possible, with probable medium-term focus on the potential for meaningfully increased activity in Namibia.

CORPORATE & INVESTMENT BANKING, UNITED KINGDOM

INVESTEC HENDERSON CROSTHWAITE

IN JULY 1998, Investec acquired the Corporate Finance operations of both Guinness Mahon and Henderson Crosthwaite. In September 1998, these businesses were merged and renamed Investec Henderson Crosthwaite Corporate Finance.

Investec Henderson Crosthwaite Corporate Finance is a relationship driven advisory business whose activities include flotations, mergers and acquisitions, fund raising, restructuring and private equity transactions. It acts for over 80 corporate clients in sectors as diverse as those of media, telecoms, information technology, leisure, electrical, food producing, food retailing, general retailing, oil and gas, aerospace and defence, engineering, diversified industrials, support services, special situations and mining.

Year under review

Despite difficult trading conditions during the July-October period of last year, especially within the small to mid-cap sectors and the IPO market, Investec Henderson Crosthwaite Finance enjoyed a successful year, benefiting from further growth in its client list. Over 40 major transactions were completed during the period under review, covering a range of activities including the GBP450 million acquisition by Siebe of Eurotherm plc, the placing and open offers for Fitness First and HIT Entertainment plc and the flotation of Sports and Outdoor Media International.

Last year's growth occurred in a year in which the corporate finance business saw major developments. Investec Henderson Crosthwaite Corporate Finance and Investec Henderson Crosthwaite Securities, formally Henderson Crosthwaite Institutional Brokers, effectively became one business. The effect of the merger is expected to have a major impact on the focus and shape of the enlarged division, with corporate finance activities expected to derive clear benefit from the firm's in-house research capability and expertise.

Looking ahead

Alongside a steady deal flow from a strong existing client base, increased corporate activity is likely to come from arranging private equity financing, M&A work and cross border transactions between South Africa and the UK. So far this year, examples of such activity include the GBP10 million development funding of Alpha Telecom, the GBP30 million disposal of Provend to Bunzl and a joint London/Johannesburg advisory role on Bidvest's GBP122,4 million acquisition of Booker PLC's UK food distribution operations.

Private Banking Activities

DESPITE THE TEMPORARY "hiccup" represented by last year's financial crisis, the global wealth explosion continues largely unabated. Driven by the ongoing realities of financial deregulation, liberalisation and privatisation around the world, as well as by the rapid growth of entrepreneurial businesses and stock market appreciations, the sheer magnitude of global wealth creation in recent years has spawned greatly increased international banking focus on the opportunities presented by private banking.

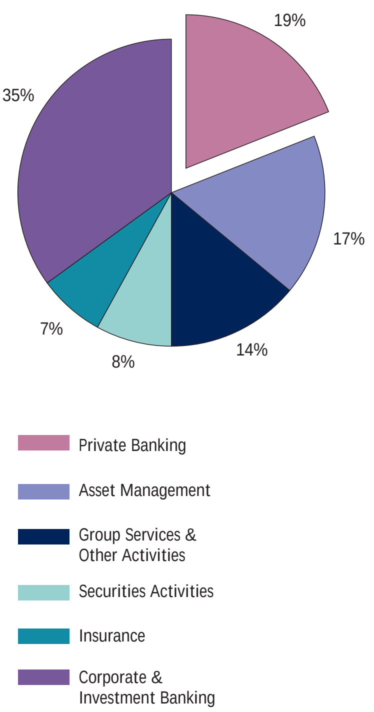
The Investec Group has long been a participant in this market, with a traditionally strong private banking background in South Africa having, in recent years, been augmented by an increasingly international private banking capability. As a result of the Group's recent acquisitions, Investec can now boast a private banking offering that includes not only the various jurisdictions in which the Group is represented but a very strong degree of interaction and integration between all of these. Investec's private banking activities now encompass Australia, Israel, South and Southern Africa, the UK (which incorporates the Channel Islands) and Zurich and embraces a fully self-contained suite of private banking services.

As with the broader strategy of the Investec Group, Investec's Private Banking activities revolve around the clear desire to follow Investec's client base and to supplement domestic competence and critical mass with the additional benefits of cross-border emphasis. The Group's private banking ambitions revolve around the clear desire to be the dominant provider of the best integrated financial solutions for its selected client base in each of the regions in which it operates.

Financial Results, Private Banking (Rm)

	1999	1998	% Change
Total Assets	14 221	12 368	14,98
Total Income	763	525	45,3
Contribution	231	171	35,1
% contribution to Group	19	22	
Cost/Income ratio	60,2		

Group Contribution Analysis



PRIVATE BANKING ACTIVITIES - AUSTRALIA

INVESTEC AUSTRALIA WAS established in June 1997 as a Merchant and Private Bank to provide the Group with a conduit for its international financial operations. Based in Sydney, the operation focuses on the provision of boutique financial solutions to the professional and high net worth market. It engages in such areas of activity as loan and specialist finance, cross border finance with specific focus on transactions between South Africa and Australia, structured leases, operating and financial leases, guarantees, cross-currency loans, specialised letters of credit and syndicated loans.

Year under review

Of all the economies adversely impacted upon by last year's prolonged financial crisis, Australia is almost unique for having been able to shrug off any lasting consequences. As such, the domestic environment remained broadly favourable during the period, a consideration that enabled Investec Australia to make further advances in its chosen areas of activity. Investec Australia enjoyed significant growth in volumes during the period and, whereas, on inception, it had sought to pursue its private banking activities by means of leveraging off the ex-South African emigrant base, where name recognition is strong, by last year a full 60% of Investec Australia's private banking business was sourced from resident Australians.

During the period, as can be seen in the chapter on the Group's Asset Management Activities, Investec Australia acquired the ACSIS Group of Companies, a move designed to provide it with a platform for entering the growing superannuation sector of the Australian market.

Looking ahead

The new financial year is expected to be another favourable one, with plenty of underlying growth potential. Conscious that its activities have not yet attained critical mass, Investec Australia will remain alert to all possible opportunities to augment, by means of strategic acquisition, its current position.

PRIVATE BANKING ACTIVITIES - ISRAEL

ISRAEL GENERAL BANK (IGB), which was acquired by Investec in 1996, has a niche profile very similar to that of the wider Investec Group. It focuses on the private banking needs of an exclusive clientele made up of high net worth individuals and corporate clients and offers a highly personalised service in this regard.

Year under review

Although the general economic environment during the period was not a particularly conducive one, last year's liberalisation of the domestic foreign exchange market nonetheless generated new opportunities for private banking, particularly on the international front, and the period gave rise to notable interaction between IGB and the Group's other regional private banking activities in pursuit of these.

Having previously launched an Internet banking site, IGB saw further significant growth in volumes via this medium during the period.

Looking ahead

Amid expectations that the medium-term will generate significantly increased levels of both corporate and economic activity in Israel, the prognosis for IGB's private banking activities appears highly positive. The advent of Initial Public Offerings in the corporate arena as well as further developments in relation to Israel's already well-established comparative advantage in the field of information technology, suggest ample opportunities for both wealth creation and wealth management within IGB's targeted client base.

PRIVATE BANKING ACTIVITIES, SOUTH AFRICA

- Private Banking Division
- Investec Investment Management Services (IMS)

Private Banking Division

Charged with the twin tasks of creating and managing wealth for its select client base, Investec's South African private banking activities are long established, highly regarded and embrace the activities of each of the Cape Town, Durban, East London, Johannesburg, Pietermaritzburg, Port Elizabeth and Pretoria regions.

In what has, in recent times, become an increasingly competitive environment for private banking, the essential value proposition provided by Investec's private banking arm is the recognition that is clearly differentiated within the marketplace by virtue of its skills base and the added value that it can generate. In an industry quite distinctly motivated by relationship management, not product offering, Investec seeks to develop a unique understanding of each targeted client's balance sheet, with a view to designing a customised financial strategy for that client which includes advisory-based products and services, and incorporates such elements as local and international lending, investment, fiduciary and structured products and services.

Year under review

Having spent much of the previous year formalising its medium-term strategy, the period under review saw aggressive moves by the private banking division towards the implementation of previously-agreed strategic endeavours. The year was therefore one of strong internal delivery, with continued upskilling by all private bank employees, the development of a comprehensive internal information infrastructure, the introduction of a number of new technology-based products and services and the launch of an aggressive marketing programme designed to re-inforce the strength of Investec's private banking brand within the market-place.

The domestic operating environment, as has been consistently mentioned throughout this report, was largely unfavourable during the period, with the rand's sharp depreciation, successive interest rate rises and a sharply weakening economy all serving to generate a very unfavourable lending environment. Despite this, the domestic private banking division managed to grow its funds under management, increase its level of advances, increase both margin and fee income and enjoy new revenue streams as a consequence of its move into new areas of business, such as advisory and foreign exchange, with last year's acquisition of Insinger Trust PLC also adding to domestic fiduciary capacity. While the private banking book was inevitably stress tested during the period, the increase in bad debts was held to remarkably low levels, a consideration which pays testimony to the strong risk management capability within the division.

Looking ahead

A more accommodating domestic environment in the new financial year, with less variability in margin income, augurs well for increased business activity within the private banking division. Quite independently of external considerations, however, the new year will see the launch of the Private Bank Card Account, additional new product development, increased emphasis on technologically based products with full use of the Internet, full and proper use of the International Private Banking infrastructure and a continued determination to capitalise on the mileage created by means of a recently-launched bold, and highly successful, marketing campaign. Of course, meaningfully increased brand recognition for the Private Bank assumes enormous importance in view of the increased visibility and spillover benefits for the wider Group.

Additional new opportunities for the private banking division are also likely to be forthcoming in the new year as a consequence of the Group's recent acquisition of HSBC Simpson McKie's Johannesburg Retail Stockbroking arm.

The private banking division has set ambitious internal targets for requisite performance over the medium-term. Against a number of now concrete and readily identifiable measurables for performance, it continues to place enormous emphasis on the competence aspects required by all employees and, to this end, encourages ongoing multiskilling on their part, a consideration greatly enhanced by an in-house dedicated private banking college. Last year's launch of Investec Connect, a 70-seater call centre that distributes retail products and services through state of the art technology, also places strong demands on associated employees in terms of requisite skills and knowledge, a challenge to which all have responded enthusiastically and with clearly visible results.

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IMS DEVELOPS AND markets a range of sophisticated, investment-linked products that are designed to meet the investment, tax and retirement needs of South African investors. It deals exclusively through a select number of independent and corporate financial advisors and enjoys a strong degree of market penetration.

Year under review

Despite the marked deterioration in the local financial environment which occurred during the period, last year was an extremely successful one for IMS. Returning to profit after several years of largely systems-induced poor performance, IMS has successfully repositioned itself as a major service provider in the domestic market for the administration of retail investment products. This has occurred largely as a consequence of steadfast determination to resolve internal systems and administrative shortcomings as well as the launch of some new investment products to its clearly defined target market.

Looking ahead

The new financial year promises to be another favourable one. Renewed market stability has seen IMS' assets under administration return to pre-crisis levels while the advent of a number of new products, some of which are still subject to regulatory approval, is expected to add quite markedly to business flow in the year ahead. Although the industry remains characterised by change, uncertain direction and is currently in a state of flux, IMS remains confident about future potential and foresees an increasingly evolving role for itself, from investment administrator to investment advisor. To this end, it intends embarking on an appropriate recruitment drive in the year ahead.

PRIVATE BANKING ACTIVITIES, SOUTHERN AFRICA

A RELATIVELY RECENT area of focus, the Investec Group is now seeking to pursue private banking opportunities in both Botswana and Namibia and, to this end, established a dedicated private banking team in Botswana during the course of last year.

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IBUK MAINTAINS TWO distinct areas of emphasis within its private banking activities. A long established domestic private banking focus, with particular strengths in the residential and commercial property markets, has now been complemented by an international private banking arm, with last year's acquisition of Guinness Mahon giving IBUK the necessary additional capacity to deliver on the promises implied by a comprehensive international private banking offering. As with its counterpart in South Africa, IBUK offers specialist expertise and products to professional and high net worth individuals while the international private banking arm, which concentrates its efforts in the areas of banking, gearing, investments and fiduciary services, also incorporates the activities of both the Channel Islands and Zurich.

Year under review

Against a generally conducive lending environment, IBUK's private banking division enjoyed a good year. On the domestic front, strong performances were registered in the areas of medical lending, property finance, specialist lending and asset finance. The international private banking arm, too, had a good year, enjoying strong organic growth and the benefits of expansion through acquisition.

Looking ahead

Growth prospects for the year ahead appear highly positive. Continuing advances in the UK market are likely to coincide with considerable potential on the international private banking front, where IBUK's operation is recognised as being low on the growth curve. With many of the business integration issues already dealt with, the various teams within IBUK are well positioned to benefit from further organic growth, increased distribution capability and an aggressive marketing programme.

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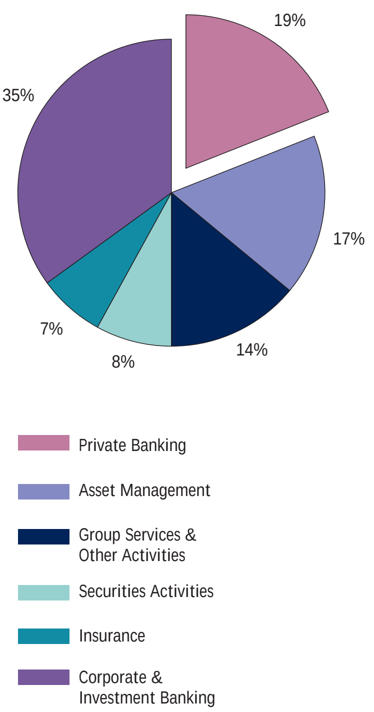

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Asset Management Activities

AGAINST THE RECOGNISED ageing of mature nations and widespread global moves towards welfare reform, the Group's global asset management activities are well positioned to benefit from the continued global trend towards funded pension schemes. Although the past financial year was characterised by unusual levels of volatility in financial markets which inevitably impacted on the global asset management business, the strong recovery of equity markets during the first quarter of 1999 has since re-established growth expectations for the asset management industry worldwide.

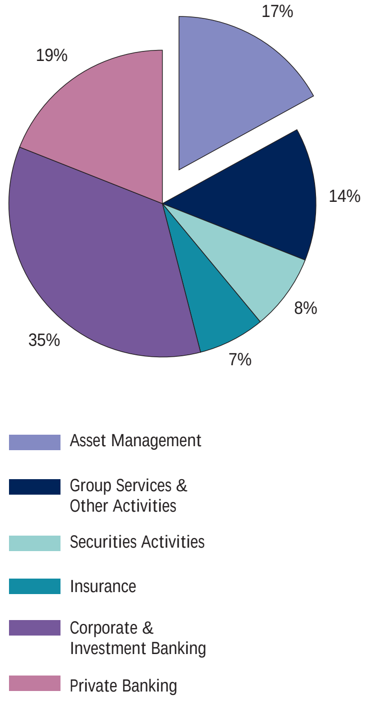
Investec remains highly optimistic about the potential for this industry over the long-term. The European and Japanese pension and mutual fund revolutions, for instance, have only just begun while sensible arrangements for retirement provision are also being instituted across the emerging market universe. Moreover, despite the recognised maturity of the Anglo-Saxon markets, relative full employment in these economies continues to fuel cash flows into national pools of retirement savings. As such, the wealth explosion in the developed world and the consequent growth in offshore private banking and financial planning bode well for providers of offshore financial services. The Investec Group, through Investec Guinness Flight, is well positioned to exploit these trends given its portfolio of established onshore institutional and retail products and its strong global offshore franchise.

While Investec Guinness Flight constitutes the core of the Group's institutional and retail asset management activities, private client fund management services are provided through Investec Australia, Israel General Bank, Investec Private Bank and Investec Securities in South Africa and Carr Sheppards Crosthwaite in the UK.

Financial Results, Asset Management Activities (Rm)

	1999	1998	% Increase
Third Party Assets Under Management (bn)	231,3	162,8	42,1
Total Income	625	281	122,4
Contribution	208	97	214,4
% Contribution to Group	17	12	
Cost/Income ratio	68,0		

Group Contribution Analysis



BACKGROUND TO INVESTEC GUINNESS FLIGHT

WITH R130 BILLION under management and 435 people working in offices in London, Cape Town, Johannesburg, Hong Kong, Los Angeles, Dublin, Guernsey, Windhoek and Gaborone, Investec Guinness Flight is one of the 150 largest non-US fund management groups in the world. The business stems from last year's successful merger between Investec Asset Management and Guinness Flight Hambro, subsequent to the Investec Group's acquisition of the latter during the period.

Investec Guinness Flight is a thoroughly modern investment management firm, involved in three key areas of activity: investment, increasingly sophisticated marketing and distribution capability and operations, which include administration and technology. For the modern multi-market, multi-product firm, these three areas are equally important. Investec Guinness Flight retains control over all three areas of activity, although parts of each may be outsourced from time to time.

First presented to the market as a new brand on 11 November 1998, Investec Guinness Flight is run as one global entity and one business, driven by one management team. The key functional areas are globally integrated and co-ordinated along both geographic and product lines. This unique matrix structure ensures a high degree of market responsiveness as well as a maximum leveraging of existing skills and capabilities within the firm.

Within Investec Guinness Flight, an investment team of 70 people operates from 3 locations (London, Cape Town and Hong Kong) and is globally co-ordinated along asset class lines. During the coming year the equity team will complete its move towards sector-based analysis. Investec Guinness Flight's investment philosophy seeks to embrace the power of individual specialisation and flair, with a high degree of disciplined teamwork. While the asset management industry has clearly moved on from the notion that gifted individuals can somehow outguess markets on a consistent basis, Investec Guinness Flight affords its staff the opportunity to work in a team environment, supported by rigorous processes for asset allocation, stock selection, credit assessment and portfolio construction and transaction execution.

Year under review

The year to March 1999 was a watershed year for Investec Guinness Flight. Not only did it complete its programme of internationalisation with the acquisition of Guinness Flight Hambro, it also maintained the strong growth momentum and the excellent investment performance associated with its core South African business, formerly known as Investec Asset Management.

More than R12 billion of new business was generated in South Africa last year and both retail and institutional product ranges performed well during the period. On the institutional side, Investec Guinness Flight was ranked top performer over both three and five years while obtaining second place for the one year period to December 1998, in the Alexander Forbes survey for large managers in the South African market. For the period ended March 1999, Investec Guinness Flight again featured first over three years, second over five years and second over a one year period.

On the retail side, Investec Guinness Flight achieved second place in the Plexus Survey for overall unit trust performance. Its Opportunity Fund ranked as the top retail fund in the South African market for the 1998 calendar year, as well as first for the year ended March 1999. The Commodity Fund also featured among the top five funds across all categories. For the year ended March 1999, it featured as the number one performer in its category over a six-month, one year and two year period, while notching up the second spot over a three year period. For the year to March 1999, the Opportunities Fund once again came first out of the entire universe of South African unit trusts. Also in the industry Top 10 were the Commodities Fund in third position and the Worldwide Fund in sixth position. The Gilt, Managed and General Equity Funds all maintained their excellent long term track records during the year.

The Worldwide and Money Market Funds were the big commercial successes of the past year. The Worldwide Fund ended the year second in its category, but grew from a mere R350 million to over R2 billion during the period, while the domestic interest rate environment, combined with an excellent portfolio management and marketing effort, enabled the Money Market Fund to grow from R1.9 billion to R4.3 billion.

Investec Guinness Flight's overall Unit Trust business in Southern Africa grew by 40% during the period, to end the year at R14 billion. Investec Guinness Flight produced 20% of all net flows in South Africa during the period, with overall market share now exceeding 14%. Towards the end of the reporting period, two exciting new funds were launched, the Microcap Fund and the Select Fund of Funds. The latter is aimed at both the client who wants to buy the best of Investec but is not sure which fund to pick and the client with limited funds who may not otherwise be able to afford the minimum investment required for a spread of Investec Guinness Flight funds.

Investec Guinness Flight's business continued to expand across the Southern African region during the period. Whereas volumes in Botswana are slowly moving to critical mass, the Namibian business has shown excellent growth and, following a very successful foray into the Namibian institutional market, Investec Guinness Flight also entered the retail market during the period. Indeed, the Investec Guinness Flight Namibian Equity fund notched up a brilliant performance of 116% in its first year, against a market performance of -22%!

During the past year, Investec Guinness Flight's Dublin operation came of age. This has been organically grown on the back of the initial relaxation of South African exchange control regulations in 1996 and, by March 1999, Investec Guinness Flight funds listed in Dublin, which are primarily distributed to South African institutional clients, had exceeded $650 million. A notable success in this stable was the Global Technology Fund, which managed to outperform the Nasdaq by 28% (a 64% absolute return) at a time when technology stocks were all the rage, a development that again confirms the success of Investec Guinness Flight's sector-based investment model. Soon after the financial year-end, Investec Guinness Flight expanded its office in Dublin and this is expected to result in significant savings and improved client service over the medium-term.

Investec Guinness Flight's UK-based activities performed remarkably well during the period, despite the obvious burden of last year's merger. The institutional team acquitted themselves well by retaining all key clients in the face of attendant uncertainties. Half of the R68 billion of business sourced from the UK forms part of the fast growing cash management business. This team has achieved the top spot in the William Mercer survey in two of the past four years, including last year. During the past six months Investec Guinness Flight added approximately R13 billion of new business from this source. Although this business has historically focused on UK municipalities, it has recently expanded into the insurance and corporate markets, both of which hold the promise of exciting potential. Although cash management fees are significantly lower than those of traditional mandates, the stable nature of this business is clearly highly attractive.

Investec Guinness Flight's UK unit trust business remains below critical mass and, despite excellent performance in the small company area, core product performance needs to be improved and relationships with major distributors strengthened. This process is already underway. The investment trust business is currently performing superbly - not only did Investec Guinness Flight manage to raise R600 million by launching a new trust in October last year but the other funds in the stable performed very strongly during the year. These include Temple Bar, City of Oxford, Archimedes and Hambros Asian Smaller Companies Trust. This area represents an exciting, high margin niche business, which leverages off the larger UK investment team and the operational capabilities of the overall business.

Offshore fund performance last year was good, with more than 70% of all funds in the upper half of their Micropal categories. Assets under management remained constant, but the market is becoming increasingly competitive, as the major US houses move into the offshore business. Investec Guinness Flight needs to improve offshore distribution by means of appropriate alliances and this will remain a core focus.

During the year, as part of its post-acquisition re-organisation, Investec Guinness Flight closed down its former Asian (ex-Japan) investment capacity in London and transferred these responsibilities to the Hong Kong team. Despite a very difficult year in Asia, the team in Hong Kong has risen to the challenge and Investec Guinness Flight remains optimistic about the medium-term potential to sell its Asian expertise in the US as well as in Europe, in both the retail and institutional markets. A significant drive to raise assets in Hong Kong is currently underway.

Investec Guinness Flight maintains a modest operation in the USA, focusing on the no-load, specialist market. On the performance side, the International Government Bond Fund was first in its category in the US for the 12 months to 30 September 1998, sixth out of 203 funds for the 12 months to 31 December 1998 and fifth for the year to March 1999. During the past year, the distribution of Investec Guinness Flight's Asian product, for which it is well known in the US no-load channel, was hampered by the now well documented Asian crisis. Investec Guinness Flight responded by launching its Wired Index Fund in December. A unique product, it benefited from continued market interest in technology stocks and had attracted net flows of $58 million by the end of the financial year. These subsequently broke the $100 million barrier. Even though the US operation is far from critical mass, Investec Guinness Flight believes that participation in the world's largest and most sophisticated mutual fund market makes an invaluable contribution to organisational learning.

The past year was extremely demanding from an overall operational perspective. Integrating diverse systems platforms, business processes and the management of a range of different regulatory regimes is not easy. Euro and Y2K compliance also demanded significant efforts from the operations team. However, Investec Guinness Flight remains convinced that good investment management businesses should acknowledge that they are not simply in the portfolio management and marketing businesses but in those of administration and information technology as well. It continues to identify these areas of activity as high priority.

Looking ahead

Following on the considerable advances of last year, the new financial year promises to be one of consolidation and capacity creation for Investec Guinness Flight. In order to sustain desired growth rates, it intends ensuring that necessary operational capacity and infrastructure investments are made, with its current e-commerce initiative key in this regard. Investec Guinness Flight is confident that it will be able to cope with the challenges posed by Y2K.

Much time, energy and attention will continue to be devoted to people since Investec Guinness Flight remains committed to creating an environment in which the best in the investment management industry can thrive.

Investec Guinness Flight will continue to mould its portfolio of products and capabilities into a tightly knit, focused unit. The cost base must be further squeezed by the elimination of marginal activities and continuous advances in operational efficiency.

A major focus in the new year will be a revision of the manner in which Investec Guinness Flight distributes and packages its investment products. The Internet has changed the world in which we live in a most profound way and both the technology explosion and changes in customer demand have prompted a rethink of traditional delivery methods. To succeed beyond 2000, it is clearly recognised that Investec Guinness Flight needs to come to terms with market demands for better and more efficient product packaging and, to secure its position as a large mainstream manufacturer of quality investment product, it will also have to offer administrative capabilities that satisfy the needs of its hard won clients. Further growth will require the pursuit of high quality alliances with a range of distributors. While Investec Guinness Flight recognises the enormity of this challenge, it also recognises the potential benefits that would flow as a consequence.

As the asset management industry continues to globalise, the pressure on medium sized businesses will increase. The industry is expected to adopt a "barbell" shape, with a dominant cluster of branded global institutions on the one side and a plethora of owner-managed boutiques on the other. Medium-sized firms like Investec Guinness Flight will have to be clear about which side of the barbell they would like to end up on. Given Investec Guinness Flight's stated intention of offering a high quality global and domestic product in each of its chosen markets, it acknowledges that it needs to continue to grow rapidly over the next few years. That said, it is nevertheless convinced that this industry is still fragmented enough to allow space for a competent medium sized business to prosper. The unprecedented levels of mergers and acquisitions which continue to characterise the global fund management industry also represent a clear source of opportunity, with blue chip institutional clients and consultants likely to be looking around for new names to add to their search lists. For that matter, high quality professionals, who neither want to be a minute cog in a huge wheel nor to confront the inevitable hassles associated with a startup, will be attracted to the entrepreneurial and collegiate culture of the Investec Group.

Investec Guinness Flight is confident that it now has adequate financial and human resources, and ample opportunities, to build an asset management "superboutique" that is capable of holding its own against the best in the world in its chosen markets. In a world characterised by "sausage machine" asset gathering, Investec Guinness Flight intends differentiating itself by emphasising the importance of creative people and relationships, without in any way sacrificing the discipline so integral to success.

PRIVATE CLIENT FUND MANAGEMENT, AUSTRALIA

Investec Australia

IN NOVEMBER 1998, Investec Australia acquired the ACSIS Group of Companies with A$170 million of funds under management, a development that provides a platform for entering the growing superannuation sector of the Australian market. The company has an excellent track record and operates ten definitive funds. Investment is made on a fund of fund basis to ensure effective asset allocation and manager selection via a master trust. A similar suite of unit trusts products was also established this year, bringing total funds under management to A$200 million. Compulsory superannuation of 7% of salaries provides excellent growth opportunities in this area. Australia is currently ranked number seven in the world in terms of pension fund assets and is projected to grow to number four by the year 2030.

PRIVATE CLIENT FUND MANAGEMENT, ISRAEL

Israel General Bank

ISRAEL GENERAL BANK (IGB) is a highly recognised player in domestic markets and engages in private client fund management activities through its subsidiaries, Calil-Clali for Consultancy and Portfolio Management Limited, and Mutual Funds Management Company of Israel General Bank Limited. Both outlets adopt an investment policy that is conservative in relation to stocks and aggressive in relation to the debenture markets. Israel General Bank's Mutual Funds Management Company runs a number of mutual funds, several of which are recognised as the best in their field. After several years of steady growth, the new year promises a number of new investment opportunities for clients, as local financial markets benefit from structural economic reform, increased foreign investment and new company listings.

PRIVATE CLIENT FUND MANAGEMENT, SOUTH AFRICA

Investec Securities
Private Banking Division

AS DISCUSSED ELSEWHERE in this report, both Investec Securities and Private Banking divisions in Johannesburg engage in private client fund management activities on behalf of their targeted client base.

Investec Securities Private Client Stockbroking had a good year, despite the vagaries of the market during the period. Continued strong growth in volumes occurred, in part because of the division's recognised capability in relation to asset swaps.

Private Banking division, for its part, saw its efforts to make inroads into the provision of asset management activities for high net worth individuals make significant advances during the period.

PRIVATE CLIENT FUND MANAGEMENT, UNITED KINGDOM

Carr Sheppards Crosthwaite

FORMED OUT OF the amalgamation of Carr Sheppards and Henderson Crosthwaite, the former having been acquired by Investec in late 1996 and the latter through Investec's 1998 acquisition of Guinness Mahon, Carr Sheppards Crosthwaite is a significant player in the UK market for private client investment management services, as well as for out-sourced administration services to other UK financial institutions.

Year under review

Notwithstanding the obvious difficulties generated by last year's global financial crisis, Carr Sheppards Crosthwaite had a very good year, enjoying strong organic growth in both its private client fund management business and significant growth in its administrative services business, in part because of sizeable new business flow. During the year, Carr Sheppards Crosthwaite won a number of new investment mandates from both charities and small pension funds while also being awarded a Micropal award for fund performance.

Much of the year was taken up with working out the details of Carr Sheppards' merger with Henderson Crosthwaite. Complicated and intricate, largely given the differences between the two firms in areas such as information technology, charging structures and remuneration systems, the merger took some ten months to finalise but culminated in the combined move to IBUK's new premises at 2 Gresham Street at the beginning of March. The merger is now largely digested and has been successfully bedded down, although there are some clear areas where homogenisation needs to be improved.

Looking ahead

Carr Sheppards Crosthwaite anticipates another good year, with new business likely to flow as a consequence of earlier marketing endeavours, some cross referrals from the broader Investec Group, increased internal efficiencies and a generally more supportive domestic financial environment. Objectives for the year include a continued focus on excellence of service, by means of ongoing in-house training and development, and improved quality of investment advice, through ongoing advances in internal research capability. IT developments will also be at the forefront of internal focus for much of the period.

Securities Trading Activities

WHETHER FOR BONDS, equities, foreign exchange, money markets or commodities, the past year will long be remembered as a very turbulent and enormously volatile period in international markets. Although the year began favourably enough, with international confidence beginning to return after the various Asian economic crises of the previous year, this quickly proved short-lived, with subsequent very marked currency depreciations in Korea and Indonesia paving the way for renewed, increasingly widespread, emerging market concerns. These were to last for much of the year and, although initially confined to emerging economies alone, later gave rise to near-universal investor anxiety, in large part because of fears relating to the possibility of global systemic weakness.

The apogee of last year's global market fears occurred in September, when conditions close to outright panic prevailed in all major markets. Following on the previous month's devaluation of the Russian rouble and a moratorium on Russian government debt, September gave rise to a dramatic flight to quality, a severe widening in credit spreads and outright fears of a global credit crunch, all of which led directly to the failure and dramatic rescue of US hedge fund, Long Term Capital Management. The immediate response of the US Federal Reserve was to lower the fed funds target rate by 25bps in September, October and November. Elsewhere around the world similar such interest rate action also took place, in varying degrees of magnitude.

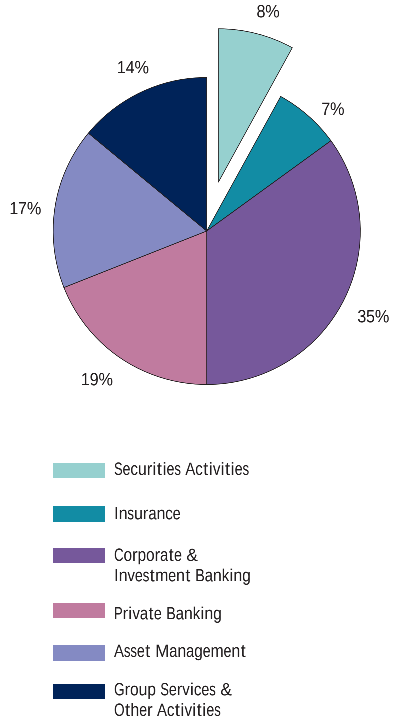
By the end of the financial year, however, despite war in the Balkans, the financial world was seen to be a safer place, largely thanks to the reflationary efforts spearheaded by the US authorities. The US continued its robust growth, Wall Street attained record highs, the leaner and more flexible Asian economies were well on the way to recovery and even Japan seemed to be coming out of intensive care. The only factor common to all economies in 1998/99 was the notable absence of inflationary pressures, in itself partly attributable to earlier fallout in Asia.

In what was, therefore, an extraordinarily volatile period for global financial markets, extreme market movements occurred in virtually each of the markets in which Investec pursues its securities trading operations. These include *Israel* through Israel General Bank, *South and Southern Africa*, through Investec Securities Limited in both South Africa and Botswana, the *United Kingdom,* through Investec Bank (IBUK), IBL Trading and Investec Henderson Crosthwaite Securities and the *United States,* through Investec Ernst & Company.

Financial Results, Securities Trading Activities (Rm)

	1999	1998	% Increase
Total Assets	59 605	45 380	48,4
Total Income	445	234	90,2
Contribution	99	66	50,0
% Contribution to Group	8	8	
Cost/Income Ratio	75,4		

Group Contribution Analysis



SECURITIES TRADING - ISRAEL

Israeli macro-economic and financial developments.

QUITE APART FROM broad global influences last year, the local economy was subjected to a number of negative cyclical developments during the period. Continued stringency on the broad policy front gave rise to increasingly obvious economic deceleration, with global developments towards the end of 1998 subjecting Israel to the currency pressures previously experienced elsewhere in the emerging market universe. Generally unsupportive underlying economic realities aside, however, developments on the domestic political front were not particularly conducive either, with the late 1998 collapse of the coalition government and very uncertain progress towards the implementation of the Wye Agreement serving to highlight the continuing vagaries of the regional security situation. Towards year-end, however, resumed interest rate declines in response to a meaningfully improved inflation outlook, had enabled the local equity market to once again advance. Subsequent to the financial year-end, the general election resulted in a notable win for the Labour Party, a development which encouraged renewed market confidence that the peace process would be revived and that official structural economic reform would be more vigorously enforced.

SECURITIES TRADING, ISRAEL GENERAL BANK (IGB)

A FORMER SUBSIDIARY of the Edmond de Rothschild Group, Investec acquired a controlling interest in IGB in April 1996. The eighth largest bank in Israel, IGB is a recognised player in the local securities markets and is known as "the broker's broker". IGB offers professional trading services to member and non-member brokers as well as to private investment portfolio managers, private clients and corporate clients. It is particularly active in the market for precious metals and gold bullion and finances more than a quarter of Israel's annual imports of gold.

Year under review

Last year merely saw a further continuation of the crisis that has dogged the domestic capital markets since 1994. Characterised by widespread investor uncertainty, which served to depress volumes, the reporting period was, again, difficult from a securities trading perspective. Towards the end of the period, however, there was a notable pick-up in market activity, as local interest rates began to fall and optimism regarding the general election outcome began to filter through.

During the course of the period, IGB was given a seat on the board of the Tel Aviv Stock Exchange in recognition of its prominence as one of the five largest players in the local capital market, while the bank also successfully launched an Internet trading site for local securities, the first of its kind in the domestic market. The period also saw a determined drive to explore synergies with the rest of the Group's securities trading operations, with a view to formally launching the distribution of Israeli equity product in both the UK and the US in the new financial year.

Looking ahead

The new financial year has begun in highly favourable fashion, amid a dramatic increase in volumes and renewed investor optimism regarding the market opportunities that will follow on a more stable political and economic environment. Plans are firmly advanced for tapping into dedicated UK and US institutional interest in Israeli stocks, this by means of the establishment of an in-house research team, to be based in Tel Aviv, and an expansion of the Group's existing South African desk in London to include Israeli sales as an augmented component of its emerging market offering.

SECURITIES TRADING - SOUTH AFRICA

South African macro-economic and financial developments.

THE DOMESTIC FINANCIAL environment adopted near-schizoid tendencies during the period. Alternating between periods of euphoria, during which local markets scaled new highs, and outright periods of depression, in which local markets plumbed five-year lows, the period was marked by quite extraordinary volatility, most of which originated in the ebb and flow of global investor sentiment towards emerging economies in general and South Africa, at times, in particular.

The early part of the 1999 financial year saw broad-based market gains, largely founded on recognition that the domestic economic cycle had finally turned, that interest rates had begun to fall, that inflation was set to decline and that the rand would remain comparatively strong. This early bull run, however, quickly evaporated in the face of mounting global investor concerns regarding the perceived relative attractiveness of the so-called emerging market bloc.

Following on from the mid-1997 devaluation of the Thai Baht, international currency speculators had, in the early months of 1998, begun to set their sights on those other emerging market currencies deemed to be vulnerable, this translating into a ferocious subsequent assault on both the Korean Won and the Indonesian Rupiah. When it became apparent that the consequences of domestic currency collapse in Indonesia might include outright political collapse, what had previously been a case of predominantly localised negative sentiment towards the Pacific Rim economies spilled over into a full-blown emerging market crisis, at which point South Africa, too, was drawn into the fray.

South Africa's crisis initially manifested itself in a withdrawal of previously-invested foreign portfolio capital in South Africa, during which phase the rand moved from a previous R5,00 against the dollar to a figure slightly below R5,50. Subsequently, however, the rand moved in two distinct ratchet movements, from R5,50 to R6,10 and from R6,10 to just below R6,80, each of which was motivated by investor response to mainly domestic considerations, these relating in the main to perceptions that the domestic authorities had badly mishandled the assault on the local currency. As a consequence of the rand's pronounced weakness, which, at its worst, reflected a decline of some 35%, interest rates were forced from 18,25% to 25,5%, a level previously seen some 12 years earlier. In the face of both pronounced currency weakness and the dramatic rise in the cost of capital, local markets imploded, with long bonds increasing from an earlier low of 12,5% to a rate just under 22% and with the All-Share Index losing some 45% of its value, from peak to trough.

The dying months of 1998 saw renewed stability within the domestic context, despite mounting international anxiety regarding the health of the global financial system. In part as a consequence of widespread international moves towards monetary policy relaxation, local interest rates, too, began to reverse, a process which clearly picked up pace in the early months of 1999, by which time, of course, the real economic consequences of 1998's market havoc had only begun to become apparent. The financial year ended amid the recognition that the local economy would remain weak for much of calendar 1999 but where prospects of continuing interest rate declines would serve to minimise the consequences on earnings of an otherwise generally adverse environment. By year-end, equities had retraced 36% from their 1998-low, while bonds, at a year-end rate of 14,85%, had responded not just to falling interest rates but to a considerably more stable rand, favourable budget realities and the expectation that inflation was set to fall smartly over the medium-term.

SECURITIES TRADING, INVESTEC SECURITIES LIMITED

THE AMALGAMATION OF Investec's 1996 acquisition of local stockbroking firm Fergusson Bros. and the previously formed Investec Equities, Investec Securities Limited provides a complete range of stockbroking services to its institutional, corporate and private client base.

Year under review

Despite the largely unfavourable securities trading environment which predominated as a consequence of last year's successive emerging market crises, giving rise on occasion to both markedly depressed volumes and increased illiquidity, the period was a generally favourable one for Investec Securities. This manifested itself not just in terms of substantially higher revenue but also in terms of the division's achieving a number of previously identified internal objectives and goals.

The most tangible measure of Investec Securities' performance last year is clearly to be found in its total nominal contribution to Group earnings, which increased quite substantially. The period was also notable, however, for the fact that, in very large part, it symbolised the culmination of previous management endeavours to more appropriately position the division to meet both client needs and competitive demands. To this end, the period saw meaningfully increased emphasis on the need to distinguish between Investec Securities' two core businesses and respective client bases, ie. between Institutional Clients and Private Clients, and, by year-end, these had effectively been separated.

Addendum

Subsequent to the financial year-end, Investec acquired the Johannesburg arm of HSBC Simpson McKie's retail private broking operation. To be renamed Investec Integrated Investments, this

22-person operation will clearly complement already existing activities within Investec Securities in the areas of both private client and corporate stockbroking.

Institutional Clients, Year Under Review

Although Investec Securities' institutional, ie. wholesale, business embraces a number of different dimensions (research, dealing, settlements) it has, over the years, adopted an increasingly research-centric focus. This, in turn, is motivated by the widespread recognition that, in an industry where much the greater amount of total industry brokerage is apportioned to just the top five securities firms, there is a clear need for research to be "best of breed". In the face of enormous competitive pressure, the clear focus of Investec's recent research thrust, therefore, has been to refine and expand its research offering, so as to initially secure, and thereafter sustain, Investec Securities' ranking among the top five stockbroking firms in South Africa.

Last year saw visible progress in this regard. Previously ranked the top domestic stockbroking firm but falling somewhat short of the top five by virtue of the presence of a number of substantial international players, last year saw Investec Securities move sharply up the industry benchmark rankings, from seven to four on a pure equity-weighted basis, a performance of which both Investec Securities and the broader Group are justifiably proud.

That Investec Securities' institutional business has secured more favourable industry ratings is in large part due to a greatly improved and focused research effort, one that has prompted highly favourable client response. The research team is made up of a unique combination of seasoned, rated, investment analysts and sector/industry experts, each of which strives to bring incremental insight to his/her field of endeavour. The research team scored particularly highly for its work in such areas as diamonds, steel, chemicals, derivatives, investment strategy and African research during the period.

The overall research capability of the team was visibly augmented during the year, with the expansion of the "media and technology", "financial services" and "industrial holdings" teams, the establishment of a new research capability in the field of pharmaceuticals and the creation, through an amalgamation of existing and new resources, of a highly experienced resources team, the latter assuming cross-border dimensions.

It was also decided to merge the Group's macro-economic research capability with the equity research team, both to widen the degree of expertise within Investec Securities and to add depth to management in the research area.

The institutional dimension of Investec Securities' business enjoyed a much greater degree of integration between its research and sales endeavours last year and this will continue to constitute a core objective over the medium-term. Although the sales function is not a readily entrenched characteristic of the South African financial environment in the way that it is elsewhere, there are clear and obvious benefits to be generated from a symbiotic working relationship between sales and research, which the combined teams intend to pursue aggressively in the new financial year.

The London sales and trading arm of Investec Securities made further solid progress last year, gaining in both breadth and depth. Despite the global financial crisis, which saw much of the previous international interest in emerging markets and equities dissipate, the London unit was nonetheless well-positioned to take advantage of the number of successful primary listings by South African companies in the UK market, while also enjoying a very substantial increase in secondary trades out of Europe.

The year under review saw gradually unfolding, and subsequently significantly increased, collaboration between Investec Securities Limited and Investec Henderson Crosthwaite, the niche UK stockbroking firm acquired when the Investec Group purchased Guinness Mahon PLC in 1998 (specific details on Investec Henderson Crosthwaite are to be found elsewhere in this chapter). This increased co-operation confers two immediate benefits, in that it sows the seeds for a more focused internationalisation of the Group's research offering to its South African institutional client base, while also holding out the prospect of access to a wider UK institutional client base for South African equity product (hitherto confined to emerging market funds), more immediately in relation to those domestic companies pursuing a primary listing in London.

In similar vein, last year also saw increased collaboration between Investec Securities and Israel General Bank, motivated by a joint desire to explore the possibility of augmenting the Group's securities trading and distribution capability, in those areas where the Group is represented, to include Israeli equities, supported by Israeli research.

Last year also saw a number of technological advances, with the JET trading system increasingly making way for the near-term introduction of Application Programme Interfaces (API's) which, in turn, will allow for direct trading with institutional clients. Unfortunately however, it now appears that the initial preparatory work in this regard will not be put to immediate use, since the introduction of API's has been delayed by the JSE until the middle of 2000.

Private Clients, Year Under Review

Although the private client business also experienced a fall-off in volumes as a consequence of the market's successive reversals last year, the private client dimension of Investec Securities nonetheless registered a strong performance. Despite a clear preference on the part of private clients to retain their portfolios in cash rather than bonds or equities during the period, the introduction of asset swaps, referrals of business from Investec's Private Banking arm and further growth in the proportion of funds under full discretion earning management fees all contributed to the bottom line and were the principal factors behind last year's growth. Towards the end of the financial year, moreover, the private client business unveiled its new Internet trading site, which, within a matter of just weeks, had resulted in a very significant flow of new business.

Much internal strategising occurred within the private client arm of Investec Securities during the course of last year, most of which revolved around a proposed greater degree of integration between the private client business and Investec's Private Bank. Subject to Investec's either being granted an additional stockbroking licence by the Johannesburg Stock Exchange or opting to divisionalise the different operations within its securities business, the private client business, while maintaining very close working links with Investec Securities, will pursue obvious synergies with the Private Bank in the new financial year.

Corporate Clients, Year Under Review

Much time, energy and focus was devoted during the year to nurturing and furthering the extensive relationships which Investec Securities enjoys with its corporate client base. Although business volumes fell in line with depressed market conditions during the period, Investec Securities nonetheless enjoyed much market visibility last year, in particular for the number of Sponsoring Broker mandates which it won. Indeed, on the basis of the 1999 Ernst & Young Mergers and Acquisition review, Investec ranked joint second in terms of the number of transactions on which it acted in this regard last year, a figure that compares with its seventh position the year before.

INVESTEC SECURITIES, LOOKING AHEAD

Although the economy remains weak and domestic financial markets still have some way to go to reclaim the position prevailing prior to last year's crash, Investec Securities anticipates a greater degree of market buoyancy in the new financial year. For instance, it is expected that a re-rating of South African financial markets by foreign investors, continued consistency in domestic economic policy, as well as the adoption of more aggressive official structural reform post-election, will generate new market opportunities. However, while more favourable externalities would obviously contribute to the division's bottom line over the medium-term, successive restructuring measures by Investec Securities in recent years will also contribute to sounder long-term performance. The division, as currently constituted, is now firmly positioned to build on the successes of the past year and is poised to grasp a number of new opportunities that lie ahead.

Institutional Clients, Looking Ahead

A clear priority for the Institutional Client business in the new financial year will be that represented by the need to commence distribution of South African equities, supported by research, in the United States. This, it is intended, should occur by means of the Group's existing presence in New York, through Investec Ernst & Company (see relevant section later in this chapter), and is scheduled to commence once all necessary US regulatory and compliance issues have been resolved. It is also intended that the Group's securities operations be expanded to include the distribution of Israeli equities, in both London and New York, again backed up by research.

As previously mentioned, Investec Securities enjoys a close working relationship with Investec Henderson Crosthwaite. It is intended that the new financial year will see further integration between the two teams, particularly in relation to their combined research endeavours, and that this should also increase to incorporate increased interaction with Israel General Bank in relation to the proposed distribution of Israeli equities and research in both the US and UK institutional markets.

The recent trend by South African corporates to pursue the benefits of an offshore primary listing will persist in the new year and offers clear opportunities for the Group's London-based sales and trading arms, as well as for increased integration between the research teams of Investec Henderson Crosthwaite and Investec Securities.

A key objective of Investec Securities remains that of forging closer working relations with Investec's Corporate Finance department, so as to pursue the concept of an investment banking pipeline. Obviously, this relationship must respect and work within the confines of Chinese wall realities, but this requirement aside, there are clear opportunities for the respective expertise of Investec's corporate finance and research teams to be combined in pursuit of investment opportunities for the wider Group. These will be aggressively explored, where appropriate, in the new year.

The new year will also see ongoing attempts to broaden the research base, this by specific means of the recruitment of professionals with industry expertise. An additional human resources or skilling objective in the year ahead will be to add to capacity at a more junior level, both so as to provide a degree of relief to current analytical stretch and to cater to the longer-term objective of succession planning within the research team. Active risk management will remain a key objective for the division in the new year, with market, price and counterparty risk all constituting important areas to be regularly monitored by the division, in conjunction with central Group Risk Management. Last year's focus on tightening and strengthening settlement procedures within the division is also expected to produce benefits over the medium-term. A widespread Y2K testing of all trading and dealing systems will be an obvious feature of the early months of the new financial year while the new year will also bring further advances towards the Johannesburg Stock Exchange's planned July 1999 target of the electronic settlement of selected securities through STRATE, to be followed by the complete adoption of STRATE in 2000.

Private Clients, Looking Ahead

A clear objective for the Private Client Stockbroking division in the new financial year will be that of advancing and promoting its Internet capabilities within the marketplace. Already very favourably received, the division's Internet facility represents a very strong comparative advantage that is expected to represent a very strong future growth vector for the team. The private client team will also focus on building total discretionary funds under management in the new year, an objective which should draw obvious benefit from a closer working relationship with Investec's private banking arm and the mutual opportunities for a two-way referral of business which this will provide. Although there is currently some market speculation about whether the asset swap mechanism will be retained, Investec Securities ranks as one of the very few stockbroking firms to have secured a licence for this type of transaction and will obviously benefit from any further growth in this field of activity.

Corporate Clients, Looking Ahead

The Corporate Client arm of Investec Securities has secured a pipeline of corporate accounts and mandates that ought to sustain further growth in the new year, even in the absence of any marked improvement in the external environment. The team has expanded in size, redefined its core capabilities and identity going forward and anticipates being able to benefit from a more supportive environment, to make a robust contribution to bottom line.

SECURITIES TRADING - UNITED KINGDOM

UK macro-economic and financial developments.

LONDON, AS A major financial and investment centre, is inevitably subject to prevailing global market influences, these being much as has been described elsewhere in this report, as indeed it was during the period. Over and above these, however, there were significant additional domestic market trends during the year.

The independent Monetary Policy Committee (MPC), created after the Labour election victory in 1997, entered its second year of operation. In June, the MPC surprised the market with a 0,25% rise in official lending rates, bringing these to 7,5%. The grounds for the rise were the observed strength of average earnings growth, a statistic that was subsequently officially discredited, giving rise to notable market criticisms of the MPC's interest rate response.

By September, the aftermath of economic collapse in Asia, Russian devaluation and debt moratorium and fears of a global credit shortage were taking a savage toll on UK consumer confidence. At the same time, the persistent strength of Sterling was causing severe problems for the domestic manufacturing sector. The MPC's response was a vigorous series of rate cuts in each of the next five months. By year-end official rates had fallen to 5,5% but, surprisingly, sterling was just as strong as ever, in part perhaps because of its perceived safe-haven qualities in the run-up to the official launch of the Euro.

In March 1999, Gordon Brown presented his third Budget, which, after initial market fears that it might loosen the fiscal stance to an unexpected degree, was favourably received. The overall picture of the UK economy, going forward, continues to look remarkably sound, with inflation at or around the 2,5% target level, low unemployment, low long-term interest rates, sound government finances, a strong currency and rising equity and property markets.

SECURITIES TRADING, IBUK

THE SECURITIES TRADING dimension of IBUK constitutes the activities of the former Clive Discount Company (Clive), as well as the London desk of IBL Trading.

Year under review

The major developments in each of the sub-sectors of IBUK's aggregate trading operations last year are outlined below.

Foreign Exchange. As mentioned elsewhere, the market volatility of August and September was particularly acute in emerging markets. This provided excellent trading opportunities in the Rand where IBUK's established team of market makers was able to take full and profitable advantage. In the second half of the year, following Investec's purchase of Guinness Mahon, the desk was expanded from two traders to four, with the introduction of an additional corporate sales capability. The resultant broadening of the product ranges has been well received by both corporate customers and the market.

For the non-rand forex desks, the year under review was notable for the number of changes, both external and internal, which occurred. Both the global emerging markets crisis and the developments surrounding the introduction of the new European currency provided significantly increased volatility, in which business and volumes were able to flourish. The recent merger of staff, balance sheets and customer base in the new IBUK structure has also created a number of opportunities that will be aggressively pursued and developed in the new financial year.

Repo & money markets. This division enjoyed a very successful year. A 600% increase in the matched repo book and the general widening of credit spreads in the June/December period, together with a 200 basis point fall in official interest rates on the unmatched book, produced the most profitable year in this division's history.

Equity lending. This division has worked extremely hard to maintain its share of the intermediary market but the rise in direct borrowing and lending continues to exert very strong competitive pressures on the UK domestic equity business. The division is diversifying into the Eurozone and, after six months of preparation, commenced international operations at the beginning of April 1999.

Central Treasury. The merger of Investec Bank (UK) Limited (IBUK) and Guinness Mahon on January 1 1999 provided the opportunity to bring the retail and wholesale operations of Investec and Guinness Mahon into a single central Treasury. The team is responsible for liquidity, funding and the management of IBUK's capital and established itself firmly in the final quarter of the year under review.

IBL Trading. As mentioned earlier, the London sales and trading arm of Investec Securities had a good year, consolidating its presence in London, despite the obvious difficulties associated with emerging markets during the period.

Looking ahead

While the recognised vagaries of investor sentiment make predicting future market movements a near-impossible task, IBUK's trading operations are nonetheless reasonably confident about prospects in the new financial year. Key goals include maintaining growth in low risk niche areas whilst adding corporate and institutional client flows to the existing professional business. The centralisation of Group business in London and the hedging of currency exposures created, continue to take priority. Constant development of new product and technology remains essential to the success of the various areas and the new MarketMaker system, already employed with considerable success in Johannesburg (please refer to the chapter on Corporate and Investment

Banking for further details), will go a long way to enhancing client access to domestic markets.

SECURITIES TRADING, INVESTEC HENDERSON CROSTHWAITE

IN JULY 1998, Investec acquired Henderson Crosthwaite Institutional Brokers, since renamed Investec Henderson Crosthwaite Securities. This operation has a long established track record and a high profile as a sector focused, institutional stockbroker, offering a research, sales and trading service to major institutional fund managers. In addition, Investec Henderson Crosthwaite Securities acts as a corporate broker to over 50 companies within its targeted sectors, working closely with the Corporate Finance Division in fund raisings and deal origination.

Areas of sector specialisation include media, telecoms, information technology, support services, leisure, electricals, food producers, food retailers, general retailers, oil & gas, aerospace and defence, engineering, diversified industrials, special situations and mining.

Year under review

Despite the difficult trading conditions which characterised much of the period, Investec Henderson Crosthwaite Securities had a good year, benefiting from the continued close working relationship with Corporate Finance, which led to over 20 separate fundraisings during the period. Traditional agency broking also showed steady growth, underpinned by a strong commission flow from FTSE 100 stocks in the division's target sectors.

Co-operation with the Group's South African securities operation, Investec Securities, got off to a good start during the year, with a joint South African Breweries roadshow prior to its UK listing.

Looking Ahead

The new financial year promises to be a year of further development and expansion. Steady growth is likely to come from traditional agency broking driven by a continued focus on sector based research, sold into Investec Henderson Crosthwaite's UK institutional base and an expanding portfolio of international clients. The integration of the London-based Middle East and African equity sales and trading team into Investec Henderson Crosthwaite Securities should further enhance the Group's ability to provide seamless trading, financing and advice throughout South Africa and the UK, with obvious scope for growth also emanating from a continued migration of South African corporates into London.

SECURITIES TRADING - UNITED STATES

US macro-economic and financial developments.

THE US ECONOMY continued to grow at a very strong pace during the period, while inflation remained at unusually low levels, with the mutual coincidence of these occurrences allowing for very favourable market conditions for most of the period. Indeed, such was the degree of overall economic benevolence last year, that analysts increasingly began to cite evidence that the US economy had entered a “new paradigm” ie. a fundamental positive shift that would enable it to grow faster than its historical trend, on a permanent basis. Although marked uncertainties in international markets resulted in a downturn in the US markets during the summer months, subsequent moves by the Federal Reserve to reduce rates by 75 basis points enabled US equities to make a strong recovery. By year-end, local markets were once again flirting with all-time highs.

SECURITIES TRADING, INVESTEC ERNST & COMPANY (ERNST)

INVESTEC ACQUIRED ERNST in January 1998 to serve as a strategic base for the Group in the United States. Investec Ernst & Company is a registered broker-dealer in securities and is a member of the New York Stock Exchange, National Association of Securities Dealers, Chicago Board Options Exchange and other regional exchanges. Its lines of business include: securities clearance services for other broker-dealers; institutional and retail commission brokerage; market making in NASDAQ and OTC securities; equity, option and fixed income execution services; and securities lending activities.

Year Under Review

This was the first full year for which the Company’s operating results are included with those of the Group. The additional regulatory capital which was provided by the Group in January 1998, provided a significant increase to the level of business which Investec Ernst is able to conduct and it experienced growth in all lines of business based on this increased capacity.

The sustained rise of the US equities markets over the year and the related increase in transaction flow provided a favorable environment for Investec Ernst's activities. These favorable conditions enabled it to grow core businesses and exit non-strategic activities while maintaining strong profitability.

In January 1999, Investec Ernst acquired a retail brokerage firm located in New York City. Its activities have been combined with the existing retail brokerage operation to form a consolidated Private Client Group. The internal research operation has been expanded and produces branded research to support both the Private Client Group and Investec Ernst's correspondent clearing relationships.

Investec Ernst also extended business activities with Group companies in South Africa, the UK and Israel during the period. These intercompany relationships include securities clearance, US equity execution and securities lending.

Looking ahead

The US economy and financial markets appear to be headed for another year of expansion and increased activity which will provide a favourable backdrop to Investec Ernst's activities. Local management continues to focus on the organic growth of its core businesses as well as on the acquisition of strategic assets.

In the coming year, Investec Ernst will be actively marketing Internet trading and account access to correspondents and customers. Substantial investments in technology will also be made relating to other new product offerings and preparation for Year 2000.

Group and Other Services

CENTRALISED GROUP SERVICES provide essential human, professional and technical resources to all of the operating divisions within the Group. Centralising these services is seen as an important integrating mechanism for the Group and ensures the highest levels of business practice and consistency across the organisation. Where necessary or appropriate, specialist dedicated resources are decentralised to the operating divisions and information technology, financial accounting and legal disciplines provide instances of where such decentralisation has taken place.

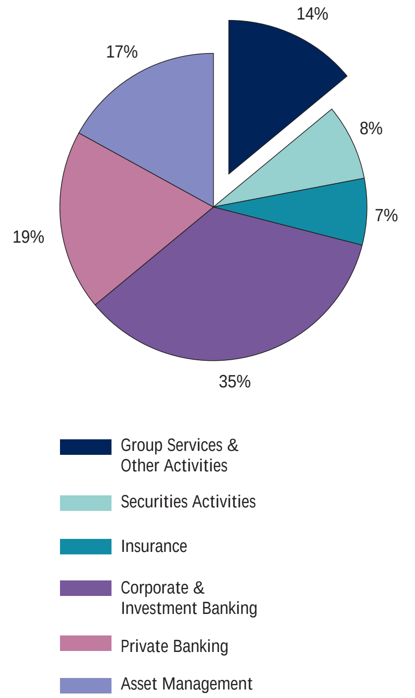
Other Services essentially comprise those areas of activity within the Group that fall outside of the Group's four core sources of operational focus. They include Investec Property Group Limited (IPG), which engages in property trading, property fund management and property administration, and Reichmans Limited, which offers specialised trade finance and related activities to importers and exporters, both inside and outside of South Africa.

For the most part, Group and Other Services are located within South Africa, although, clearly, there will be some replication of these key functions in each of the jurisdictions in which the Group now operates.

Financial Results, Group & Other Services (Rm)

	1999	1998	% Increase
Contribution	178	75	137
% Contribution to Group	14	10	

Group Contribution Analysis



ACCOUNTING AND FINANCE

THE ACCOUNTING AND Finance Division seeks to maximise the value of financial information to the Group and is responsible for ensuring that effective financials controls exist throughout the Group.

The division ensures that the Group complies with best international practices relating to accounting policies, disclosure and corporate governance. It is responsible for adherence to various statutory requirements relating to a listed international banking group.

Sophisticated financial accounting systems are maintained and supported within the division, which provides this service to the major operating divisions in order to ensure that the Group's internal and external reporting requirements are adequately met. The division is responsible for internal financial reporting to Group management and external reporting to shareholders, regulatory bodies, rating agencies, investment analysts and other interested parties.

The division manages the TOPP programme, a programme developed for aspirant South African Chartered Accountants, in conjunction with the human resources and group risk divisions. This programme is aimed at producing Chartered Accountants who are financial services experts. In its first year, the candidates on the programme attained a 100% pass rate in the Board examination.

Responsibility for the management of group share capital, and South African fixed assets and creditors, is also housed in the Accounting & Finance division, as is the Group's centralised procurement office, which seeks to maximise the value of the Group's buying power through the provision of expert negotiation and contracting skills.

BANQUETING

LOCATED IN JOHANNESBURG, the Group's Banqueting division ensures that all of the internal catering needs of the Group's employees and clients are catered for, through the provision of a five-star service in 100 Grayston's restaurant and braai areas and in all meeting and function rooms, refreshment stations and executive dining rooms. The creation of this division has minimised the use of outside catering and conference facilities and services, resulting in better utilisation of, and returns on, all of the resources and facilities available in the bank.

ECONOMICS RESEARCH

THE GROUP'S ECONOMICS Research function is designed to provide internal and external clients with relevant information relating to the nature of, and changes in, the domestic macro-economic operating environment. As such, the team helps to identify the economic parameters against which the individual operating divisions and their clients, frame their activities. The unit provides active support to all of the operating divisions within the bank, through the provision of regular written and verbal analyses of economic and market conditions and these are also widely available to clients and other interested parties. The unit provides regular presentations to staff, clients and numerous external bodies and makes regular contributions to domestic economic policy debate through its participation in appropriate external bodies and regular interaction with the media. A centralised facility, based in Johannesburg, the team recently relocated to Investec Research, which combines the Group's macroeconomics capability with that of the wider research team in Investec Securities.

FACILITIES AND PROJECTS

THIS DIVISION IS primarily responsible for the provision of safe, comfortable and efficient accommodation to house the Group's varied activities. The division also provides a wide range of support functions including stationery, maintenance, mail, security, messenger services, furniture and cleaning and hygiene. The safety and health of all staff is also facilitated through the provision of adequate evacuation procedures and medical facilities.

HUMAN RESOURCES

MOTIVATED BY THE need to select, retain and develop Investec staff, the Human Resources division engages in five key areas of activity: recruitment, compensation and benefits, employee relations, the staff share scheme and the Investec Business School.

The *recruitment* function, which seeks to provide the business units across the Group with the highest possible calibre of local and international human resource capability, embraces both internal and external dimensions. From an internal perspective, the focus of the recruitment team is on existing staff in Investec and on ensuring that the Group is fully utilising the potential of all staff members by means of the provision of an active career development service. An additional facet of the team's internal focus is the provision of a comprehensive analysis and feedback service to all operating divisions through the exit interview process. The external focus of the recruitment team is on the recruitment of potential staff to Investec, by means of a number of different methods but which revolve around Investec's Graduate Recruitment Programme, its advertising strategy, its relationships with preferred employment consultancies and extensive networking.

As will have been seen elsewhere in this report, Investec places enormous emphasis on augmenting the existing skills base in South Africa and a great deal of the Group's Corporate and Social Investment endeavours are motivated by this clear need. In addition to this, the Recruitment team pursues a number of additional initiatives, the aim of which is to enable Investec to identify potential recruits to the Group. These include the Training Out of Public Practice Programme (TOPP), which enables future South African Chartered Accountants to complete their articles with Investec, instead of by means of the traditional accounting firm route, and the hosting of the SAICA Winter School, through which the Group hopes to assist in increasing the number of black Chartered Accountants in South Africa. More specifically, however, last year saw the launch of Investec's Graduate Recruitment Programme, the purpose of which is to enable Investec to secure top talent at a number of our local universities, as well as the launch of Investec's Bursary Forum, by means of which Investec will provide funding for tertiary schooling to those students that Investec would like to employ on the completion of their studies.

The focus of the Group's *compensation and benefits* orientation is to enable employees to structure their remuneration, within the Group's total Cost of Employment method, according to their individual needs. The options currently available to staff include a choice of provident and pensions funds, travel allowance and company car, the provision of life and disability cover and medical aid. The Group also pays full maternity/paternity leave and provides study bursaries.

Investec subscribes to the philosophy of widespread distributory ownership and to this end administers a *staff share scheme.* Every staff member is offered shares after six months of permanent employment and last year saw the introduction of additional schemes designed to ensure that the Group remains competitive in providing as wide a degree of share ownership to its employees as possible.

In line with the Group's philosophy of personal empowerment, the *employee relations* function within Human Resources is motivated by a desire to ensure that management/employee interactions are managed. In this way, the Group strives to balance the efficient operation of business with strong performance measures as well as with fair employment practice. Governed by the guidelines in the Code of Good Practice for Employers as well as by recent labour market initiatives in South Africa, such as the Labour Relations Act and the Employment Equity Act, the Group's employee relations function is designed to act in neutral fashion to resolve any disputes that might arise within the Group and to assist employees, where necessary, to obtain appropriate external assistance for resolving either personal or work-related difficulties.

A final area of activity within Human Resources is that relating to the *Investec Business School* which, in conjunction with the various operating divisions, has developed a wide number of learning interventions aimed at enhancing staff potential. Designed to generate solutions that meet identified business requirements and yield visible results in subsequent staff performance, the Business School offers programmes in generic business skills, management and executive development, induction, specialist financial training, academic programmes, computer training and self-development.

Clearly, there is a Human Resources function in each of the jurisdictions in which the Group operate. However, it is intended that Group Human Resource practices should all be consolidated, in time, into an International Human Resources Forum.

INFORMATION CENTRE

THE INFORMATION CENTRE, situated in Johannesburg, provides an information and research service to all the business units in accordance with their information requirements. The Information Centre co-ordinates the requirements of the Group on a centralised basis ensuring that required information is relayed timeously and cost effectively. The expertise available from the Information Centre provides employees with access to both an accumulated body of recorded information, and to internally generated information via the Information Centre Intranet, through a blend of traditional information storage and the most modern information feeds, networks and systems.

INFORMATION TECHNOLOGY

INVESTEC'S INFORMATION TECHNOLOGY division is responsible for the development, review and monitoring of all Group information technology requirements, architecture and standards. The division operates out of a strong central core but decentralises business analysis and application systems development into the main operating divisions. The group's information technology philosophy is designed to ensure that the infrastructure and application systems are well tested and meet the ever changing demands of a business of this nature.

During the year, the division introduced a number of initiatives aimed at improving the overall responsibility of the IT environment of the Group, one of which included rolling out a centralised spend and risk project and change control environment for all internal IT projects. Another important IT development during the period was that of the move to Investec UK's new premises, with the IT divisions of all business units in London responsible for the relocation of the information technology infrastructure to the new premises at 2 Gresham Street, London. The opportunity was taken to install a modern, efficient and robust infrastructure in the UK, which is well integrated into our wider global infrastructure.

The current emphasis within Group IT includes ensuring that the Group is well prepared for the Year 2000. As mentioned elsewhere in this report, a dedicated project team is managing the Year 2000 programme for the Group through the turn of the century and is currently at an advanced stage of overall preparedness. One of the most important initiatives which the Group faces over the medium-term, this project has the full support of the Executive on the implicit recognition that the Y2K problem is as much a business as a technology one. Clearly, the compliance issue for a company such as Investec is twofold, that posed by internal Investec systems and the external exposure to clients and business partners that will also be affected by the "millennium bug". For this reason each of the operating units accepts full responsibility for Y2K compliance in its area, with all divisional activities co-ordinated, facilitated and supported by the Central Project Team.

Approach to the Year 2000

As previously mentioned, Investec fully appreciates the risks and consequences relating to the Year 2000 issues that may arise both internally and externally and is pursuing a formal Year 2000 Project, using a methodology based on global best practices.

Project Status: Investec is satisfied that the project is currently on track to take the Group through the turn of the century without threat to the continuity or viability of the Group. Of course, this assumes that systemic risks such as the infrastructures for energy, water, transport, communication and financial services do not disrupt the Group's business beyond what can be mitigated against by the Group's own contingency planning.

By the end of July 1999 all internal mission critical systems in all jurisdictions have now been completed and tested, with Y2K project focus now having shifted to the status of external stakeholders, and the development of contingency planning.

Expenses Incurred: Special budgetary provisions have been made for the Y2k Project. Investec is currently well within the budget provision and the Group does not anticipate any major expense that would change this status. Costs to date have been expensed. These have not been significant and have not materially affected the Group's bottom line. Costs still to be incurred will be treated in the same manner.

Target Date for Completion: All projects across the group will have contingency plans in place by the end of November. Year 2000 work will, however, continue to be performed throughout December and through to April 2000. This will comprise the actual contingency management processes and procedures. Post roll over events will then be performed from January through to April to ensure that the Group successfully passes though the leap year and the financial year-end in March. The Investec Group approach is that the Year 2000 project is not complete until all the contingency management results have been collated, management is satisfied that the procedures followed have been successful, all operations and systems, if affected, are restored to optimal, and the financial impacts have been correctly accounted for and disclosed.

A further emphasis of Group IT is to ensure a higher level of use of the Group's generic systems across the Group's international business units and to ensure the re-use of technology and capabilities wherever appropriate.

LEGAL, SECRETARIAL AND TAX

THE LEGAL, SECRETARIAL and Tax divisions provide these specialised professional services in support of Group requirements and ensure that the Group complies with the complex legislation which governs its business in all of the jurisdictions in which it now operates. These divisions provide a useful blend of compliance functions as well as decision support functions in relation to specialised transactions, acquisitions and the development of new products throughout the Group. Senior members of these divisions represent the interests of the Group on a number of external bodies, thereby seeking to both promote and advance the interests of the Group, and the industry, wherever appropriate.

MARKETING

THE MARKETING DIVISION is the custodian of both the Investec brand and its corporate image and is thus responsible for building and maintaining the brand globally. The division is also responsible for promoting the specialist products and services that the Group offers.

Marketing comprises a number of focused teams, which serve to develop and implement the marketing strategies of the various strategic business units in the Group. Within these teams, a number of individuals specialise in the various elements of the marketing mix, ie. promotions and events, corporate communications and brand management.

While emphasis is placed on meeting the different marketing needs of the operating units in each country, these activities must nonetheless adhere to the overall international marketing strategy of the Group. The marketing division is also responsible for engendering a marketing consciousness in the minds of all employees of Investec.

STRATEGIC RESEARCH

THE GROUP'S STRATEGIC Research function, in partnership with the individual divisions, focuses on the development and formulation of the Group's overall strategic direction. In addition, it assists the divisions in developing the capacity for strategic thinking, thereby ensuring that all employees are kept continually abreast of the dynamic trends characterising the business environment in which the Group operates, both locally and internationally.

Group objectives and operating parameters are agreed upon after taking into account changing market conditions as well as the constraints and opportunities facing the Investec Group as a whole. Within this framework, the divisions formulate individual strategic objectives, which are identified through effective process, the realisation of which assists them in building their distinct positioning in defined market niches.

OTHER SERVICES

INVESTEC PROPERTY GROUP (IPG)

A WHOLLY OWNED subsidiary of the Investec Group, IPG operates throughout South Africa as well as in certain neighbouring states. Largely arising out of Investec's 1990 acquisition of property management company I Kuper & Company (Pty) Limited, IPG's core activities translate into the three areas of property trading, property fund management and property administration.

Year under review

The magnitude of last year's interest rate and macro-economic shocks in South Africa was felt most acutely in the local property market which, already characterised by shrinking investor appetite and an institutional overhang, contracted dramatically. Amid the recognition that the lengthy time lags associated with the property cycle would prevent any marked degree of medium-term recovery, IPG decided to consolidate some areas of activity, the net result of which is a reduced degree of involvement and focus on property by the broader Investec Group.

That said, IPG retains its focus as a highly selective niche player, seeking quality, limited risk, property opportunities. Although adopting a very cautious and conservative stance during the period, largely because of the relative paucity of exit opportunities in the sector, IPG was nonetheless alert to the scope provided by the sector's overall weakness to take advantage of favourable long-term growth opportunities. Of note in this regard was its purchase of a prime site in Johannesburg's northern suburbs, to be developed for commercial purposes at a later stage.

Last year also saw further selective advances on the property management side of IPG's business. Investment in new technology and the acquisition of a new property administration system lays the basis for future growth.

IPG also continues to maintain responsibility for the management of two JSE listed funds, Metprop and Growthpoint, with the listed property sector already having begun to respond in a positive manner to recent declines in local interest rates.

Looking ahead

Although the overall prognosis for the domestic property market remains poor, IPG is confident that increasing signs of economic stabilisation and lower interest rates will translate into select opportunities over the medium-term and these will be explored wherever appropriate. An exciting new development will be the October 1999 launch of IPG's Beacon Bay retail development in East London. Some 25 000 square metres in size, the centre is already almost completely pre-let and will be anchored by most of the major retailing and banking names in South Africa.

REICHMANS LIMITED

ACQUIRED BY INVESTEC in 1990, Reichmans Limited is a significant niche player in the market for specialised asset and trade finance. It provides these services, which are aimed principally at companies at early stages of their growth cycle, through three core areas of activity, namely inventory finance, receivables finance and capital equipment finance. Reichmans is also represented in New York, through its ongoing joint venture with Gerber Trade Finance Inc. Reichman's former presence in both London and Geneva was streamlined during last year, with the Group's regional presence in Mauritius now acting as an alternative conduit for the pursuit of its international activities. A sound credit and risk management philosophy continues to underscore Reichmans' success.

Year under review

Reichmans notched up a favourable performance last year, despite the fact that prevailing domestic economic circumstances rendered the operating environment very difficult. Hugely impacted upon by negative macro-economic and forex realities during the period, Reichmans experienced a clear decline in business volumes as a consequence. However, it concentrated its efforts on pursuing a number of initiatives designed to leave it more favourably placed for an eventual stabilisation and recovery in the operating environment. These included the introduction of a new factoring system, the streamlining of operations in both London and Geneva into Mauritius and the complete control of Capital Acceptances.

Looking ahead

Although not a core areas of focus for Investec, Reichmans' operation remains a solid source of revenue for the Group. The dominant player in the market for local trade finance, Reichmans has secured a strong pipeline of activity for the year ahead, with additional benefits likely to accrue from clear signs that the domestic macro-economic environment has begun to stabilise, an aggressive marketing programme, the return of business originally lured away as a result of last year's spate of new company listings and the launch of new product offerings, more particularly in relation to credit reinsurance.

Index to the financial statements

Directors' Responsibility and Governance

RESPONSIBILITY

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Group's financial statements, accounting policies and information contained in Investec's annual report.

This responsibility is supported by internal control and risk processes implemented by Investec management, and independently monitored for effectiveness.

GOVERNANCE

The Group endorses the King Code of Corporate Governance and operates in broad compliance with its recommendations. International business units operate in accordance with the governance recommendations of the jurisdictions in which they operate, but with clear reference at all times to Group values and culture.

The Group recognises its responsibility as a financial institution to conduct its affairs with care and good faith and to safeguard the interests of all stakeholders.

Board of directors

The Board of Directors meets on a regular basis to evaluate performance, assess risk and review the strategic direction of the Group. Board appointments are based on a required mix of skills and experience to ensure the ongoing success of the Group. Non-executive directors provide objectivity and independence to board deliberations and internal decision making processes.

The chairman of the board is independent of the executive directors. Each strategic business unit appoints its own board to oversee operations, anticipate and manage risk and to implement Group strategy and vision.

The board is supported by various internal committees and functions in executing its responsibilities.

Remuneration of the board is reviewed and approved by an independent committee which advises the chairman of the board. Directors do not have service contracts.

Management

Operational management is appointed by the board, based on the skill and experience necessary to perform the function envisaged.

Various processes are in operation which promote interactive dialogue, decision making and independent review between Group management and the executive directors.

Internal financial control

Financial controls throughout the Group focus on critical risk areas. These areas are identified by operational management, confirmed by Group management, monitored by the board, reviewed by Group risk management and evaluated by the independent auditors.

The directors report that the Group's system of internal financial control is designed to:
- provide reasonable assurance of both the integrity and reliability of financial information
- adequately safeguard, verify and maintain accountability of assets
- prevent and detect fraud

Internal financial controls are based on established policies and procedures. Controls are reviewed and evaluated regularly for appropriateness and effectiveness. Best practices are reinforced through active risk management processes and initiatives.

Management is responsible for implementing internal financial control, ensuring that personnel are suitably qualified and that an appropriate segregation exists between duties and independent review.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns and to ensure that timely and appropriate corrective action is taken.

Going concern

The financial statements contained in this report are prepared on the going concern basis. The directors are of the opinion, based on enquiries made and their knowledge of the Group, that adequate resources exist to support the group on the going concern basis.

Risk Management

The identification, anticipation and management of risks inherent in the operations of the Group is subject to rigorous evaluation. The Group strives to understand and measure risks in order to make considered judgements and decisions and to limit loss situations. The independent Group risk management division is responsible for the implementation of risk awareness and knowledge transfer.

Audit committee

An audit committee comprising a majority of non-executive directors meets regularly to review and assess both the internal control environment and the audit process, to review the interim and annual financial reporting and to highlight matters which are considered to be of high risk.

In turn, the audit committee is, supported by operational audit sub-committees, designed to assess, implement and report.

The Group Risk Management Division, the banking supervision department of the SA Reserve Bank and the Group's independent auditors, have unrestricted access to the audit committee.

Employee participation and skills

Ownership of the Group is devolved on employees through the Staff Share Scheme, and is actively encouraged.

Skills enhancement is achieved through the development and presentation of internal and external training courses and support of employees wishing to further their skills at recognised external institutions. The Group's culture values employee participation in the decision making process, and encourages communication throughout the Group.

Values

The Group has a strong culture of entrenched values which forms the cornerstone of the expected behaviour of the Group towards all stakeholders, both internal and external. These values are continually reinforced.

Regulation and supervision

The Group is subject to external regulation and supervision by various statutory bodies and regulators. The Group strives to achieve an open and active dialogue with its regulators and to comply with the various regulatory and supervisory requirements.

Where appropriate, the Group participates in industry committees and discussion groups to maintain and enhance the regulatory environment in which it operates.

FINANCIAL STATEMENTS FOR INVESTEC GROUP LIMITED

The financial statements have been prepared in accordance with generally accepted accounting practice. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company and of the Group at the year-end. The financial statements appearing on pages 83 to 107 were approved by the Board of Directors on 18 May 1999 and are signed on its behalf by

Hugh Herman Chairman	Stephen Koseff Chief Executive Officer

FINANCIAL STATEMENTS FOR INVESTEC HOLDINGS LIMITED

The financial statements have been prepared in accordance with generally accepted accounting practice. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company at the year-end. The financial statements appearing on pages 113 to 116 were approved by the Board of Directors on 18 May 1999 and are signed on its behalf by

I R Kantor Chairman	B Kardol Deputy Chairman

Report of the Independent Auditors

To the members of Investec Group Limited

We have audited the annual financial statements and Group annual financial statements set out on pages 83 to 107 for the year ended 31 March 1999. 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 statement.
- 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 1999 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Companies Act.

KPMG

KPMG
Chartered Accountants (SA)
Registered Accountants and Auditors

Ernst + Young

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

Johannesburg
18 May 1999

Directors' Report

NATURE OF BUSINESS

Investec Group Limited is a bank controlling company which, through its subsidiaries, conducts a wide range of Corporate and Investment Banking, Private Banking, Asset Management and Securities Trading activities.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital remained unchanged during the year.

During the year, 4 091 040 ordinary shares were issued for a total of R911 million, 3 694 300 in respect of acquisitions made by the Group and 396 740 to the Share Incentive Trust.

During the year, 140 595 convertible debentures were converted into ordinary shares, on a one for one basis at an average of R24,20 per share.

As a result of the above issues and conversions, share premium of R907 million was raised after accounting for share issue expenses of R4 million.

FINANCIAL RESULTS

The results of the company and the Group are set out in the financial statements and accompanying notes.

Dividends	1999 Rm	1998 Rm
Ordinary dividends		
The following ordinary dividends were declared:		
Interim dividend of 175 cents per share (1998 – 130 cents) to shareholders registered on 6 November 1998 – paid on 20 November 1998	140	94
Final dividend of 300 cents per share (1998 – 220 cents) to shareholders registered on 4 June 1999 – paid on 18 June 1999	241	175
	381	269
Preference dividends		
The following preference dividends were paid or accrued:		
Redeemable preference shares (included in interest paid)	253	83

DIRECTORS AND SECRETARY

Details of the directors and secretary are reflected on pages 9 and 125 respectively.

Messrs, S E Abrahams, A I Basserabie, D E Jowell, B Kantor, S Koseff and Dr M Z Nkosi retire by rotation, but being eligible, offer themselves for re-election.

On 31 March 1999 the directors beneficially held 39 068 shares in the company (1998 – 75 468). The directors' future entitlements under the share incentive trusts are 287 103 (1998 – 241 975) Investec Holdings Limited ordinary shares.

SHARE INCENTIVE TRUSTS

At 31 March 1999 the Group operated the following share incentive trusts:

1. Investec Bank Merger Agreement Share Trust
2. Investec Holdings Share Trust
3. Investec Bank Share Purchase Trust

The first trust operates as a closed trust, with no new participants being admitted and no further allocations of shares. The second and third trusts are active and any repurchases of shares made in terms of the trust deeds governing the first trust are transferred to the pool administered by the Trustees of the second and third trusts.

During the year the following changes took place:

	Investec Group Ordinary Shares	Investec Holdings Ordinary Shares	Investec Bank Convertible Debentures
Balances subject to the rules of the trusts at 1 April 1998	76 120	4 842 329	-
New issues to staff	70 600	16 540	608 720
Acquired by staff or repurchased by the trusts	(20 650)	(1 269 292)	-
Balances subject to the rules of the trusts at 31 March 1999	126 070	3 589 577	608 720

In terms of the Investec Bank Share Purchase Trust, options in respect of 1 540 805 (1998 – 758 100)

Investec Group Limited shares which have not yet been exercised, have been granted to employees. Included in advances and other accounts is an amount of R793 million (1998 – R392 million) owing by the staff share trusts.

It has become necessary to consolidate and update the Terms and Conditions of the Investec Bank Limited Share Purchase Trust. Members are referred to the insert in the Annual Report which contains the Salient features of the amending Trust deed which will be styled as the "Investec Group Limited Security Purchase and Options Scheme Trust."

Audit committee

An audit committee comprising executive and non-executive directors meets regularly with senior management, the external auditors, risk management review and the Group's finance and accounting division to consider the nature and scope of the audit reviews and the effectiveness of the Group's risk and control systems.

Contracts

None of the directors and officers of the company had an interest in any contract of significance during the financial year.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 106 and 107. The interest of the company in the aggregate profits after tax of its subsidiary companies for the year is R876 million (1998 – R362 million) and its share in aggregate losses is R66 million (1998 – R44 million).

Special resolutions

On 23 September 1998, special resolutions were passed in terms of which the main business and object of the company was amended to that of an Investment Holding and Bank controlling Company and a new memorandum of association was adopted. The special resolutions were registered by the registrar of companies on 28 September 1998.

ACCOUNTING POLICIES AND DISCLOSURE

The Group strives to comply with best international practices with regard to accounting standards and disclosure. Accounting policies are set having regard to commercial practice, international accounting standards, as well as South African generally accepted accounting practice.

Post balance sheet events

Subsequent to the financial year end, the Group acquired the Johannesburg Retail Stockbroking division of HSBC Simpson McKie (Pty) Limited with effect from 1 June 1999.

Balance Sheets

For the year ended 31 March

(R millions)	Notes	Group 1999	Group 1998	Company 1999	Company 1998
Capital employed					
Ordinary share capital	1	48	46	48	46
Compulsorily convertible debentures	2	1 715	286	176	4
Reserves	3	6 433	5 895	5 252	4 903
		8 196	6 227	5 476	4 953
Interest of minority shareholders in subsidiaries		560	967	–	–
Total shareholders' funds		8 756	7 194	5 476	4 953
Liabilities					
Deposits and other accounts	5	103 909	75 680	40	20
Shareholders for ordinary dividend		241	175	241	175
		112 906	83 049	5 757	5 148
Assets					
Cash and short-term funds	6	36 711	36 381	–	–
Short-term negotiable securities	7	37 014	18 310	–	–
Investment and trading securities	8	7 837	5 466	–	–
Other assets	9	4 866	3 170	–	–
Advances	10	21 936	16 777	2	2
Subsidiary companies		–	–	4 954	3 299
Associated companies	11	1 498	2 130	801	1 847
Fixed assets	12	924	695	–	–
Intangible assets	13	2 120	120	–	–
		112 906	83 049	5 757	5 148

Income Statements

For the year ended 31 March

(R millions)	Notes	Group 1999	Group 1998	Company 1999	Company 1998
Interest received	15	9 544	6 257	11	44
Interest paid		8 246	5 396	–	–
Net interest income		1 298	861	11	44
Provision for bad and doubtful debts	20	223	104	–	–
		1 075	757	11	44
Other income	14	2 204	985	353	465
Total income		3 279	1 742	364	509
Operating expenses	14	2 064	1 010	–	–
Exceptional items	14	22	2	455	–
Income before taxation		1 193	730	819	509
Taxation	16	307	168	23	15
Income after taxation		886	562	796	494
Share of income of associated companies	17	78	81	52	77
Net income		964	643	848	571
Earnings attributable to minority shareholders		37	27	–	–
		927	616	848	571
Convertible debenture and convertible bond interest		92	46	13	1
Earnings attributable to ordinary shareholders		835	570	835	570
Ordinary dividends	18	381	269	381	269
Retained income for the year		454	301	454	301
Transfers to – general reserves		(417)	(276)	(430)	(246)
Transfers to – equity accounted reserves		(37)	(25)	(24)	(55)
Retained income at end of year		–	–	–	–
Earnings per share (cents)	23	1 050,2	787,9		
Headline earnings per share (cents)	23	1 077,5	790,1		
Diluted headline earnings per share (cents)	23	1 089,9	782,4		
Dividends per share (cents)		475,0	350,0		

Cash Flow Statements

For the year ended 31 March

(R millions)	Notes	Group 1999	Group 1998	Company 1999	Company 1998
Cash retained from operating activities					
Cash generated by operating activities	19.1	1 520	885	86	191
Dividends received from associates	19.2	36	24	23	26
Taxation paid	19.3	(263)	(97)	(15)	(15)
Cash available from operating activities		1 293	812	94	202
Dividends paid	19.4	(315)	(207)	(315)	(207)
Debenture and convertible bond interest paid		(92)	(46)	(13)	(1)
Net cash inflow/(outflow) from operating activities		886	559	(234)	(6)
Cash utilised in investing activities					
Net cash or cash equivalents acquired	19.5	(2 245)	(144)	–	(559)
Decrease in minority shareholding		–	(120)	–	–
Net investment in associated companies		(294)	(22)	(867)	–
Net investment in fixed assets		(167)	(151)	–	–
Net cash outflow from investing activities		(2 706)	(437)	(867)	(559)
Cash flows from banking activities					
Movement in deposits and other accounts		17 840	14 873	20	(39)
Movement in income earning assets	19.6	(20 399)	(319)	–	106
Net cash (outflow)/inflow from banking activities		(2 559)	14 554	20	67
Cash flow from financing activities					
Proceeds on issue of ordinary shares		906	498	906	498
Net proceeds on issue of convertible debentures		1 432	–	175	–
Net cash inflow from financing activities		2 338	498	1 081	498
Net (decrease)/increase in cash and short-term funds		(2 041)	15 174	–	–
Cash and short-term funds at beginning of year	19.7	38 752	21 207	–	–
Cash and short-term funds at end of year		36 711	36 381	–	–

Statement of changes in shareholders funds

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
Share capital				
Balance at beginning of year	46	42	46	42
Issue of shares	2	2	2	2
Conversion from bonds	–	2	–	2
Balance at end of year	48	46	48	46
Compulsorily convertible debentures				
Balance at beginning of year	286	295	4	13
Issues of debentures	1 432	–	175	–
Conversion to ordinary shares	(3)	(9)	(3)	(9)
Balance at end of year	1 715	286	176	4
Share premium				
Balance at beginning of year	3 027	2 282	3 027	2 282
Issue of shares	904	745	904	745
Conversion from debentures	3		3	
Balance at end of year	3 934	3 027	3 934	3 027
General reserves				
Balance at beginning of year	769	426	570	324
Transfer from retained earnings	417	276	430	246
Negative goodwill written off	(76)	–	–	–
Non distributable reserve arising on acquisition of subsidiaries	–	67	–	–
Balance at end of year	1 110	769	1 000	570
Secondary reserves				
Balance at beginning of year	1 999	468	1 207	268
Movement in general doubtful debts provision	100	26	–	–
Movement in revaluations	(847)	1 505	(1 012)	939
Balance at end of year	1 252	1 999	195	1 207
Equity accounted reserves of associated companies				
Balance at beginning of year	100	75	99	44
Transfer from retained income	37	25	24	55
Balance at end of year	137	100	123	99

Accounting Policies

BASIS OF PRESENTATION

THE ANNUAL FINANCIAL statements have been prepared on the historical cost basis in conformity with generally accepted accounting practice. The following are the principal accounting policies which are consistent with those of the previous year except for the addition of a policy relating to negative goodwill.

Basis of consolidation

The Group annual financial statements incorporate the financial results of the Group and its subsidiaries. All subsidiaries are consolidated from the effective dates of acquisition and up to the effective dates of disposal.

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

The effect of all inter-group funding transactions has been eliminated from the annual financial statements.

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

Foreign currency transactions

The net assets of foreign subsidiaries have been translated at the ruling exchange rates on the reporting date. A portion of the exchange difference arising on translation, is considered to be compensation for the differential in interest rates between foreign and local markets.

The differential is calculated using the average difference between the wholesale rates in the countries concerned and applying this to the net amount of foreign investments, and is included in the income statement as interest received. Note 18 shows the effect of the interest rate differential on the net income of the Group. The balance of the translation difference is included in secondary reserves, as part of revaluation reserves.

The recognition of a portion of exchange differences as interest received is considered to present the situation more fairly in view of the monetary nature of the relevant investments and the way in which they are funded.

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

Interest bearing securities

All interest bearing securities are marked to market and shown at fair value, except where the instrument is part of a synthetic product.

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

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

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

Derivatives

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

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

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

Equity investments

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

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

Group associated companies are accounted for on an equity basis.

The excess of market value of long-term investments, including associates, over cost or equity accounted value, is taken to reserves, whilst any deficit arising will be reflected in the income statement. On disposal of such investments, the revaluation will be reversed and the full difference between historical cost and the amount realised is shown in the income statement.

Other Investments

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

Instalment credit, leases and rental agreements

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

Specific and general provisions

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

A general provision is maintained against advances not specifically identified as doubtful. The general provision is included with secondary reserves.

Property and equipment

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

The annual rates used to depreciate assets are as follows:

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

Deferred taxation

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

Trust and fiduciary activities

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

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

Other income

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

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

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

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

Retirement benefits

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

Comparative figures

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

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
1. Ordinary share capital				
Authorised				
105 000 000 (1998 – 105 000 000) ordinary shares of 60 cents each.	63	63	63	63
Issued				
80 359 832 (1998 – 76 128 197) ordinary shares of 60 cents each.	48	46	48	46
The unissued shares are under the control of the directors until the next annual general meeting.				
2. Compulsorily convertible debentures				
2.1 Company				
Authorised				
10 000 000 (1998 - 10 000 000) unsecured subordinated compulsorily convertible debentures of 60 cents each.	6	6	6	6
5 000 000 (1998 - 0) Class A Series I unsecured subordinated compulsory convertible debentures of 60 cents each.	3	-	3	-
Issued				
43 708 (1998 - 184 303) unsecured subordinated compulsorily convertible debentures of 60 cents issued at various premiums.	1	4	1	4
Interest is payable monthly in arrears on 1 April and 1 October of each year at a variable rate calculated on R18.50 per debenture. For the year to March 1999 the debentures attracted a rate between 20,05% and 20,6% From 1 April 1999 the interest escalates by 2% per annum to 24% per annum provided that the rate of interest payable will not exceed the prime overdraft rate minus 2%.				
These debentures will automatically convert into ordinary shares, on a one for one basis, on 13 November 2001, or at the election of the holders on 31 March 2000, or on the last day of each succeeding financial year.				
1 000 000 (1998 - 0) Class A Series I unsecured subordinated compulsorily convertible debentures of 60 cents issued at a premium of R174.40 each.	175	-	175	-
Interest is payable six monthly in arrears on 31 March and 30 September of each year at a variable rate of 3% below the official rate as defined in the 7th schedule of the Income tax Act of 1962.				
The Class A Series I convert into ordinary shares, on a one for one basis, at the election of the holders. If not converted by election, they will automatically convert on 1 October 2008.				
The unissued debentures are under control of the directors until the next annual general meeting.				

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
2.2 Subsidiary				
Issued				
3 573 994 (1998 - 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R78.50 each.	282	282	–	–
Interest is payable six monthly in arrears on 31 January and 31 July of each year at a rate of 15,25 %.				
The compulsorily convertible debentures will convert into Investec Bank Limited ordinary shares on a one for one basis on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date, but not before 31 July 2002.				
The Investec Bank Limited shares arising out of conversion have been sold forward by the holder thereof to Investec Holdings Limited in exchange for 4 033 507 Investec Holdings ordinary shares. The Investec Bank Limited shares have been simultaneously sold by Investec Holdings Limited to Investec Group Limited in exchange for 3 573 994 Investec Group Limited ordinary shares.				
5 000 000 (1998 – 0) Class A unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R159.50, net of issue expenses.	797	-	–	–
1 000 000 (1998 – 0) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50.	160	-	–	–
1 500 000 (1998 – 0) Class B unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R199.50.	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 2 250 000 Investec Bank Limited shares.				
The 2 250 000 Investec Bank Limited shares arising out of the conversion have been sold forward by the holders thereof to Investec Group Limited in exchange for 7 500 000 Investec Group Limited ordinary shares, of which 6 800 000 have been simultaneously sold to Investec Holdings Limited in exchange for 7 480 000 Investec Holdings Limited ordinary shares.				
All the convertible debentures are issued as part of the Group's employee share ownership initiatives and are exempt from the requirements of AC125.				
Total compulsorily convertible debentures	1 715	286	176	4

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
3. Reserves				
Share premium	3 934	3 027	3 934	3 027
General reserves	1 110	769	1 000	570
Secondary reserves	1 252	1 999	195	1 207
Equity accounted reserves of associated companies	137	100	123	99
	6 433	5 895	5 252	4 903
Secondary reserves comprise:				
Revaluation of investments	1 260	2 278	200	1 193
Foreign currency revaluation	296	125	(5)	14
Goodwill written off	(540)	(540)	–	–
General provision for bad and doubtful debts	236	136	–	–
	1 252	1 999	195	1 207
See note 19.2 for additional information on movements in equity accounted associates				
4. Preference share capital				
4.1 Subsidiary				
Authorised				
4 000 000 variable rate redeemable cumulative preference shares of R1 each	4	4		
500 000 variable rate redeemable cumulative preference shares of one cent each	–	–		
	4	4		
4.2 Company				
Authorised				
50 000 variable rate redeemable cumulative preference shares of 60c each	–	–	–	–
5. Deposits and other accounts				
Category analysis				
Deposits and loans from banks	10 375	13 853	–	–
Demand and savings deposits	14 352	6 640	–	–
Fixed and notice deposits	16 465	14 696	–	–
Negotiable certificates of deposit	5 257	3 402	–	–
Other deposits and loan accounts	2 924	2 197	–	–
Liabilities in respect of repurchase agreements	37 575	29 689	–	–
Stock borrowed	7 654	954	–	–
Deferred taxation (note 16.3)	72	58	–	–
Creditors and other accounts	9 235	4 191	40	20
	103 909	75 680	40	20
Maturity analysis				
On demand to one month	65 452	48 112	1	14
One month to six months	27 384	18 983	39	6
Six months to one year	6 743	7 129	–	–
Greater than one year	4 330	1 456	–	–
	103 909	75 680	40	20

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
6. Cash and short-term funds				
Cash and gold coins	2	2	–	–
Balances with Central Bank	2 617	1 852	–	–
Balances with other banks	12 355	11 817	–	–
Loans under resale agreements	14 645	19 901	–	–
Secured stock lending	4 830	–	–	–
Other short-term funds	2 262	2 809	–	–
	36 711	36 381	–	–
7. Short-term negotiable securities				
Analysis by portfolio				
Investment	790	1 505	–	–
Trading	36 224	16 805	–	–
	37 014	18 310	–	–
8. Investment and trading securities				
Category analysis				
Government and government guaranteed	2 033	1 913	–	–
Listed securities	1 761	1 717	–	–
Unlisted securities and investments	4 043	1 836	–	–
	7 837	5 466	–	–
Analysis by portfolio				
Liquid assets	2 265	875	–	–
Trading	625	1 343	–	–
Investment	4 947	3 248	–	–
	7 837	5 466	–	–
9. Other assets				
Settlement debtors	3 157	2 527	–	–
Other debtors and prepayments	1 709	643	–	–
	4 866	3 170	–	–
10. Advances				
Category analysis*				
Commercial property loans	3 117	2 839	–	–
Residential mortgages	3 262	3 040	–	–
Leases and instalment debtors	2 212	1 846	–	–
Trade finance debtors	606	1 027	–	–
Other loans and advances	13 233	8 254	2	2
	22 430	17 006	2	2
Specific provision against doubtful debts	494	229	–	–
	21 936	16 777	2	2

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
10. Advances				
(Continued)				
Maturity analysis				
On demand to one month	5 304	1 684	–	–
One month to six months	3 057	2 422	–	–
Six months to one year	953	1 133	–	–
One year to five years	7 182	7 712	2	2
Greater than five years	5 934	4 055	–	–
	22 430	17 006	2	2
Geographical analysis				
South Africa	12 256	10 875	2	2
United Kingdom	4 041	2 725	–	–
Israel	2 353	1 703	–	–
Other	3 780	1 703	–	–
	22 430	17 006	2	2
* See also pages 31 and 32				
11. Associated companies				
Listed shares at cost	618	286	141	194
Equity accounted share of retained earnings	137	101	123	99
	755	387	264	293
Revaluation surplus transferred to reserves	743	1 743	537	1 554
Book value at end of year	1 498	2 130	801	1 847

The only significant associate is Fedsure Holdings Limited which is a related party. The significant activities between the Group and Fedsure, all of which are on an arms length basis, are:

1. The Group offers its client base linked life annuity investments which are underwritten by the Fedsure Group.
2. The Group's asset management activities include placing investments on behalf of brokers and clients in Fedsure managed products. The value of these investments at year end was R14,6 million (1998 : R24,7 million).
3. The Group operates its medical aid fund through Fedsure Health Assurance Limited, a subsidiary of Fedsure Holdings Limited. Net risk contributions for the 1998 calendar year amounted to R6,7 million (1997 – R4,6 million).

The Fedsure Holdings Limited financial statements for the year ended 31 December 1998 include the following financial highlights:-

Attributable Income R471,9 million (1998: R333,8 million)

Attributable Earnings per share 318,4 c (1998: 289,5 c)

Total Assets R32 374 million (1998: R20 908 million)

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
12. Fixed assets				
Operational properties and leasehold improvements				
– Cost	670	449	–	–
– Accumulated depreciation	92	54	–	–
Net book value at end of year	578	395	–	–
Vehicles, furniture and equipment				
– Cost	618	461	–	–
– Accumulated depreciation	332	216	–	–
Net book value at end of year	286	245	–	–
Investment properties at cost	60	55	–	–
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	924	695	–	–
Analysis of movements				
Balance at beginning of year	695	627		
Net additions	311	119		
– Operational properties	121	(57)		
– Vehicles, furniture and equipment	120	123		
– Investment properties and leasehold improvements at cost	70	53		
Depreciation of vehicles, furniture and equipment	(78)	(49)		
Depreciation of operational properties	(4)	(2)		
Balance at end of year	924	695		
13. Intangible assets				
Goodwill				
Balance at beginning of year	120	65		
Net amount on acquisitions	2 161	147		
Negative goodwill written off	15	–		
Goodwill amortised	(176)	(92)		
Balance at end of year	2 120	120		

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
14. Other income, operating expenses and exceptional items				
Other income comprises				
Net trading profit	173	136	–	–
Commissions and fees	1 677	706	–	–
Dividends received	46	30	75	147
Profit on disposal of investments	308	113	–	–
Equity accounted earnings of associates and subsidiaries	–	–	278	318
	2 204	985	353	465
Operating expenses include				
Personnel remuneration	1 030	518	–	–
Pension fund contributions	81	31	–	–
Auditors' remuneration	19	–	–	–
audit fees	17	11	–	–
fees for other services	2	1	–	–
Directors' emoluments paid by subsidiary* (* non executive directors receive market-related fees based on attendance at meetings)				
Executive Directors			7	6
Remuneration			7	5
Other benefits			–	1
Depreciation	82	51	–	–
Exceptional items comprise				
Net surplus on disposal of subsidiaries and associates	63	133	455	–
Goodwill amortised	(176)	(92)	–	–
Net loss on disposal of fixed assets	–	(43)	–	–
Negative goodwill written off	91	–	–	–
	(22)	(2)	455	–
15. Foreign currency gains and losses				
Foreign currency gains	214	39	–	43
Foreign currency losses	(23)	(2)	–	–
Interest rate differential	94	85	–	–

In terms of the accounting policy for foreign currency transactions, a portion of the exchange difference arising on translation of foreign subsidiaries are included in Net Income as interest received.

Had the differential in interest rates not been included in interest received, net income would have been R870 million (1998 – R558 million).

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
16. Taxation				
16.1 Tax charge for the year				
Taxation on income				
South African normal taxation				
– current	24	15	–	–
– deferred	3	4	–	–
Secondary tax on companies	25	22	23	15
Total South African taxation	52	41	23	15
Foreign taxation	126	42	–	–
Total taxation on income	178	83	23	15
Transaction and other taxation				
Tax related charges	65	51	–	–
Regional services council levies	16	6	–	–
Stamp duty	1	2	–	–
Value added tax charge on expenditure, net of input credits	47	26	–	–
Total transaction and other taxation	129	85	–	–
Total taxation	307	168	23	15
16.2 Tax rate reconciliation				
Income before taxation as per income statement	1 193	730	819	509
Less				
– Debenture interest	(92)	(46)	(13)	(1)
– Transaction and other taxation	(129)	(85)	–	–
Taxable income	972	599	806	508
Total taxation on income	178	83	23	15
Less secondary tax on companies	(25)	(22)	(23)	(15)
Normal taxation	153	61	–	–
Effective rate of taxation on income	16%	10%	0%	0%
The standard rate of South African normal taxation has been affected by				
– dividend income	5%	8%	9%	10%
– accumulated tax losses	5%	3%	0%	0%
– foreign earnings	11%	10%	0%	0%
– change in tax rate	(1%)	–	–	–
– other permanent differences	(1%)	4%	26%	25%
Standard rate of SA normal taxation	35%	35%	35%	35%
Total taxation	307	168	23	15
Effective rate of total taxation	32%	28%	3%	3%
16.3 Deferred taxation due to timing differences arising from:				
Accelerated allowances	125	100	-	–
Income and expenditure accruals	(53)	(42)	-	–
	72	58	-	–
16.4 Future tax relief				
Estimated tax losses available for set-off against future taxable income				
South Africa	234	380	-	–
Foreign	469	47	-	–
	703	427	–	–

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
17. Share of income of associated companies				
The attributable share of earnings of associated companies is based on the latest available audited financial statements plus an estimate of earnings for the period until 31 March 1999.	78	81	52	77
18. Ordinary dividends				
Investec Group Limited				
Interim of 175 cents (1998 – 130 cents)	140	94	140	94
Final of 300 cents (1998 – 220 cents)	241	175	241	175
	381	269	381	269
19. Cash flow information				
19.1 Cash generated by operating activities				
Net income before taxation	1 193	730	819	509
Depreciation	82	49	–	–
Profit on disposal of associate	–	–	(455)	–
Provision for bad and doubtful debts	223	104	–	–
Exceptional items (see note 14)	22	2	–	–
Equity accounted income from subsidiaries	–	–	(278)	(318)
	1 520	885	86	191
19.2 Dividends received from associates				
Equity accounted reserves at beginning of year	100	75	99	44
Earnings for the year	78	81	52	77
Realised during the year	(5)	(32)	(5)	4
Equity accounted reserves at end of year	(137)	(100)	(123)	(99)
	36	24	23	26

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
19. Cash flow information (continued)				
19.3 Taxation paid				
Taxation balances at beginning of year	(112)	(41)	(18)	(18)
Amounts charged to income statement	(307)	(168)	(23)	(15)
Taxation balances at end of year	156	112	26	18
	(263)	(97)	(15)	(15)
19.4 Dividends paid				
Amounts unpaid at beginning of year	(175)	(113)	(175)	(113)
Income statement charge	(381)	(269)	(381)	(269)
Amounts unpaid at end of year	241	175	241	175
	(315)	(207)	(315)	(207)
19.5 Net cash or cash equivalents acquired				
Investment in subsidiaries	–	–	–	(559)
Deposits and other accounts	6 006	2 026	–	–
Investments and trading securities	(2 833)	(151)	–	–
Advances and other assets	(3 190)	(2 005)	–	–
Fixed Assets	(130)	–	–	–
Goodwill	(2 161)	(147)	–	–
Profit on disposal of subsidiaries	63	133	–	–
	(2 245)	(144)	–	(559)
19.6 Movement in income earning assets				
Short term negotiable securities	(17 373)	(3 935)	–	–
Investment and trading securities	78	1 313	–	–
Advances	(3 814)	3 328	–	98
Other assets	710	(387)	–	8
	(20 399)	(319)	–	106
19.7 Cash and short term funds				
Cash and short term funds	36 381	21 207	–	–
Effect of exchange rate changes	2 371	–	–	–
	38 752	21 207	–	–
20. Specific and general provisions				
Reconciliation of movements in Group specific and general provisions for bad and doubtful debts.				
Balance at beginning of year	365	248	–	–
Income statement charge	223	104	–	–
Bad debts written off against provisions net of recoveries	(141)	(10)	–	–
Provisions purchased on acquisitions	283	23	–	–
Balance at end of year	730	365	–	–

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
21. Assets under management				
Category analysis				
– Unit trust funds	33 838	10 410		
– Properties managed for third parties	2 638	2 037		
– Portfolios administered	197 555	69 758		
– Acceptances on behalf of clients	135	268		
– Off balance sheet funding activities	14 214	30 659		
	248 380	113 132		
On balance sheet assets	112 906	83 049		
Total assets under management	361 286	196 181		
22. Contingent liabilities and commitments				
Guarantees and letters of credit	4 440	1 744		
Acceptances on behalf of clients	141	131		
Commercial bills of exchange rediscounted	–	1 512		
Forward repurchase agreements	2 213	–		
Other	494	–		
	7 288	3 387		
23. Earnings per share				
Earnings attributable to ordinary shareholders	835	570		
Exceptional items	22	2		
Headline earnings attributable to ordinary shareholders	857	572		
Earnings per share (cents)	1 050,2	787,9		
Headline earnings per share (cents)	1 077,5	790,1		
Weighted average ordinary shares in issue (millions)	79,5	72,3		
Earnings per share is calculated using earnings attributable to ordinary shareholders, divided by the weighted average number of shares in issue. Headline earnings per share is calculated on a similar basis using headline earnings as the numerator.				
Earnings attributable to ordinary shareholders	835	570		
Increased after tax earnings as a result of conversion of convertible debentures (see note 2)	71	36		
Diluted earnings attributable to ordinary shareholders	906	606		
Exceptional items	22	2		
Diluted headline earnings attributable to ordinary shareholders	928	608		
Diluted earnings per share (cents)	1 064,5	780,3		
Diluted headline earnings per share (cents)	1 089,9	782,4		
Fully diluted weighted average ordinary shares in issue (millions)	85,2	77,7		

Diluted earnings per share is calculated using diluted attributable earnings divided by the fully diluted weighted average number of shares in issue after taking account of the conversion of compulsorily convertible debentures (see note 2).

Diluted headline earnings per share is calculated on a similar basis using diluted headline earnings as the numerator.

Notes to the Group Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998	Company 1999	Company 1998
24. Segmental information				
Income before tax	1 193	730		
Share of income of associated companies	78	81		
Earnings attributable to minority shareholders	(37)	(27)		
Contribution before tax	1 234	784		

	Contribution 1999	Contribution 1998	Total assets 1999	Total assets 1998
Business unit analysis – before tax				
Corporate and Investment Banking	435	294	30 852	20 789
Private Banking	231	171	14 221	12 369
Securities Activities	99	66	59 605	45 830
Asset Management	208	97	8 493	1 455
Insurance	83	81	4	2 104
Group Services and Other Activities	178	75	(269)	502
Total Group	1 234	784	112 906	83 049
Income after tax	886	562		
Earnings attributable to minority shareholders	(37)	(27)		
Contribution after tax	849	535		
Geographical analysis – after tax				
South Africa	433	339	28 596	28 030
United Kingdom	211	160	69 285	46 990
Other	205	36	15 025	8 029
Total Group	849	535	112 906	83 049

25. Related party transaction

The Group's personal account trading policy requires all employees who participate in equity markets to deal on an arms length basis through Investec Securities Limited. There is no material effect on Investec Securities or the Group's earnings.

Refer to Note 11 for details of the Group's activities with Fedsure Holdings Limited which is a related party.

During the year the Group sold its interest in District Securities Bank and Securities Investment Bank. Guarantees which had been in place in respect of these companies' financial markets obligations were still in effect at the financial year end. The details of the guarantees are:-

In favour of	R'm	Notice Period
Eskom	80	30 days
SA Reserve Bank	135	60 days
Transnet	100	30 days

The Group has ongoing financial markets transactions, in the ordinary course of business with District Securities Bank and Securities Investment Bank.

Group Derivative Instruments

For the year ended 31 March 1999

R millions	Over the counter Notional principal	Fair value	Exchange traded Notional Principal	Fair value	Total Notional principal	Fair value
Capital Market						
Bond options	25 492	89	1 070	22	26 562	111
Interest rate swaps	61 919	184	–	–	61 919	184
Swaptions	45	1	–	–	45	1
	87 456	274	1 070	22	88 526	296
Money Market						
Forward rate agreements	96 987	(39)	5 812	78	102 799	39
Interest rate swaptions	1 825	(4)	11	–	1 836	(4)
Interest rate futures	–	–	21 316	(3)	21 316	(3)
Interest rate options	–	–	53 860	3	53 860	3
	98 812	(43)	80 999	78	179 811	35
Foreign exchange						
Forward exchange contracts	8 080	197	1 681	25	9 761	222
Equity contracts						
Equity index	–	–	(12)	28	27	(12)

Derivative instruments

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

Notional principal

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

Fair value

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

Risk management information

Shareholders should refer to pages 27 to 35 containing further risk information which form an integral part of the annual financial statements.

Group Currency Profile

For the year ended 31 March 1999

R millions	ZAR	GBP	USD	NIS	Other	Total
Liabilities and shareholders' funds						
Deposits and other accounts	30 025	54 450	14 950	3 742	742	103 909
Outside shareholders' interest	560	–	–	–	–	560
Compulsorily convertible instruments	1 715	–	–	–	–	1 715
Share capital and reserves	6 481	–	–	–	–	6 481
Shareholders for ordinary dividend	241	–	–	–	–	241
	39 022	54 450	14 950	3 742	742	112 906
Assets						
Cash and short term funds	4 890	21 755	7 655	1 706	705	36 711
Short term negotiable securities	4 323	32 467	57	129	38	37 014
Investment and trading securities	4 695	1 604	397	914	227	7 837
Other assets	1 531	2 439	361	21	514	4 866
Advances	12 977	3 949	3 152	1 430	428	21 936
Associated companies	1 428	–	–	7	63	1 498
Fixed assets	495	262	16	144	7	924
Intangible assets	1 678	266	160	–	16	2 120
	32 017	62 742	11 798	4 351	1 998	112 906
ASSETS UNDER MANAGEMENT						
Unit trust funds	32 941	733	–	105	59	33 838
Properties managed for third parties	1 944	694	–	–	–	2 638
Portfolios administered	126 746	62 213	6 172	1 703	721	197 555
Acceptances on behalf of clients	120	–	–	15	–	135
Off balance sheet funding activities	1 578	12 636	–	–	–	14 214
	163 329	76 276	6 172	1 823	780	248 380
On balance sheet assets	32 017	62 742	11 798	4 351	1 998	112 906
	195 346	139 018	17 970	6 174	2 778	361 286

This Group currency profile analyses the consolidated assets and liabilities in terms of their originating currencies. These totals are then expressed in Rands. Consequently this profile does not reflect any off balance sheet hedges entered into by the Group. The following exchange rates were used for conversion of assets and liabilities as at 31 March.

US Dollar $1 = R6,1925 British Pound £1 = R9,99346 Israeli Shekel NIS1 = R1,541307

Principal Subsidiary and Associated Companies

Principal subsidiary companies	Nature of business	Issued ordinary capital R	Holding %	Shares at book value 1999 Rm	Shares at book value 1998 Rm	Net Indebtedness 1999 Rm	Net Indebtedness 1998 Rm
Direct subsidiaries of Investec Group Limited							
Investec Bank Ltd	Banking institution	2 548 000 000	100	3 204	2 920	(1 484)	211
Investec Assurance Ltd	Investment holding	10 000 000	100	10	10	–	1
Investec Property Group Ltd	Investment holding	3 000	100	–	–	11	11
Investec Guinness Flight Holdings (Pty) Ltd	Investment holding	100	100	–	–	23	23
IFI Finance (Pty) Ltd	Investment holding	2	100	–	–	3 177	–
Investec Overseas Finance (BVI) Ltd	Financing company	$100	100	3	2	(1)	103
Other subsidiaries				11	18	–	–
				3 228	2 950	1 726	349
Indirect subsidiaries of Investec Group Limited							
Carr Sheppards Crosthwaite Ltd*	Stockbroking and portfolio management	£10 461 000	100				
Investec Ernst and Company LtdΔ	Stockbroking and portfolio Management	$26 197 088	100				
Israel General Bank Ltd#	Banking institution	NIS 305 956 365	67				
Intrust Management Company (Pty) Ltd	Investment management	100 000	100				
Investec Ltd	Investment holding	15 113 776	100				
Investec Guinness Flight (Pty) Ltd	Portfolio Management	50 000	100				
Investec Australia LimitedΔ	Banking institution	AU$80 000 005	100				
Investec Bank (UK) Ltd*	Banking institution	£322 364 957	100				
Investec Insurance Brokers (Pty) Ltd	Insurance broking	2	100				
Investec International Holdings (Pty) Ltd	Investment holding	2 134 680	100				
Investec Investment Trust Ltd	Investment management	569 077 452	52				
Investec Guinness Flight Management Company Ltd	Unit Trust management	8 000 000	100				
Investec Bank (Mauritius) Ltd •	Banking institution	$408 391 464	100				
Investec SA°	Investment holding	£75 333 000	100				
Investec Securities Ltd	Stockbroking and Portfolio management	172 000	100				
IPG (Property Trading and Development) (Pty) Ltd	Property trading	1 174	100				
Metboard Property Fund Managers (Pty) Ltd	Property portfolio Management	2 000 000	69				
Reichmans Ltd	Trade financing	58 700 007	100				
Westrust (Pty) Ltd	Trust company	1	100				

Principal Subsidiary and Associated Companies

Principal subsidiary companies	Nature of business	Issued ordinary capital R	Holding %	Shares at book value 1999 Rm	1998 Rm	Net Indebtedness 1999 Rm	1998 Rm
Indirect subsidiaries of Investec Group Limited *(Continued)*							
100 Grayston Drive Property (Pty)Ltd	Property holding	2	100				
Investec Insurance (UK) Ltd*	Insurance broking	£950 000	100				
Invego Investments Ltd	Investment holding	159 615 365	100				
Investec Bank (Botswana) Ltd⁰	Banking institution	Pula 50 000 000	100				
Investec 1 Ltd*	Investment holding	£13 181 677	100				
Marvel Resources Limited#	Financing company	$79 875 856	100				
Investec Group (UK) PLC	Holding company	£391 828 548	100				
Investec Bank (UK) Ltd	Banking institution	£285 000 000	100				
Investec Asset Finance PLC	Leasing company	£71 400	100				
Investec Bank (Jersey) Ltd	Banking institution	£5 000 000	100				
Guinness Mahon Guernsey Ltd	Banking institution	£7 000 000	100				
Bank Guinness Mahon Flight AG	Banking institution	CHF7 000 000	100				
Henderson Crosthwaite Institutional Brokers Ltd	Institutional stockbroking	£1 600 000	100				
Investec Group Investments (UK) Ltd	Investment holding	£7 000 000	100				
Investec Property PLC	Property holding	£114 200	100				
Investec Guinness Flight Ltd	Fund management	£670 992	100				
Guinness Mahon Holdings Ltd	Holding company	£22 120 090	100				
Guinness Mahon Group Ltd	Holding company	£34 663 002	100				
Principal associated company of Investec Group Limited							
Fedsure Holdings Ltd	Investment holding		15	1 249	1 847		

Israel General Bank's year end is 31 December in line with Israeli statutory requirements.
Fedsure Holdings Ltd's year end is 31 December.

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

* British
\# Israeli
⁰ Botswana
∆ Australian
• Mauritian
° Luxembourg
∆ USA

Capital Adequacy Statement

R million	Risk-weighting (%)	Total assets[a] 1999	Risk-weighted assets 1999	Risk-weighted assets 1998
Money, interbank deposits and claims on Central Government	0	12 621	0	0
Irrevocable letters of credit on behalf of public-sector bodies in RSA	5	64	3	1
Land Bank and other public sector bodies	10	243	24	16
Trade transactions with recourse to other banks	20	15 074	3 015	1 587
Residential mortgage loans	50	2 357	1 179	1 721
All other assets	100	29 907	29 907	23 860
Impairments			(202)	
Total assets – banking activities[a]		60 266	33 926	27 185
Trading assets subject to CAD		57 325	-	3 272[c]
Total assets		117 591	33 926	30 457
Risk-weighted capital requirement – banking activities at 8% (1998 – 8%)			2 714	2 437
Net qualifying capital[b] – banking activities			5 172	6 040
Qualifying capital as a percentage of banking risk-weighted assets			15,2%	19,8%
Tier 1			14,4%	15,8%
Tier 2			0,8%	4,0%

Notes

a. This balance includes off balance sheet items against which capital is required to be held.

b. Net qualifying capital includes only 50% of revaluations, and is after deducting capital required for trading activities.

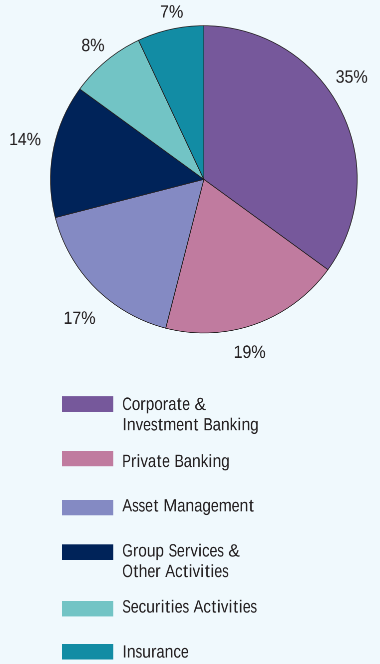
c. This figure represented the banking risk weighted equivalent of UK assets subject to CAD. As CAD is now applicable in South Africa, all Group trading assets subject to CAD have been shown separately in the total assets column.

NET QUALIFYING CAPITAL – BANKING ACTIVITIES

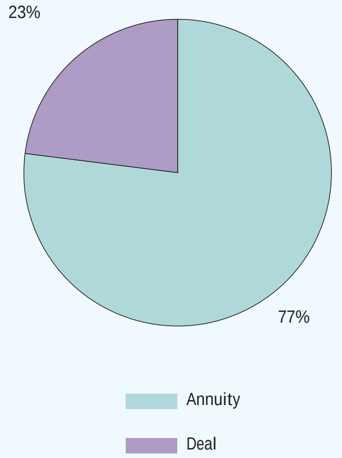
R millions	1999	1998
Primary capital and reserves	4 886	4 821
Ordinary share capital and premium	3 982	3 073
General reserves	1 147	769
Equity accounted reserves	99	101
Minority shareholders' interest	560	967
Capital reserved against trading activities	(902)	(89)
Secondary capital and reserves	286	1 219
Compulsorily convertible debentures	1 715	286
General provisions	236	136
Foreign currency reserves	296	125
Goodwill write off and impairments	(2 321)	(120)
50% of net revaluation reserves	360	792
Net qualifying capital	5 172	6 040

Group Income and Expense Analysis

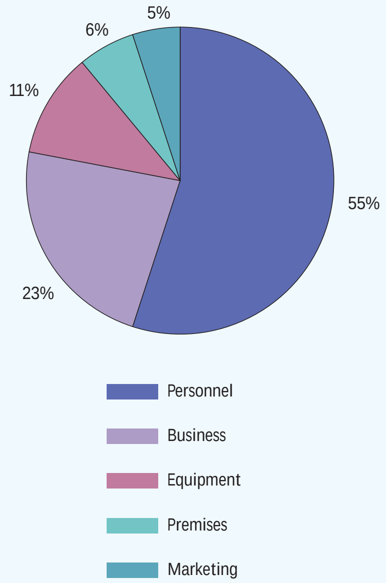
OPERATING PROFIT CONTRIBUTION ANALYSIS



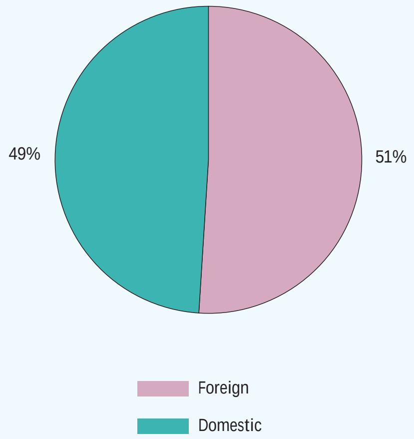
SOURCE OF INCOME – RECURRING AND DEAL



EXPENSE ANALYSIS



SOURCE OF INCOME – FOREIGN AND DOMESTIC



Index to the financial statements

Chairman's Statement

As a consequence of another very strong performance by its subsidiary, Investec Group Limited, Investec Holdings Limited (Inhold) is pleased to announce a very favourable set of results for the year ending 31 March 1999. Inhold reports a 41,7% increase in headline earnings, with diluted headline earnings per share increasing by 46,9%, to 994,5 cents.

A final dividend of 275 cents per share was declared, bringing the total dividends per share to 425 cents, an increase of 41,7%.

Inhold has achieved a 10-year compound growth rate in diluted earnings per share and dividends per share of 38,1% and 38,8% respectively.

The prospects for Inhold in the coming year are directly related to those of Investec Group Limited. As can be seen from the preceding pages in this report, we remain confident of another exciting year ahead. I would like to join the Board of Directors in extending my thanks to all of our colleagues within the Group who have contributed to the ongoing success of our business.

Ian Kantor
Chairman

18 May 1999

Report of the Independent Auditors

To the members of Investec Holdings Limited

We have audited the Company annual financial statements set out on pages 113 to 116 for the year ended 31 March 1999. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

SCOPE

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

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

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

AUDIT OPINION

In our opinion, the financial statements fairly present in all material respects, the financial position of the company at 31 March 1999 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Companies Act.

CONSOLIDATED FINANCIAL STATEMENTS

We concur with the directors decision not to present consolidated financial statements for the reason set out in the director's report.

KPMG

KPMG
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
18 May 1999

Ernst + Young

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

Directors' Report

Nature of business

Investec Holdings Limited (Inhold) is the controlling company of Investec Group Limited, which through its subsidiaries conducts a wide range of Corporate and Investment Banking, Private Banking, Asset Management and Securities trading activities.

Share capital

Details of the share capital are set out in note 1 to the financial statements on page xxx
During the year 250 000 ordinary shares were issued to the Investec Bank Share Purchase Trust for a total of R39 million.

Dividends	1999 Rm	1998 Rm
Ordinary shares		
The following dividends were declared:		
Interim dividend of 150 cents per share (1998 – 110 cents) to shareholders registered on 6 November 1998 – paid on 20 November 1998	61	42
Final dividend of 275 cents per share (1998 – 190 cents) to shareholders registered on 4 June 1999 – paid on 18 June 1999	112	77
	173	119
Preference shares		
The following preference dividends were paid or accrued		
Redeemable	4	6

Directors and secretary

Details of the directors and secretary are reflected on pages xxx and xxx respectively. In terms of the Articles of Association Messrs H S Herman, B Kantor, I R Kantor, S Koseff and P R S Thomas, retire and being eligible, offer themselves for re-election. On 31 March 1999 the directors of the company beneficially held directly or indirectly a total of 5 676 109 (1998 – 5 627 470) ordinary shares. Directors individually holding both directly and indirectly 1% or more of the issued share capital at 31 March 1999 are:

	No. of shares	% holding
I.R. Kantor	2 219 288	5,44
B. Kantor	804 269	1,97
S. Koseff	752 771	1,85

Since 31 March 1999 there have been no changes to the above figures.

At 31 March 1998 their holdings were:

	No. of shares	% holding
I.R. Kantor	2 511 078	6,20
B. Kantor	809 621	2,00
S. Koseff	757 023	1,87

The directors' future entitlements under the share incentive trusts are 287 103 ordinary shares.

Share incentive trusts

Particulars of the Group's share incentive trusts are fully disclosed in the Investec Group Limited directors' report on page xxxxxx .

Financial results

The directors are of the opinion that as the company's only significant asset is its controlling interest in Investec Group Ltd, the presentation of consolidated annual financial statements would not be meaningful.

The Inhold group annual financial statements are presented in the form of consolidated annual financial statements for Investec Group Ltd shown on pages 83 to 107 and the financial results of the company shown on page 114.

Had consolidated financial statements been prepared, Group headline earnings of R377 million (1998: R266 million) and Group earnings of R367 million (1998: R265 million) would have been shown. The Group earnings per share are equal to the company earnings per share shown on page 114 as the company equity accounts for the earnings of its subsidiary.

Financial Statements

For the year ended 31 March 1999

(R millions)	Notes	Company 1999	Company 1998
Balance sheet			
Shareholders' funds	1	2 567	2 370
Deposits and other accounts		2	–
Shareholders for dividends		112	77
		2 681	2 447
Subsidiary companies	2	2 681	2 447
Income statement			
Interest (paid)/received		(1)	1
Dividends received		169	123
Equity accounted earnings of subsidiary		205	148
Total income		373	272
Taxation		2	1
Income after taxation		371	271
Preference dividends		4	6
Earnings attributable to ordinary shareholders		367	265
Ordinary dividends		173	119
Retained income for the year		194	146
Transfer to general reserves		(194)	(146)
Retained income at end of year		–	–
Earnings per share (cents)	3	902,6	696,9
Headline earnings per share (cents)	3	927,2	699,5
Diluted headline earnings per share (cents)	3	994,5	677,0
Cash flow statement			
Income before taxation		373	272
Equity accounted earnings of subsidiary		(205)	(148)
Taxation paid		(2)	(3)
Ordinary dividends paid		(138)	(88)
Preference dividends paid		(4)	(6)
Movements in deposits and other accounts		2	(14)
Net proceeds on issue of ordinary shares		39	860
Redemption of preference shares		(36)	(10)
Cash generated		29	863
Cash utilised in investment and loans to subsidiaries		29	863

Notes to the Financial Statements

(R millions)	Company 1999	Company 1998
1. Shareholders' funds		
Ordinary share capital	4	4
Preference share capital	15	51
Reserves	2 548	2 315
Total shareholders funds	2 567	2 370
1.1 Ordinary share capital		
Authorised		
57 000 000 (1998 - 57 000 000) ordinary shares of 10c each	6	6
Issued		
40 769 795 (1998 - 40 519 795) ordinary shares of 10c each	4	4
The unissued shares are under the control of the directors until the next annual general meeting		
1.2 Cumulative redeemable preference shares		
Authorised		
25 000 (1998 - 25 000) cumulative redeemable preference shares of 50 cents each	–	–
Issued		
1 500 (1998 - 1 860) cumulative redeemable preference shares of 50c each issued at various rates and premiums	15	51
The unissued preference shares are under the control of the directors until the next annual general meeting.		
1.3 Reserves		
Share premium	1 484	1 445
General reserves	691	497
Secondary reserves – revaluation reserves	373	373
	2 548	2 315
The movement in general reserves was attributable to a transfer from retained earnings of R194 million.		
2. Subsidiary companies		
Shares at cost	1 503	1 503
Equity accounted earnings	1 074	869
Net indebtedness	104	75
	2 681	2 447

Notes to the Financial Statements

(R millions)	Company 1999	Company 1998
3. Earnings per share		
Earnings attributable to ordinary shareholders	367	265
Increased earnings as a result of conversion of Investec Group Limited convertible debentures	81	25
Diluted earnings attributable to ordinary shareholders	448	290
Earnings per share (cents)	902,6	696,9
Headline earnings per share (cents)	927,2	699,5
Weighted average ordinary shares in issue (millions)	40,7	38,0
Earnings per share is calculated using earnings attributable to ordinary shareholders, divided by the weighted average number of shares in issue. Headline earnings per share is calculated on a similar basis using headline earnings as the numerator.		
Diluted earnings per share (cents)	972,8	674,6
Diluted headline earnings per share (cents)	994,5	677,0
Fully diluted weighted average shares in issue (millions)	46,1	43,0

The company has entered into a forward purchase of Investec Bank Limited Ordinary Shares which will result from the conversion of the Investec Bank Limited compulsorily convertible debentures, in exchange for 4 033 507 ordinary shares in the company. The Investec Bank ordinary shares have simultaneously been sold to Investec Group Limited in exchange for 3 573 994 ordinary shares in that company.

The company has also entered into a forward purchase of 6 800 000 Investec Group Limited shares in exchange for 7 480 000 ordinary shares in the company.

Diluted earnings per share is calculated using diluted earnings attributable to ordinary shareholders divided by the fully diluted weighted average number of shares in issue. Diluted headline earnings per share is calculated on a similar basis using diluted headline earnings as the numerator.

Index to extracts* from the audited financial statements

* A full set of financial statements are available from the company secretary on request.

Report of the Independent Auditors

To the members of Investec Bank Limited

We have audited the Group annual financial statements for the year ended 31 March 1999. Extracts of these financial statements are set out on pages 119 to 124. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

SCOPE

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

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

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

AUDIT OPINION

In our opinion, the financial statements fairly present in all material respects, the financial position of the Group at 31 March 1999 and the results of their operations for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Companies Act.

KPMG

KPMG
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
18 May 1999

Ernst + Young

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

Consolidated Balance Sheet

For the year ended 31 March 1999

(R millions)	Notes	Group 1999	Group 1998
Capital employed			
Ordinary share capital	1	12	12
Compulsorily convertible debentures	2	1 539	282
Reserves	3	4 928	4 217
		6 479	4 511
Interests of minority shareholders in subsidiaries		560	967
Total shareholders' funds		7 039	5 478
Liabilities			
Deposits and other accounts	4	102 486	75 608
Loans from group companies	10	1 646	-
		111 171	81 086
Assets			
Cash and short-term funds	5	36 630	36 335
Short-term negotiable securities	6	37 014	18 310
Investment and trading securities	7	7 731	5 498
Other assets	8	4 790	3 099
Advances	9	21 773	16 706
Loans to group companies	10	-	361
Associated companies	11	253	23
Fixed assets	12	860	634
Intangible assets	13	2 120	120
		111 171	81 086

Consolidated Income Statement

For the year ended 31 March 1999

(R millions)	Group 1999	Group 1998
Interest received	9 513	6 224
Interest paid	8 240	5 419
Net interest income	1 273	805
Provision for bad and doubtful debts	223	106
	1 050	699
Other income	2 021	891
Total income	3 071	1 590
Operating expenses	1 890	921
Exceptional items	(8)	6
Income before taxation	1 189	663
Taxation	266	147
Net income	923	516
Earnings attributable to minority shareholders	38	27
	885	489
Convertible debenture interest	78	43
Earnings attributable to ordinary shareholders	807	446
Ordinary dividends	71	145
Retained income for the year	736	301

Notes to the Consolidated Financial Statements

For the year ended 31 March (R millions)	Group 1999	Group 1998
1. Ordinary share capital		
Authorised		
105 000 000 (1998 – 105 000 000) ordinary shares of 50 cents each	52	52
Issued		
25 000 000 (1998 - 25 000 000) ordinary shares of 50 cents each	12	12
The unissued shares are under the control of the directors until the next annual general meeting.		
2. Compulsorily convertible debentures		
Authorised		
10 000 000 (1998 – 10 000 000) unsecured subordinated compulsorily convertible debentures of 50 cents each	5	5
5 000 000 (1998 – 0) unsecured subordinated compulsorily convertible debentures of 50 cents each	3	–
1 000 000 (1998 – 0) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents each	1	–
1 500 000 (1998 – 0) Class B unsecured subordinated compulsorily convertible debentures of 50 cents each	1	–
Issued		
3 573 994 (1998 – 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R78.50 each	282	282
Interest is payable six monthly in arrears on 31 January and 31 July of each year at a rate of 15,25%		
The compulsorily convertible debentures will automatically convert into Investec Bank Limited ordinary shares, on a one for one basis on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date, but not before 31 July 2002.		
The Investec Bank Limited shares arising out of conversion have been sold forward by the holder thereof to Investec Holdings Limited in exchange for 4 033 507 Investec Holdings ordinary shares. The Investec Bank Limited shares have been simultaneously sold by Investec Holdings Limited to Investec Group Limited in exchange for 3 573 994 Investec Group Limited ordinary shares.		
5 000 00 (1998 – 0) Class A unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R159,50, net of issue expenses	797	–
1 000 000 (1998 – 0) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R159.50	160	–

Notes to the Consolidated Financial Statements

For the year ended 31 March (R millions)	Group 1999	Group 1998
2. Compulsorily convertible debentures *(Continued)*		
1 500 000 (1998 – 0) Class B unsecured subordinated compulsorily convertible debentures of 50 cents each issued at a premium of R199.50	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 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 2 250 000 shares.		
The 2 250 000 shares arising out of the conversion have been sold forward by the holders thereof to Investec Group Limited in exchange for 7 500 000 Investec Group Limited ordinary shares, of which 6 800 000 have been simultaneously sold to Investec Holdings Limited in exchange for 7 480 000 Investec Holdings Limited ordinary shares.		
The above debentures may be redeemed at an earlier date by agreement between the company and the debenture holders holding at least 75% of the debentures then in issue.		
All unissued debentures are under the control of the directors until the next annual general meeting.		
Total compulsorily convertible debentures	1 539	282
3. Reserves		
Reserves comprise:		
General reserves	4 025	3 363
Secondary reserves	903	854
	4 928	4 217
4. Deposits and other accounts		
Category analysis		
Deposits and loans from banks	9 291	13 853
Demand and saving deposits	14 352	6 640
Fixed and notice deposits	16 465	14 697
Negotiable certificates of deposit	5 257	3 402
Other deposits and loan accounts	2 700	2 195
Liabilities in respect of repurchase agreements	37 575	29 689
Stock borrowed	7 654	–
Deferred taxation	–	58
Creditors and other accounts	9 192	5 074
	102 486	75 608
Maturity analysis		
On demand to one month	65 446	48 085
One month to six months	27 346	18 973
Six months to one year	6 649	7 094
Greater than one year	3 045	1 456
	102 486	75 608
5. Cash and short-term funds		
Cash and gold coins	2	2
Balances with Central Bank	2 617	1 852
Balances with other banks	12 275	10 727
Loans under resale agreement	14 645	20 945
Secured stock lending	4 830	–
Other short-term funds	2 261	2 809
	36 630	36 335

Notes to the Consolidated Financial Statements

For the year ended 31 March

(R millions)	Group 1999	Group 1998
6. Short-term negotiable securities		
Analysis by portfolio		
– Investment	790	1 505
– Trading	36 224	16 805
	37 014	18 310
7. Investment and trading securities		
Category analysis		
Government and government guaranteed	2 033	1 913
Listed securities	1 744	1 961
Unlisted securities	3 954	1 624
	7 731	5 498
Analysis by portfolio		
– Liquid assets	2 265	875
– Trading	401	1 206
– Investment	5 065	3 417
	7 731	5 498
8. Other assets		
Settlement debtors	3 157	2 527
Other assets	1 624	572
Deferred tax asset	9	-
	4 790	3 099
9. Advances and other accounts		
Category analysis		
Commercial property loans	3 161	2 839
Residential mortgages	3 262	3 040
Leases and instalment debtors	2 212	1 846
Trade finance debtors	606	1 020
Other loans and advances	13 026	8 190
	22 267	16 935
Specific provisions against doubtful debts	494	229
	21 773	16 706
Maturity analysis		
On demand to one month	5 304	1 684
One month to six months	3 034	2 414
Six months to one year	953	1 133
One year to five years	7 042	7 695
Greater than five years	5 934	4 009
	22 267	16 935
10. Loans to group companies		
Loan from holding company – Investec Group Limited	1 457	(252)
Loans to fellow subsidiaries	(3 103)	613
	(1 646)	361

Notes to the Consolidated Financial Statements

For the year ended 31 March (R millions)	Group 1999	Group 1998
11. Associated companies		
Listed shares at cost	267	22
Equity accounted reserves	(3)	(3)
	264	19
Revaluation surplus transferred to secondary reserves	(11)	4
Book value	253	23
12. Fixed assets		
Operational properties and leasehold improvements		
– Cost	669	448
– Accumulated depreciation	91	54
Net book value	578	394
Vehicles, furniture and equipment		
– Cost	601	445
– Accumulated depreciation	323	208
Net book value	278	237
Investment properties at cost	4	3
A register of operational and investment properties is available for inspection at the registered office of the company.		
	860	634
13. Intangible assets		
Goodwill		
Balance at beginning of year	120	65
Amount on acquisitions	2 176	147
Goodwill amortised	(176)	(92)
Balance at end of year	2 120	120

Members' Diary

Financial year end	31 March
Annual general meeting	1999
Reports	
Announcement of results for half year	October
Announcement of annual results and final dividend	May
Annual financial statements	
Dividend payments	
Interim	November
Final	June

Secretary and Registered Office

Investec Group Limited
Reg. No. 04/02833/06
100 Grayston Drive
Sandown
Sandton 2196

Secretary
S Noik (52)
CA(SA)

Auditors
Ernst and Young
KPMG

Transfer Secretaries
Mercantile Registrars Limited
8th Floor
11 Diagonal Street
Johannesburg 2001

Investec Holdings Limited
Reg. No. 85/05574/06
100 Grayston Drive
Sandown
Sandton 2196

Secretary
S Noik (52)
CA(SA)

Auditors
Ernst and Young
KPMG

Transfer Secretaries
Mercantile Registrars Limited
8th Floor
11 Diagonal Street
Johannesburg 2001

Notice to Members

NOTICE IS HEREBY given that the annual general meeting of members of Investec Group Limited will be held in the boardroom on the 2nd Floor, 100 Grayston Drive, Sandown, Sandton on 23 September 1999 at 09:00 for the purpose of transacting the following business:

1. To receive and adopt the annual financial statements for the year ended 31 March 1999 together with the reports of the auditors and of the directors.

2. To determine the remuneration of the directors.*

3. To sanction the dividends paid.**

4. Auditors: To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration.

5. To elect directors in a single resolution.

6. To re-elect Messrs S.E. Abrahams, A.I. Basserabie, D.E. Jowell, B. Kantor and S. Koseff and Dr. M.Z. Nkosi who retire by rotation, but being eligible, offer themselves for re-election.

7. To consider and if deemed fit to pass, with or without modification, the following resolutions as special and ordinary resolutions of the company:

SPECIAL RESOLUTION NO.1

- That the Articles of Association of the company be amended by the addition of the following new Article 12.5 immediately after Article 12.4:

  "12.5. approve the acquisition of shares issued by the company in terms of section 85 of the Companies Act, 1973, as amended."

  The reason for special resolution No. 1 is to enable the company to purchase its own shares.

SPECIAL RESOLUTION NO.2

– That the Articles of Association of the company be amended by the addition of the following new Article 80 immediately after Article 79:

  "80. A company secretary shall be appointed in accordance with the provisions of Chapter IXA of the Companies Act, 1973, as amended."

  The reason for special resolution No. 2 is to provide for the appointment of a company secretary.

SPECIAL RESOLUTION NO. 3

- That, subject to the passing and registration of special resolution No. 2, the Articles of Association of the company be amended by the addition of the following new Article 81 immediately after Article 80:

  "81. Uncertificated Securities

  The company shall comply with the provisions of Section 91A of the Companies Act, 1973, as amended, to facilitate the concept of the Johannesburg Stock Exchange of share transactions totally electronic (STRATE) and to enable members to dematerialise their share certificates for as long as the shares of the company are listed on the Johannesburg Stock Exchange."

  The reason for special resolution No. 3 is to facilitate the Johannesburg Stock Exchange's concept of STRATE and to enable members to dematerialise their share certificates.

SPECIAL RESOLUTION NO. 4

- That, subject to the passing and registration of special resolution No. 3, the Articles of Association of the company be amended by the addition of the following new Article 82 immediately after Article 81:

  "82. Payment to Shareholders

  The directors and shareholders of the company shall have regard to the provisions with regard to the payment by the company to its shareholders as provided for in Section 90 of the Companies Act, 1973, as amended."

The reason for special resolution No. 4 is to provide for the payment by the company to its shareholders as determined in Section 90 of the Companies Act, 1973, as amended.

ORDINARY RESOLUTION NO. 1

- That all the unissued shares and convertible debentures of the company be and are hereby placed under the control of the directors of the company until the next annual general meeting and that subject to the provisions of the Companies Act, 1973 and the Banks Act, 1990, the directors be authorised to allot or issue such shares and debentures at their discretion.

ORDINARY RESOLUTION NO. 2

- That, subject to the passing of the above ordinary resolution, the Listings Requirements of the Johannesburg Stock Exchange and the Banks Act, 1990, the directors be and they are hereby authorised to issue ordinary shares of 60 cents each and convertible debentures of 60 cents each for cash as and when suitable situations arise, subject to the following limitations:
  - this authority shall not extend beyond 15 (fifteen) months from the date of this general meeting;
  - a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of an issue representing, on a cumulative basis within one year, 5% or more of the number of shares in issue prior to such issues;
  - that issues in aggregate in any one financial year will not exceed 10% of the number of ordinary shares and convertible debentures in issue and further, that any such issues will not in aggregate in any three year period exceed 15% of the company's issued share capital, including instruments which are compulsorily convertible;
  - that, in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the average ruling price of the shares in question, as determined over the 30 days prior to the date of the announcement or where no announcement is made, the date of issue of the instruments.

8. Approval and adoption of the Investec Group Limited Security Purchase and Option Scheme Trust.

9. To transact such other business as may be transacted at an annual general meeting.

   A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the office of the transfer secretaries at least 24 hours before the commencement of the meeting.

By order of the board

S Noik
Group Secretary
6 August 1999

100 Grayston Drive
Sandown
Sandton, 2196

* Note to the financial statements
** Note to the financial statements

Notice to Members

NOTICE IS HEREBY given that the annual general meeting of members of Investec Holdings Limited will be held in the boardroom on the 2nd Floor, 100 Grayston Drive, Sandown, Sandton on 23 September 1999 at 09h15 for the purpose of transacting the following business:

1. To receive and adopt the annual financial statements for the year ended 31 March 1999 together with the reports of the auditors and of the directors.

2. To sanction the dividends paid.

3. To determine the remuneration of the directors.

4. To elect directors in a single resolution.

5. To elect directors in place of those retiring by rotation.
   In accordance with the company's Articles of Association, the directors retiring by rotation are Messrs H S Herman, B Kantor, I R Kantor, S Koseff and P R S Thomas, all of whom being eligible, offer themselves for re-election.

6. Auditors: To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration.

7. To consider and if deemed fit, to pass, with or without amendment, the following resolutions as special and ordinary resolutions of the company:

SPECIAL RESOLUTION NO. 1

– That the Articles of Association of the company be amended by the addition of the following new Article 16.7 immediately after Article 16.6:

  "16.7. approve the acquisition of shares issued by the company in terms of Section 85 of the Companies Act, 1973, as amended."

  The reason for special resolution No. 1 is to enable the company to purchase its own shares.

SPECIAL RESOUTION NO.2

– That the Articles of Association of the compnay be amended by the addition of the following new Article 110 immediately after Article 109:

  "110. A company secretary shall be appointed in accordance with the provisions of Chapter IXA of the Companies Act, 1973, as amended."

  The reason for special resolution No. 2 is to provide for the appointment of the company secretary.

SPECIAL RESOLUTION NO. 3

– That, subject to the passing and registration of special resolution No. 2, the Articles of Association of the company be amended by the addition of the following new Article 111 immediately after Article 110:

  "111. Uncertificated Securities

  The company shall comply with the provisions of Section 91A of the Companies Act, 1973, as amended, to facilitate the concept of the Johannesburg Stock Exchange of share transactions totally electronic (STRATE) and to enable members to dematerialise their share certificates for as long as the shares of the company are listed on the Johannesburg Stock Exchange."

  The reason for special resolution No. 3 is to facilitate the Johannesburg Stock Exchange's concept of STRATE and to enable members to dematerialise their share certificates.

SPECIAL RESOLUTION NO. 4

– That, subject tot he passing and registration of special resolution No. 3, the Articles of Association of the company be amended by the addition of the following new Article 112 immediately after Article 111:

  "112. Payment to Shareholders

  The directors and shareholders of the company shall have regard to the provisions with regard to the payment by the company to shareholders as provided for in Section 90 of the Companies Act, 1973, as amended."

The reason for special resolution No. 4 is to provide for the payment by the company to its shareholders as determined in Section 90 of the Companies Act, 1973, as amended.

ORDINARY RESOLUTION NO. 1

– That all the unissued shares of the company be and are hereby placed under the control of the directors of the company until the next annual general meeting and that subject to the provisions of the Companies Act, 1973 and the Banks Act, 1990, the directors be authorised to allot or issue such shares at their discretion.

ORDINARY RESOLUTION NO. 2

- That, subject to the passing of the above ordinary resolution, the Listings Requirements of the Johannesburg Stock Exchange and the Banks Act, 1990, the directors be and they are hereby authorised to issue ordinary shares of 10 cents for cash as and when suitable situations arise, subject to the following limitations:
  - this authority shall not extend beyond 15 (fifteen) months from the date of this general meeting;
  - a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of an issue representing, on a cumulative basis within one year, 5% or more of the number of shares in issue prior to such issues;
  - that issues in aggregate in any one financial year will not exceed 10% of the number of ordinary shares in issue and further, that any such issues will not in aggregate in any 36 months period exceed 15% of the company's issued share capital, including instruments which are compulsorily convertible;
  - that, in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the average ruling price of the shares in question, as determined over the 30 days prior to the date of the announcement or where no announcement is made, the date of issue of the instruments.

8. To transact such other business as may be transacted at an annual general meeting.

   A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the transfer secretaries, Mercantile Registrars Limited, 11 Diagonal Street, Johannesburg 2001, at least 24 hours before the commencement of the meeting.

By order of the board

S Noik

Secretary

6 August 1999

100 Grayston Drive
Sandown
Sandton, 2196

Form of Proxy

Form of proxy for annual general meeting on 23 September 1999 at 09h00.
Investec Group Ltd
Reg. No. 04/02833/06

I/We ______________________________

of ______________________________

being a member(s) of Investec Group Limited and ______________________________

entitled, on a poll, to ______________ votes

hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

or failing them, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 23 September 1999 at 09:00 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. To adopt the annual financial statements			
2. To determine the remuneration of the directors			
3. To sanction the dividends paid			
4. To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration			
5 To elect directors in a single resolution			
6. To re-elect directors			
7. Special Resolutions:			
No. 1			
No. 2			
No. 3			
No. 4			
Ordinary Resolutions:			
No. 1			
No. 2			
8. Approval and adoption of the Investec Group Limited Security Purchase and Option Scheme Trust			

Signature ______________________ Date ______________________

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and, on a poll, to vote in his place. In the event of the poll, a member or his proxy shall have one vote for every share held.

Notes

1. The date must be filled in on this form of proxy when it is signed.
2. This proxy must be received by the Transfer Secretaries:

Mercantile Registrars Limited

8th Floor,
11 Diagonal Street, Johannesburg 2001
PO Box 1053, Johannesburg 2000

not later than 24 hours before the commencement of the meeting.

Form of Proxy

Form of proxy for annual general meeting on 23 September 1999 at 09h15.
Investec Holdings Ltd
Reg. No. 85/05574/06

I/We ______________________________

of ______________________________

being a holder(s) of ______________ ordinary shares of 10 cents each;

____

do hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

or failing them, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 23 September 1999 at 09:15 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. To adopt the annual financial statements			
2. To sanction the dividends paid			
3. To determine the remuneration of the directors			
4. To elect directors in a single resolution			
5. To re-elect directors			
6. To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration			
7. Special Resolutions			
No. 1			
No. 2			
No. 3			
No. 4			
Ordinary Resolutions:			
No. 1			
No. 2			

Signature ______________ Date ______________

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and, on a poll, to vote in his place. In the event of the poll, a member or his proxy shall have one vote for every share held.

Notes

1. The date must be filled in on this form of proxy when it is signed.
2. This proxy must be received by the Transfer Secretaries:

Mercantile Registrars Limited

8th Floor,
11 Diagonal Street, Johannesburg 2001
PO Box 1053, Johannesburg 2000

not later than 24 hours before the commencement of the meeting.

Members' Diary

Financial year end	31 March
Annual general meeting	1999
Reports	
Announcement of results for half year	October
Announcement of annual results and final dividend	May
Annual financial statements	
Dividend payments	
Interim	November
Final	June

Secretary and Registered Office

Investec Group Limited
Reg. No. 04/02833/06
100 Grayston Drive
Sandown
Sandton 2196

Secretary
S Noik (52)
CA(SA)

Auditors
Ernst and Young
KPMG

Transfer Secretaries
Mercantile Registrars Limited
8th Floor
11 Diagonal Street
Johannesburg 2001

Investec Holdings Limited
Reg. No. 85/05574/06
100 Grayston Drive
Sandown
Sandton 2196

Secretary
S Noik (52)
CA(SA)

Auditors
Ernst and Young
KPMG

Transfer Secretaries
Mercantile Registrars Limited
8th Floor
11 Diagonal Street
Johannesburg 2001

Notice to Members

NOTICE IS HEREBY given that the annual general meeting of members of Investec Group Limited will be held in the boardroom on the 2nd Floor, 100 Grayston Drive, Sandown, Sandton on 23 September 1999 at 09:00 for the purpose of transacting the following business:

1. To receive and adopt the annual financial statements for the year ended 31 March 1999 together with the reports of the auditors and of the directors.
2. To determine the remuneration of the directors.*
3. To sanction the dividends paid.**
4. Auditors: To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration.
5. To elect directors in a single resolution.
6. To re-elect Messrs S.E. Abrahams, A.I. Basserabie, D.E. Jowell, B. Kantor and S. Koseff and Dr. M.Z. Nkosi who retire by rotation, but being eligible, offer themselves for re-election.
7. To consider and if deemed fit to pass, with or without modification, the following resolutions as special and ordinary resolutions of the company:

SPECIAL RESOLUTION NO.1

- That the Articles of Association of the company be amended by the addition of the following new Article 12.5 immediately after Article 12.4:

  "12.5. approve the acquisition of shares issued by the company in terms of section 85 of the Companies Act, 1973, as amended."

  The reason for special resolution No. 1 is to enable the company to purchase its own shares.

SPECIAL RESOLUTION NO.2

– That the Articles of Association of the company be amended by the addition of the following new Article 80 immediately after Article 79:

  "80. A company secretary shall be appointed in accordance with the provisions of Chapter IXA of the Companies Act, 1973, as amended."

  The reason for special resolution No. 2 is to provide for the appointment of a company secretary.

SPECIAL RESOLUTION NO. 3

- That, subject to the passing and registration of special resolution No. 2, the Articles of Association of the company be amended by the addition of the following new Article 81 immediately after Article 80:

  "81. Uncertificated Securities

  The company shall comply with the provisions of Section 91A of the Companies Act, 1973, as amended, to facilitate the concept of the Johannesburg Stock Exchange of share transactions totally electronic (STRATE) and to enable members to dematerialise their share certificates for as long as the shares of the company are listed on the Johannesburg Stock Exchange."

  The reason for special resolution No. 3 is to facilitate the Johannesburg Stock Exchange's concept of STRATE and to enable members to dematerialise their share certificates.

SPECIAL RESOLUTION NO. 4

- That, subject to the passing and registration of special resolution No. 3, the Articles of Association of the company be amended by the addition of the following new Article 82 immediately after Article 81:

  "82. Payment to Shareholders

  The directors and shareholders of the company shall have regard to the provisions with regard to the payment by the company to its shareholders as provided for in Section 90 of the Companies Act, 1973, as amended."

The reason for special resolution No. 4 is to provide for the payment by the company to its shareholders as determined in Section 90 of the Companies Act, 1973, as amended.

ORDINARY RESOLUTION NO. 1

- That all the unissued shares and convertible debentures of the company be and are hereby placed under the control of the directors of the company until the next annual general meeting and that subject to the provisions of the Companies Act, 1973 and the Banks Act, 1990, the directors be authorised to allot or issue such shares and debentures at their discretion.

ORDINARY RESOLUTION NO. 2

- That, subject to the passing of the above ordinary resolution, the Listings Requirements of the Johannesburg Stock Exchange and the Banks Act, 1990, the directors be and they are hereby authorised to issue ordinary shares of 60 cents each and convertible debentures of 60 cents each for cash as and when suitable situations arise, subject to the following limitations:
  - this authority shall not extend beyond 15 (fifteen) months from the date of this general meeting;
  - a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of an issue representing, on a cumulative basis within one year, 5% or more of the number of shares in issue prior to such issues;
  - that issues in aggregate in any one financial year will not exceed 10% of the number of ordinary shares and convertible debentures in issue and further, that any such issues will not in aggregate in any three year period exceed 15% of the company's issued share capital, including instruments which are compulsorily convertible;
  - that, in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the average ruling price of the shares in question, as determined over the 30 days prior to the date of the announcement or where no announcement is made, the date of issue of the instruments.

8. Approval and adoption of the Investec Group Limited Security Purchase and Option Scheme Trust.

9. To transact such other business as may be transacted at an annual general meeting.

   A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the office of the transfer secretaries at least 24 hours before the commencement of the meeting.

By order of the board

S Noik
Group Secretary
6 August 1999

100 Grayston Drive
Sandown
Sandton, 2196

* Note to the financial statements
** Note to the financial statements

Notice to Members

NOTICE IS HEREBY given that the annual general meeting of members of Investec Holdings Limited will be held in the boardroom on the 2nd Floor, 100 Grayston Drive, Sandown, Sandton on 23 September 1999 at 09h15 for the purpose of transacting the following business:

1. To receive and adopt the annual financial statements for the year ended 31 March 1999 together with the reports of the auditors and of the directors.

2. To sanction the dividends paid.

3. To determine the remuneration of the directors.

4. To elect directors in a single resolution.

5. To elect directors in place of those retiring by rotation.
   In accordance with the company's Articles of Association, the directors retiring by rotation are Messrs H S Herman, B Kantor, I R Kantor, S Koseff and P R S Thomas, all of whom being eligible, offer themselves for re-election.

6. Auditors: To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration.

7. To consider and if deemed fit, to pass, with or without amendment, the following resolutions as special and ordinary resolutions of the company:

SPECIAL RESOLUTION NO. 1

– That the Articles of Association of the company be amended by the addition of the following new Article 16.7 immediately after Article 16.6:

  "16.7. approve the acquisition of shares issued by the company in terms of Section 85 of the Companies Act, 1973, as amended."

  The reason for special resolution No. 1 is to enable the company to purchase its own shares.

SPECIAL RESOUTION NO.2

– That the Articles of Association of the compnay be amended by the addition of the following new Article 110 immediately after Article 109:

  "110. A company secretary shall be appointed in accordance with the provisions of Chapter IXA of the Companies Act, 1973, as amended."

  The reason for special resolution No. 2 is to provide for the appointment of the company secretary.

SPECIAL RESOLUTION NO. 3

– That, subject to the passing and registration of special resolution No. 2, the Articles of Association of the company be amended by the addition of the following new Article 111 immediately after Article 110:

  "111. Uncertificated Securities

  The company shall comply with the provisions of Section 91A of the Companies Act, 1973, as amended, to facilitate the concept of the Johannesburg Stock Exchange of share transactions totally electronic (STRATE) and to enable members to dematerialise their share certificates for as long as the shares of the company are listed on the Johannesburg Stock Exchange."

  The reason for special resolution No. 3 is to facilitate the Johannesburg Stock Exchange's concept of STRATE and to enable members to dematerialise their share certificates.

SPECIAL RESOLUTION NO. 4

– That, subject tot he passing and registration of special resolution No. 3, the Articles of Association of the company be amended by the addition of the following new Article 112 immediately after Article 111:

  "112. Payment to Shareholders

  The directors and shareholders of the company shall have regard to the provisions with regard to the payment by the company to shareholders as provided for in Section 90 of the Companies Act, 1973, as amended."

The reason for special resolution No. 4 is to provide for the payment by the company to its shareholders as determined in Section 90 of the Companies Act, 1973, as amended.

ORDINARY RESOLUTION NO. 1

– That all the unissued shares of the company be and are hereby placed under the control of the directors of the company until the next annual general meeting and that subject to the provisions of the Companies Act, 1973 and the Banks Act, 1990, the directors be authorised to allot or issue such shares at their discretion.

ORDINARY RESOLUTION NO. 2

- That, subject to the passing of the above ordinary resolution, the Listings Requirements of the Johannesburg Stock Exchange and the Banks Act, 1990, the directors be and they are hereby authorised to issue ordinary shares of 10 cents for cash as and when suitable situations arise, subject to the following limitations:
  - this authority shall not extend beyond 15 (fifteen) months from the date of this general meeting;
  - a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of an issue representing, on a cumulative basis within one year, 5% or more of the number of shares in issue prior to such issues;
  - that issues in aggregate in any one financial year will not exceed 10% of the number of ordinary shares in issue and further, that any such issues will not in aggregate in any 36 months period exceed 15% of the company's issued share capital, including instruments which are compulsorily convertible;
  - that, in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the average ruling price of the shares in question, as determined over the 30 days prior to the date of the announcement or where no announcement is made, the date of issue of the instruments.

8. To transact such other business as may be transacted at an annual general meeting.

   A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company. Proxy forms should be forwarded to reach the transfer secretaries, Mercantile Registrars Limited, 11 Diagonal Street, Johannesburg 2001, at least 24 hours before the commencement of the meeting.

By order of the board

S Noik

Secretary

6 August 1999

100 Grayston Drive
Sandown
Sandton, 2196

Form of Proxy

Form of proxy for annual general meeting on 23 September 1999 at 09h00.
Investec Group Ltd
Reg. No. 04/02833/06

I/We ______________________________

of ______________________________

being a member(s) of Investec Group Limited and ______________________________

entitled, on a poll, to ______________ votes ______________

hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

or failing them, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 23 September 1999 at 09:00 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. To adopt the annual financial statements			
2. To determine the remuneration of the directors			
3. To sanction the dividends paid			
4. To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration			
5 To elect directors in a single resolution			
6. To re-elect directors			
7. Special Resolutions:			
No. 1			
No. 2			
No. 3			
No. 4			
Ordinary Resolutions:			
No. 1			
No. 2			
8. Approval and adoption of the Investec Group Limited Security Purchase and Option Scheme Trust			

Signature ______________________ Date ______________________

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and, on a poll, to vote in his place. In the event of the poll, a member or his proxy shall have one vote for every share held.

Notes

1. The date must be filled in on this form of proxy when it is signed.
2. This proxy must be received by the Transfer Secretaries:

Mercantile Registrars Limited

8th Floor,
11 Diagonal Street, Johannesburg 2001
PO Box 1053, Johannesburg 2000

not later than 24 hours before the commencement of the meeting.

Form of Proxy

Form of proxy for annual general meeting on 23 September 1999 at 09h15.
Investec Holdings Ltd
Reg. No. 85/05574/06

I/We

of

being a holder(s) of ordinary shares of 10 cents each;

do hereby appoint

of

or failing him

of

or failing them, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 23 September 1999 at 09:15 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

	In favour of	Against	Abstain
1. To adopt the annual financial statements			
2. To sanction the dividends paid			
3. To determine the remuneration of the directors			
4. To elect directors in a single resolution			
5. To re-elect directors			
6. To re-appoint Ernst & Young and KPMG and approve the auditors' remuneration			
7. Special Resolutions			
No. 1			
No. 2			
No. 3			
No. 4			
Ordinary Resolutions:			
No. 1			
No. 2			

Signature Date

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member of the company) to attend, speak and, on a poll, to vote in his place. In the event of the poll, a member or his proxy shall have one vote for every share held.

Notes

1. The date must be filled in on this form of proxy when it is signed.
2. This proxy must be received by the Transfer Secretaries:

Mercantile Registrars Limited

8th Floor,
11 Diagonal Street, Johannesburg 2001
PO Box 1053, Johannesburg 2000

not later than 24 hours before the commencement of the meeting.