

# Corporate information

Investec Bank Limited

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## Internet address

[www.inestec.com](http://www.inestec.com)

## Registration number

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

## Auditors

Ernst & Young  
KPMG Inc.

## Transfer secretaries in South Africa

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## Investec offices - contact details

Refer to details at the end of the report

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Investec in perspective

## Niched

Our strategic goals and objectives are based on a strong aspiration to be recognised as a distinctive specialist banking group. Rather than try to be all things to all people, we aim to build well-defined, value-added businesses that serve the needs of select market niches where we can compete effectively.

Niched



# Overview of the Investec group

Investec (comprising Investec plc and Investec Limited) is an international, specialist banking group that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974, we acquired a banking licence in 1980 and were listed on the JSE Securities Exchange South Africa in 1986.

In July 2002, we implemented a Dual Listed Companies structure with linked companies listed in London and Johannesburg. A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, we have an efficient integrated international business platform, offering all our core activities in South Africa and the UK and select activities in Australia.

We are organised as a network comprising five business divisions: Private Client Activities, Treasury and Specialised Finance, Investment Banking, Asset Management and Property Activities. Our head office provides certain group-wide integrating functions and is also responsible for our central funding and the Trade Finance business.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist banking group. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

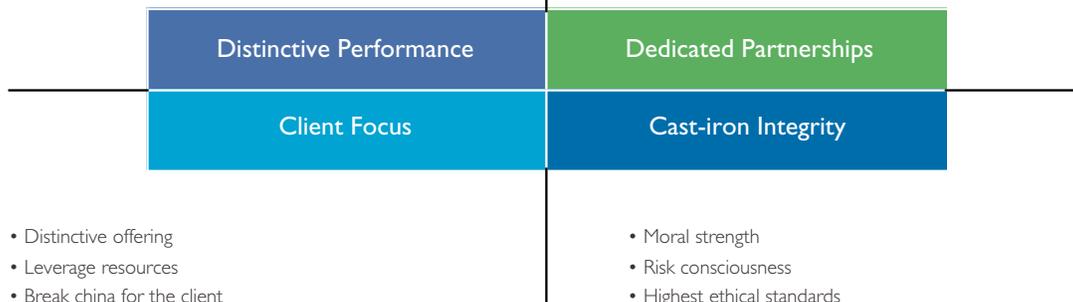
## Mission statement

We strive to be a distinctive specialist banking group, driven by commitment to our core philosophies and values.

## Values

- Outstanding talent - empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society



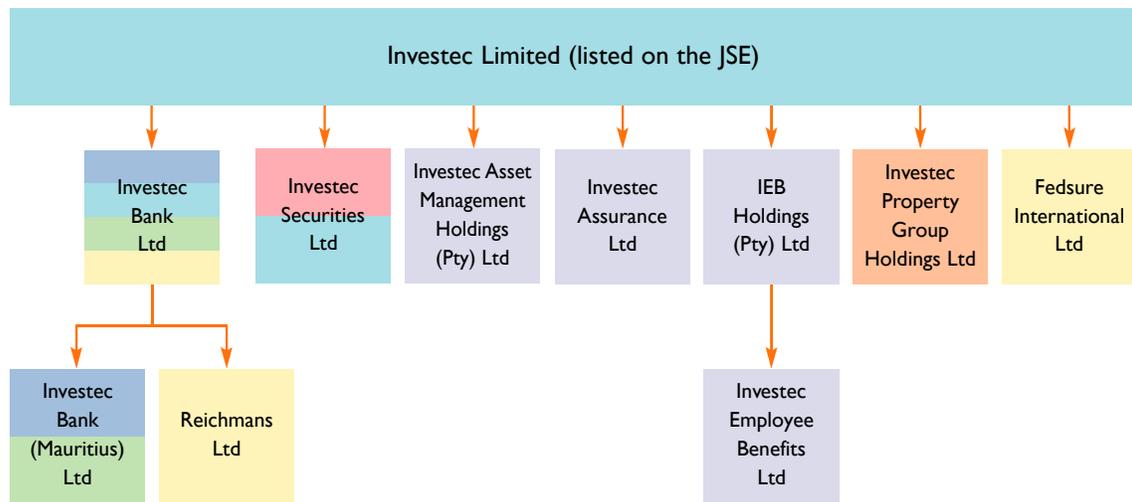
# Investec Bank Limited organisational structure

## Investec Limited and Investec Bank Limited

In terms of the implementation of the DLC structure (refer to page 3), Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius. Investec Limited is listed on the JSE Securities Exchange South Africa.

Investec Bank Limited (referred to in this report as the bank) is a subsidiary of Investec Limited.

As at 31 March 2005



Key: activities conducted

- |   |   |
|---|---|
| <span style="color: blue;">■</span> Private Banking                                     | <span style="color: grey;">■</span> Asset Management and Assurance Activities |
| <span style="color: red;">■</span> Private Client Portfolio Management and Stockbroking | <span style="color: orange;">■</span> Property Activities                     |
| <span style="color: green;">■</span> Treasury and Specialised Finance                   | <span style="color: yellow;">■</span> Other Activities                        |
| <span style="color: cyan;">■</span> Investment Banking                                  |   |

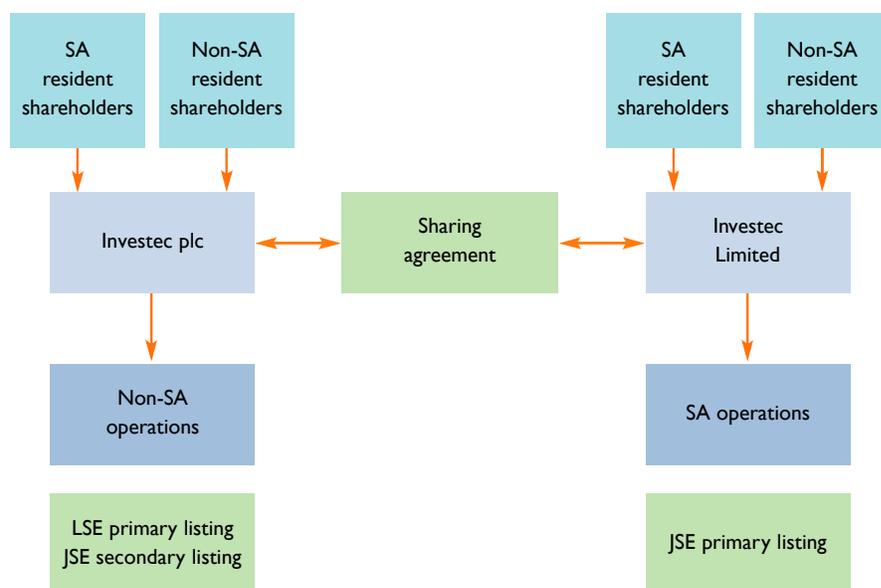
Note: All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

# Overview of Investec's Dual Listed Companies structure

## Introduction

During July 2002 Investec Group Limited (since renamed Investec Limited), implemented a Dual Listed Companies (DLC) structure and listed its offshore businesses on the London Stock Exchange. A circular on the establishment of our DLC structure was issued on 20 June 2002.

## DLC structure:



## Salient features:

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms.
- Investec operates as if it is a single unified economic enterprise.
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company.
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Further information on our DLC structure is available in the circular mentioned above, as well as in the preliminary offering circular issued on 8 July 2002. A copy of these circulars can be found on our website at

[www.imestec.com/grouplinks/imestorelations](http://www.imestec.com/grouplinks/imestorelations)

## Overview of Investec Bank Limited activities

## Partnership

We encourage internal partnerships between business units, smaller teams and individuals, and undertake external partnerships with clients, corporates, communities and other stakeholders. At the core of these partnerships are internal networks that use the skills across our businesses.

Through close cooperation, we ensure that our clients and other stakeholders benefit to the maximum from the expertise of an integrated international banking group.



Partnership



# Overview of Investec Bank Limited activities

## Introduction

Investec Bank Limited's structure comprises three principal business units: Private Banking, Treasury and Specialised Finance and Investment Banking. Each division provides specialised products and services to defined target markets. Our head office also provides certain group-wide integrating functions, including Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisation Development. The office is also responsible for our central funding as well as other activities such as trade finance.

## Private Banking

Investec Private Bank provides a range of private banking services, targeting select high income and net worth individuals in chosen niche markets. These services include:

- Banking Products and Services
- Structured Property Finance
- Growth and Acquisition Finance
- Investment Management and Advisory Services
- Trust and Fiduciary Services

We position ourselves as "an investment bank for private clients" in the high value advisory market, striving to "out-think" not "out-muscle" our competitors. The division's distinctive focus is on wealth creation through gearing, driven by the predominance of active over passive high net worth individuals in South Africa, while also delivering bespoke wealth management solutions to select private clients.

One of our key strengths is the ability to originate new business by leveraging off our strong client relationships, which we establish through our lending activities. This sets us apart from other private banks that are dependent on the more traditional asset-gathering model.

In South Africa, we are represented in the major centres which are integrated with the UK and Australian operations. We provide banking products and services to high income earning clients. In addition, clients with a high net asset value gain access to structured property and growth and acquisition finance. Ultra high net worth clients receive these products and services, as well as a comprehensive wealth management, advisory and trust and fiduciary service.

This unique offering has a strong franchise among successful entrepreneurs, high earning employees and self-directed internationally mobile clients.

Our principal private banking products and services are described in further detail below.

### Banking Products and Services

This offering comprises a wide range of onshore and offshore banking services from a range of jurisdictions in multiple currencies. These include lending, foreign exchange, daily transactional banking, short-term insurance and treasury. The treasury area spans currency deposits, money market deposits, structured deposits and cash management services.

### Structured Property Finance

Structured property finance, a key part of our business, provides senior debt, mezzanine and equity to high net worth individuals involved in residential and commercial property markets.

### Growth and Acquisition Finance

We provide private empowerment consortia, family businesses, entrepreneurs and management teams with senior, mezzanine or composite debt funding and minority equity investment solutions. Flexible and bespoke finance is available for implanting acquisition and organic growth strategies for South African based, privately owned, mid-market companies with a net asset value of less than R125 million.

### Investment Management

We offer ultra high net worth private clients an independent wealth management service. Driven by an individual's specific requirements, the offering represents a bespoke strategic asset allocation where a dedicated investment practitioner proactively partners clients in line with their changing needs.

Through an open architecture, this highly disciplined yet personal service encapsulates a wide range of asset types, blending both traditional and alternative investments in accordance with the targeted risk profile and agreed objectives.

Our investment methodology, detailed qualitative and quantitative due diligence process and access to the expertise of some of the world's leading financial institutions enable us to offer clients products and services that are often exclusive and institutional in nature.

### Trust and Fiduciary Services

Critical to our offering is the ability to implement appropriate structures on behalf of clients. Investec Trust operates in a unique space in the fiduciary market, as a bank owned trust company with the independence to work with partners best suited to client needs. Working alongside these partners, the focus is on the delivery and administration of complex and effective international financial structures.

## Treasury and Specialised Finance

Our Treasury and Specialised Finance division provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. We undertake the bulk of Investec's proprietary trading activities. Furthermore, all non-private client deposit taking, corporate and public sector lending, project finance, advisory and structuring activities are transacted through us.

Our activities can be described as either Banking or Financial Markets operations.

Banking Activities comprise structured and asset finance, project finance, commodity and resource finance, financial products, corporate treasury and balance sheet management.

Financial Markets Activities consist of foreign exchange, equity derivatives and interest rates. These units are mainly involved in the execution of client driven transaction flow, structuring and proprietary trading. Speculative proprietary trading is limited.

The breadth of activities allows us to provide a portfolio where by sustained growth should be achievable.

### Banking Activities

#### Treasury - corporate treasury and asset and liability management

Treasury provides Rand, Pounds Sterling, Euro and US Dollar funding to the group, and manages liquidity and interest rate risk on behalf of the group. We offer a broad range of treasury products and services to the corporate and public sector markets.

#### Financial Products

We are involved in commercial paper, bond origination, securitisation, financial engineering, preference share investments and structures, equities scrip lending, credit structuring, credit derivatives and the development of investment products.

#### Structured and Asset Finance

This focuses on structured and conventional lending, bond origination, securitisation and advice, asset leasing and finance, preference share finance, mezzanine debt financing, leveraged buy-out funding, executive share schemes and financing solutions for corporate, government and public sector clients.

#### Project Finance

We provide advisory services, debt arranging and underwriting and equity raising in infrastructure and industrial sectors with a focus on roads, ports, healthcare, defence projects, transport and power.

#### Commodities and Resource Finance

We are a participant in the precious and base metals markets, and provide hedging and structured trades for clients in the spot and derivatives markets.

We also offer advisory services, debt arranging and underwriting, equity raising in the mining resources industry and structured hedging solutions.

### Financial Markets Activities

#### Interest Rates

This unit is involved with interest rate products, forward rate agreements, interest rate swaps, money market instruments, government and certain public sector bonds, interest rate options and repurchase agreements.

#### Foreign Exchange

We are a participant in the spot, forward exchange, currency swaps and currency derivatives markets, principally in Rand and G7 currencies and certain emerging markets currencies.

#### Equity Derivatives

Our focus is on major equity index options, certain single stock options, equity structured products, futures index arbitrage and equity warrants. We provide hedging and structuring services to financial intermediaries, institutions and companies.

## Investment Banking

We engage in a range of investment banking activities, including corporate finance, direct investments and private equity.

We are established as one of South Africa's leading domestic corporate finance houses, focusing on the provision of corporate advisory services to large and mid-capitalisation companies. In addition, as a result of our local knowledge and expertise, we are well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which we have been involved.

### Corporate Finance

Since 1999, domestic capital market activity in South Africa has been limited. Accordingly, we have focused on the development of our domestic financial advisory business, in particular regarding black economic empowerment transactions, mergers and acquisitions, divestitures, restructurings and the provision of innovative and creative deal structures and advice.

# Overview of Investec Bank Limited activities

## Direct Investments

As a result of our in-depth market knowledge and local expertise, we are well positioned to take direct positions in predominantly JSE listed shares where we believe that the market is mispricing the value of underlying portfolio of assets. These investment positions will be carefully researched with the intent to stimulate corporate activity. We also pursue opportunities to help create and grow black owned and controlled companies.

## Private Equity

We actively seek and select expansion and buy-out investments as principal in unlisted South African companies. Investments are selected based on the track record of the management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy.

## Other Activities

Other Activities include those operations that are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations. Also included are those operations that do not yet fall into one of our principal business divisions and that we have grown organically or retained following acquisition due to their profitability and diversifying effect on our income streams.

### International Trade Finance

We acquired our International Trade Finance business, Reichmans Capital, in South Africa in 1990. Clients are small to medium-sized owner managed businesses. We offer trade, asset and debtor finance to provide clients with working capital and funding for the acquisition of assets, and to facilitate growth.

## Group Services and Other Activities

### Central Services

Central Services is made up of functional areas that provide services centrally across all our business operations. Consistent with our philosophy of operating as a single organisation, Central Services provides integrating mechanisms between the business operations. While these services do not form part of the operating divisions, we recently adopted a policy of allocating a portion of these costs to the divisions.

Our principal Central Services, relating to the operations and control of our business, are Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group Marketing and Organisation Development. Other group support services include: Head Office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Information Centre, Regulatory and Facilities. There are certain costs that are strategic in nature and which have not been allocated to the operating divisions.

### Central Funding

Our business model involves maintaining a central pool of capital, with the aim of obtaining economies of scale for corporate investments, funding and overall management. We use various sources of funding, depending on the specific financial and strategic requirements we face at the time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to our principal operating divisions.

Financial review

## Entrepreneurial

Entrepreneurship is inspired through a flat integrated management structure that encourages individuality and fosters the constant creativity needed to capture growth opportunities. We promote entrepreneurial flair and the freedom to operate within the context of risk consciousness, sound judgement and the obligation to do things properly. This mind-set together with our strong values system creates a working environment that encourages extraordinary performance.





Entrepreneurial

# Commentary on the results of Investec Bank Limited for the year ended 31 March 2005

## Introduction

Investec Bank Limited posted operating profit before exceptional items and amortisation of goodwill, of R1 404 million - an increase of 37.4%. We benefited from continued strict focus on driving profitable growth in our core businesses supported by favourable economic conditions.

An analysis of the performance of each business unit is provided below.

## Financial highlights

As at 31 March	2005	2004
Operating profit before exceptional items and amortisation of goodwill (R'million)	1 404	1 022
Headline earnings (R'million)	823	597
Total capital resources (R'million)	11 762	12 661
Total shareholders' funds (R'million)	8 801	9 700
Total assets (R'million)	88 376	82 399
Cost to income ratio	45.7%	47.5%
Capital adequacy ratio	19.5%	19.8%
Tier 1 ratio	13.2%	10.5%

## Business unit review

### Private Banking

#### Overview of performance

The Private Bank posted operating profit before exceptional items and amortisation of goodwill, of R388 million - an increase of 82.2% - driven by solid growth in advances and non-interest income.

Strong performances were recorded across the majority of Private Banking activities with notable performances from Structured Property Finance, Growth Finance and Investment Management activities. Since 31 March 2004, the private client lending book has grown by 30.2% to R29.0 billion and the division increased its retail deposit book by 30.6% to R13.5 billion.

## Developments

- Our Growth and Acquisition Finance capability expanded into all regions.
- Significant progress was achieved in our wealth management specialisation.
- We provided funding of more than R1.45 billion in support of black economic empowerment initiatives.

## Outlook

We have carefully planned growth strategies, which include increased distribution capability, a pipeline of new initiatives and existing deal flow that will support the current momentum. Although the Structured Property Finance specialisation grew strongly over the last three years, we reduced dependency on this business by developing scale in our Growth and Acquisition Finance and Investment Management areas.

## Strategic focus

**Mission: To be the specialist banking partner of choice in the creation of distinctive value for our targeted clientele.**

### What is our strategy?

- Our strategy is to provide both financial leverage and acumen necessary to achieve our clients' financial dreams.
- It is our intent to be recognised as a leading, distinct and specialist wealth generator.
- In the pursuit of risk adjusted returns for our clients, partners and shareholders, we seek to differentiate ourselves by leveraging our core competence in risk management to create, hold and provide privileged access to niched credits and niched investment opportunities.

### How is it implemented?

- Identified specialisations leverage off our core competence and exploit distinct value and margin opportunity.
- We achieve this through a chosen talent pool delivering distinctive value through partnerships and a diagnostic approach to our select clients.
- We concentrate on growth markets and client segments where we have an affinity and can establish and maintain a leadership position.
- Adherence to our core philosophies and brand values underpin our platform for growth and aspiration.
- The focus for the forthcoming period will be to:
  - Establish scale in each of the existing specialisations.
  - Invest in new specialisations.

## Treasury and Specialised Finance

### Overview of performance

The Treasury and Specialised Finance division posted operating profit before exceptional items and amortisation of goodwill of R315 million - in line with the prior year. We benefited from a relatively stable interest rate environment and an improvement in dealing profits, following a disappointing performance in the prior period.

### Developments

#### Banking Activities

The advisory and structuring businesses performed well, with notable performances from the Structured Finance and Financial Products divisions.

#### Treasury

- Liquidity was well managed and we performed strongly in a more stable interest rate environment.

#### Financial Products

- A specialist derivatives sales and structuring team was created to focus on providing customers with specialist solutions across all trading book products. Product innovation remains high and the commercial paper conduit was successfully launched, with R1.5 billion of assets added in the last nine months of the year.

#### Structured and Asset Finance

- The Acquisition Finance business had a good year, completing a number of successful large corporate deals.
- The debt origination and securitisation business was moved from the Financial Products team to enhance synergies in the two areas and a number of new initiatives were implemented focusing on black economic empowerment, the mid corporate market and property finance.

#### Project and Infrastructure Finance

- The strong Rand and a slowdown in government spending had a negative impact on performance.

#### Commodities and Resource Finance

- A number of deals were successfully closed, although the strong Rand meant that deal flow was slow.

#### Financial Markets Activities

The performance of the Financial Markets Activities improved as the move away from proprietary trading to a more client centric trading and structuring approach reduced volatility on the trading desks.

#### Interest Rates

- Liquidity and flow levels in the market remained low and performance was acceptable given market conditions.

#### Foreign Exchange

- Successful corporate foreign exchange marketing initiatives contributed to the achievement of good profitability.

#### Equities Derivatives

- A difficult year was experienced as equity volatilities reached their lowest level. This was offset by successes in the structuring area.

### Outlook

There is a good level of positive momentum in the business, which is more apparent than at the same time last year. Line of sight income is good. Initiatives with potential benefit in the year ahead relate to leveraging off existing platforms, with greater penetration of the existing client base and active measures to increase this. On balance, we have built a strong platform and are well positioned to target significant and sustainable growth.

### Strategic focus

#### Our objectives include:

- Continuing to remain a focused and specialised business, targeting markets and products where we can be distinctive and competitive.
- Ensuring, through strong discipline centred on clients and delivery of structured products:
  - Asset creation opportunities
  - Product structuring and distribution
  - Trading, hedging and proprietary market opportunities
  - Advisory business
- Developing our market leading position, focusing on growth initiatives and growing a portfolio of quality term assets.
- Continuing to concentrate on systems, processes and automation, particularly in the trading businesses, to ensure maximum competitive advantage and long-term cost savings.
- Taking advantage of a significant opportunity to use our skill to launch specialist funds. A number of initiatives are underway which should ensure significant annuity fees in time.
- Targeting significant and sustainable growth.

# Commentary on the results of Investec Bank Limited for the year ended 31 March 2005

## Investment Banking

### Overview of performance

Operating profit before exceptional items and amortisation of goodwill, increased slightly from R280 million to R282 million, benefiting from a good performance from the Direct Investment and Private Equity portfolios.

### Developments

#### Corporate Finance

- We maintained our strong positioning with a steady level of activity.
- Our focus was on corporate restructuring activities, black economic empowerment transactions, de-listings and the high profile hostile bid by Harmony for Goldfields.
- All major clients were retained and several new mandates were gained during the period, particularly for black economic empowerment transactions.
- Statistics:
  - Number of corporate finance transactions completed during the period decreased to 88 (2004: 93), with the value increasing to R32.4 billion (2004: R20.0 billion).
  - Number of sponsor broker deals completed during the period increased to 94 (2003: 83), with the value increasing to R25.8 billion (2004: R17.3 billion).
  - The Corporate Finance division was ranked second in the volume of M&A transactions and second in general corporate finance by volume in the Dealmakers Magazine Survey for Corporate Finance (March 2005).
  - The Sponsor division was ranked first in the volume of M&A transactions and second in general corporate finance by volume in the Dealmakers Magazine Survey for Sponsors (March 2005).

#### Private Equity and Direct Investments

- The Private Equity portfolio increased to an aggregate value of R366 million (2004: R217 million), mainly driven by good performance from existing investments, a number of acquisitions and improved equity markets.
- The Direct Investments portfolio at year end was approximately R460 million.

## Outlook

Our outlook is naturally geared towards the state of global equity markets.

- The corporate finance pipeline is reasonable, which will maintain the current momentum and we expect black economic empowerment transactions to continue to drive activity.
- The outlook for Private Equity remains positive, based on the quality pipeline in place. We continue to look for value creation opportunities.
- We remain active in looking for direct investment opportunities, while continuing to unlock further value from the portfolio and building quality black economic empowerment platforms.

## Strategic focus

**Mission: To be a premier international investment bank distinguished by our leadership in chosen niches, our people and their approach, and our bond with our clients.**

Our primary objectives are to secure our current positionings and to continue building our operations, with a strong focus on enhancing overall profitability.

#### Corporate Finance

- Leverage leading position in local market.
- Identify appropriate investment banking transactions and IPO candidates.
- Continue with strategy relating to black economic empowerment.
- Improve cross-border activity.

#### Private Equity and Direct Investments

- Focus on quality, not quantity, in selected industries.
- Concentrate on closer co-operation with empowerment partners.
- Convert on current transaction pipeline.
- Expand selected platforms and exit non-core and smaller holdings.
- Cover overheads from dividends and fees.

## Group Services and Other Activities

### Overview of performance

The Group Services and Other Activities division posted a significant increase in operating profit before exceptional items and amortisation of goodwill from R210 million to R433 million. This was largely as a result of a solid performance by the Central Funding division which benefited from a lower interest rate environment, an improved capital structure and favourable capital market conditions.

### Developments

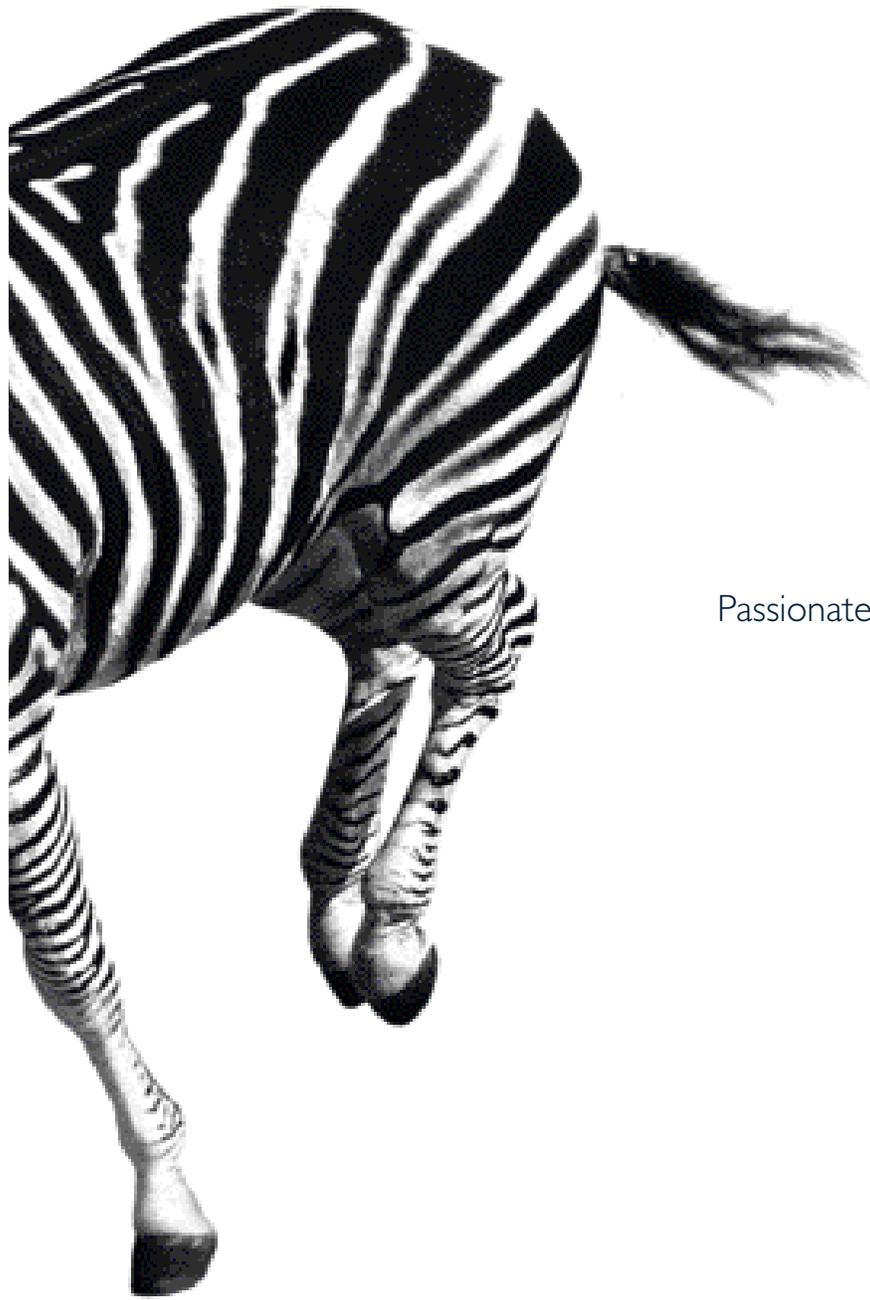
#### International Trade Finance

- ReichmansCapital produced commendable results, with good growth in the book of 11.8% to R604 million.
- All three areas of business, particularly trade finance which benefited from lower interest rates and a strong Rand, reported good performance.
- We will continue with our strategy of pursuing organic growth and exploiting opportunities in existing target markets.

## Passionate

We employ individuals of the highest calibre, who have integrity, intellect and the ability to innovate. The quality of our people is a definitive aspect of our success and it is their passion to succeed and persistent dedication that allows us to provide distinctive service for our clients.





Passionate

## Risk management and corporate governance

# Risk management and governance

## Risk management

Effective risk management is critical to Investec. Taking international best practice into account, we follow a comprehensive risk management process, which involves identifying, understanding and managing the risks associated with each of our businesses.

We monitor and control risk exposure through focused market, credit, liquidity, operational and legal risk reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue growth across our business.

A culture of risk awareness, control and compliance is also embedded in our day-to-day activities.

While each business unit retains primary responsibility for managing the risks that come with its business, a centralised division, Group Risk Management (part of Group Services), independently monitors, manages and reports on our risk, as mandated by the Board of Directors through the Board Risk Review Committee. Group Risk Management has established operational divisions in South Africa and the UK, and smaller risk divisions in other regions.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives.

Group Risk Management continually seeks new ways to enhance its risk management techniques. However, no bank can completely or accurately predict or fully assure the effectiveness of its policies and procedures for managing risk.

A detailed account of our risk management philosophies and processes can be found in the group's Annual Report for the year ended 31 March 2005.

## Internal Audit

Internal Audit provides objective assurance to the board that management processes are adequate to identify the significant risks which the business is subject to and that the control environment is effective enough to manage those risks. Internal Audit recommends enhancements to risk management, control and governance processes where weaknesses are identified.

An Internal Audit charter, approved by the Group Audit Committees and reviewed annually governs internal audit activity within the group. The charter defines the role, objectives, authority and responsibilities of the function.

As a result of the silo specific regulatory responsibilities arising from the Dual Listed Companies structure, there are essentially two group Internal Audit divisions located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. All the Internal Audit departments use similar risk based methodologies.

The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the chairman of their entity's Audit Committee. They operate independently of executive management but have ready access to their local Chief Executive Officer and the Chairman of the Audit Committee. For administrative and co-ordination purposes, they also report to the Global Head of Corporate Governance and Compliance.

Further details on our Internal Audit division can be found in the group's Annual Report for the year ended 31 March 2005.

## Compliance

In order to meet the regulatory requirements arising from the implementation of the Dual Listed Companies structure, independent Group Compliance functions exist within both Investec plc and Investec Limited. These functions operate under terms of reference approved by the board and the Audit Committee. A Group Compliance Officer, who operates independently from executive management and is responsible for ensuring adequate management of compliance risk within each silo, heads each function. Each Group Compliance Officer reports directly to the Chief Executive Officer and the Global Head of Compliance, with unrestricted access to the Chairman of the Audit Committee. The Global Head of Compliance is responsible for management of the compliance function across the Dual Listed Companies structure.

Group Compliance functions work closely to ensure consistent management of compliance risk group-wide. A key responsibility of the Group's Compliance Officers is to develop and maintain constructive working relationships with regulators and supervisors in all our geographies.

Further details on our Compliance division can be found in the group's Annual Report for the year ended 31 March 2005.

# Risk management and governance

## Credit ratings

In general, we were assigned strong ratings for credit quality, capacity for timely repayment and financial strength. In terms of our Dual Listed Companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group, namely Investec Bank (UK) Limited, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely Investec plc and Investec Limited.

The ratings as at 31 March 2005 are set out as follows:

### Ratings for Investec Limited

#### CA Ratings

Local currency short-term rating	A1+
Local currency long-term rating	A+

#### Fitch

Individual rating	B/C
Support rating	5
Foreign currency short-term rating	F3*
Foreign currency long-term rating	BBB*

### Ratings for Investec Bank Limited

#### CA Ratings

Local currency short-term rating	A1+
Local currency long-term rating	A+

#### Capital Intelligence Ratings

Domestic strength rating	A-
Foreign currency short-term rating	A3*
Foreign currency long-term rating	BBB-*

#### Fitch

Individual rating	B/C
Support rating	2
Foreign currency short-term rating	F3*
Foreign currency long-term rating	BBB*
Local currency short-term rating	F1
Local currency long-term rating	A+

#### Global Credit Rating Co.

Local currency short-term rating	A1+
Local currency long-term rating	A+

#### Moody's

Financial strength rating	C-
Foreign currency short-term deposit rating	Prime-2*
Foreign currency long-term deposit rating	Baa1*
National scale short-term rating	Prime-1
National scale long-term rating	Aa3

\* Constrained by the sovereign rating for South Africa.

## Corporate governance

This section provides a summary of our corporate governance philosophy and practices. A more detailed review is provided in the group's Annual Report for the year ended 31 March 2005.

Our values and philosophies form the framework against which behaviour, practices and activities are measured, to assess the characteristics of good governance. Our values require directors and employees to conduct themselves with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

Accordingly sound corporate governance is implicit in our values, culture, processes, functions and organisational structure and the structures designed to formalise oversight of and to ensure that the values remain embedded in all businesses and processes. We continue to refine both these structures, and a written Statement of Values, which serves as our Code of Ethics and has always been a pillar of our culture.

### Governance highlights and achievements

- CA Ratings reaffirms extremely sound corporate governance rating of Aag.
- We embarked on the initial phase of a comprehensive stakeholder engagement process. The aim of this process is to obtain a broad understanding of the issues that are of material interest to stakeholders regarding our sustainability performance.
- We were included in the JSE Socially Responsible Investment (SRI) Index for the second consecutive year.
- We continued to receive recognition for our ongoing commitment to provide timely, detailed and relevant disclosure to stakeholders and were rated in the excellent category (just outside the top 10) of the top 100 listed companies on the JSE in terms of the Ernst & Young Excellence in Financial Reporting Awards.
- We were awarded first place for our remuneration practices in the 2004 South African Deloitte Good Governance Awards.

### Board statement

The board is of the view that Investec complied with the Principles of Good Governance and Code of Best Practice contained in the South African King II "Code of Corporate Practices and Conduct" (King II) during the period under review, except as follows:

- The Chairman of the board is not considered to be independent, but has distanced himself from any executive authority and status, thus enhancing his status as a non-executive director.

## Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec Bank Limited financial statements, accounting policies and the information contained in the Annual Report.

The financial statements have been prepared on a going concern basis. The board is of the opinion, based on its knowledge of the bank, key processes in operation and specific enquiries, that there are adequate resources to support the bank on a going concern basis over the next year.

### Board of directors

The composition of the board of Investec Bank Limited is set out on page 17.

The board is responsible for reviewing and guiding corporate strategy, through the establishment of key policies and objectives, understanding the key risks we face, and determining our risk tolerance and the processes in operation to mitigate these.

The board has defined the limits of delegated authority and is ultimately responsible for assessing and managing risk policies and philosophies; overseeing major capital expenditures, acquisitions and disposals; approving the establishment of businesses; and approving the introduction of new products and services.

In fulfilling its responsibilities, the board is supported by management, who are required to implement the plans and strategies approved by the board. The board monitors management's progress on an ongoing basis.

The majority of the board members are non-executive directors. The board is of the view, that the majority of the non-executive directors are independent and promote the interests of stakeholders. The balance of executive and non-executive directors is such that no one person or group can dominate the board processes.

The board is considered to be appropriately skilled with regard to their responsibilities and the activities of the group. The skill and experience profile of the board is regularly considered, to ensure an appropriate and relevant board composition.

# Risk management and governance

## Board committees

The board is supported by specialist committees, as follows:

- Audit Committee
  - Audit sub-committee
  - Audit and Compliance Implementation Forum
- Board Risk Review Committee
  - Executive Risk Review Forum
  - Group Credit Committee
  - Asset and Liability Committees
  - Group Market Risk Forum
  - Group Deal Forum
  - Operational Risk Forum
  - Legal Risk Forum
  - Country Risk Forum
- Directors Affairs Committee
- Nomination Committee
- Remuneration Committee
- Capital Committee

These committees have specific terms of reference, appropriately skilled members, independent non-executive director membership, senior management participation and access to specialist advice when necessary.

### Directors Affairs Committee

Investec Bank Limited has established a Directors Affairs Committee, as required by the South African Banks Act.

The role of the committee is to assist the board:

- Through regular interactions with the board and management in the determination and evaluation of the adequacy, efficiency and appropriateness of corporate governance structures and practices of the bank on an ongoing basis.
- To ensure that the bank and its subsidiaries (the group) are complying with the applicable laws and regulations as well as codes of conduct.
- To ensure that the board operates effectively by regularly reviewing the composition of skills and experience of all directors.
- To establish and maintain a continuity programme to regularly review the succession plan for all directors.
- By updating the board on any emerging issues relating to corporate governance.
- To annually assess the effectiveness of the board and the contribution of each director. Where necessary, advise the board whether the employment of any director should be terminated.
- By reviewing policies, procedures and matters that the board may refer to the committee.
- To review and ensure that any conflicts of interest relating to

directors have been dealt with appropriately.

- By reviewing all corporate governance related documents which need board approval (e.g. Annual Report disclosures, Regulation 38 and 39 of the Banks Act).
- To ensure that adequate succession plans are in place for the key positions of the bank.

<b>Membership</b>	
Chairman	HS Herman
Members	<b>Non-executive directors</b> D Motsepe Dr MZ Nosi FTiti RAP Upton
Meeting times during the year	Twice

## Management and succession planning

Global business unit heads, geographic management, and heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network.

Furthermore, each strategic business unit has an executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision. Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent.

### Internal control

We continued to embed the principles of the Turnbull guidance ("Internal Control: Guidance for Directors on the Combined Code"), issued by the Institute of Chartered Accountants of England and Wales in 1999, throughout the group during the year under review. We also took cognisance of the King II Code requirements in South Africa.

Risks and controls are reviewed regularly for relevance and effectiveness. The Board Risk Review Committee assists the board in this regard. Sound risk management practices are

promoted by the Group Risk Management function, which is independent of operational management.

The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

The system of internal control is designed to manage, not eliminate, significant risks we face and was in place for the year under review. It is recognised that such a system can only provide reasonable, and not absolute, assurance against material error, omission, misstatement or loss. This is achieved through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums and assurance and control functions such as Risk Management, Internal Audit and Compliance. These ongoing processes were in place for the year under review.

As part of the process, risk and control identification is completed and assessed at business unit level. Each business unit has responsibility and accountability for management of its own risk, following a consistent risk assessment process through workshops facilitated by Group Risk Management. Risks to shareholder value are defined, and the risks to these objectives and controls for each risk are identified and evaluated. The action plans and risk and control issues arising from this process are reviewed regularly at the relevant executive and management committees based at a business unit level.

Senior management reviews these risk assessments regularly.

Internal Audit reports control recommendations to senior management, Risk Management, the relevant Audit Committee and relevant Sub-Audit Committees. Appropriate processes ensure that timely corrective actions are taken on matters raised by Internal Audit.

Significant risks are reviewed weekly by the Executive Risk Review Forum and monthly by the Board Risk Review Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk Review Committee and the Audit Committee. Reports from the Audit Committees, Board Risk Review Committee and risk and control functions are reviewed at each board meeting.

### External audit

Our external auditors are Ernst & Young and KPMG Inc. The independence of the external auditors is recognised, and reviewed with the auditors by the Audit Committee on an annual basis.

The Audit Committees meet with the external auditors to

review the scope of the external audit, budgets and any audit matters arising.

Non-audit services are dealt with in terms of an agreed policy.

### Regulation and supervision

We are subject to external regulation and supervision by various supervisory authorities - the main ones being the South African Reserve Bank (SARB), the Financial Services Board and the Bank of Mauritius.

### Values and code of conduct

We have a strong organisational culture of entrenched values, which forms the cornerstone of our expected behaviour towards all stakeholders. These values are embodied in a written Statement of Values, which serves as our Code of Ethics and is continually reinforced. Regular values review workshops are conducted across the group, allowing staff members to debate the meaning, importance and relevance of these values to our daily operations.

### Communication and stakeholder relations

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders. The purpose is to help these stakeholders make meaningful assessments and informed decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We also seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of the risks. Another objective is to show a balance between the positive and negative aspects of our activities, in order to achieve a comprehensive and fair account of our performance.

### Sustainable business practices

In keeping with our entrepreneurial spirit, our sustainability efforts focus on issues that are most relevant to our business.

As people are our most important asset, we have comprehensive policies and procedures in place, aimed at providing a stimulating work environment that attracts, nurtures and retains high-calibre individuals. We strive to inspire entrepreneurship through a flat integrated structure that encourages individuality. Material employee ownership is one of our fundamental philosophies. The staff share schemes enable employees to participate in our long-term growth, encouraging motivation, commitment and loyalty. By aligning

# Risk management and governance

our employees' interests with those of our shareholders, we aim to stimulate the entrepreneurial spirit, growing a culture dedicated to creating wealth for all stakeholders and employees. New employees across all gender and race groups participate in the staff share schemes, by being allocated options to acquire equity.

This, together with our culture, values and human resources practices, creates a working environment that stimulates extraordinary performance. In this way, employees are able to be positive contributors to the group, clients and their communities.

For further information on sustainable business practices, refer to the 2005 Sustainability Report.

## Executive Directors

**David M Lawrence (53)**  
BA(Econ) (Hons) MCom  
Deputy Chairman

**Glynn R Burger (48)**  
BAcc CA(SA) H Dip BDP MBL

**Bernard Kantor (55)**  
Managing Director

**Stephen Koseff (53)**  
BCom CA(SA) H Dip BDP MBA  
Chief Executive Officer

**Bradley Tapnack (58)**  
BCom CA(SA)

## Non-Executive Directors

**Hugh S Herman (64)**  
BA LLB LLD (Honoris CAUSA)  
Non-Executive Chairman

**Sam E Abrahams (66)**  
FCA CA(SA)

**Donn E Jowell (63)**  
BCom LLB

**Mangalani Peter Malungani (47)**  
BCom MAP LDP

**Daphne R Motsepe (47)**  
BR BCompt MBA

**Dr Morley Z Nkosi (69)**  
BSc MBA PhD

**Peter R S Thomas (60)**  
CA(SA)

**Fani Titi (42)**  
BSc (Hons) MA MBA

**Russel A P Upton (70)**  
CA(SA)

## Sustainability

While short term performance is important, we believe that our long term success is dependent on building a sustainable track record. Consequently, we have set financial targets that challenge and inspire us to perform. We recognise that doing the right thing for our employees, clients, shareholders and communities over a long period of time will enable us to meet the aspirations of all our stakeholders.



Sustainability

Financial statements

# Directors' responsibility

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## Financial statements for Investec Bank Limited

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies have been consistently applied, except for changes in accounting policies as detailed in the notes of the annual financial statements, and are supported by reasonable and prudent judgements and estimates. The directors are satisfied that the information contained in the financial statements fairly presents the operations and cash flows for the year and the financial position of the group at the year end. The financial statements appearing on pages 22 to 61 were approved by the Board of Directors on 10 May 2005 and are signed on its behalf by



Hugh Herman  
Chairman



Stephen Koseff  
Chief Executive Officer

Furthermore, the group's external auditors have audited the financial statements and their unqualified report appears on page 21.

## Declaration by company secretary

In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 31 March 2005, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



S Noik  
Group Secretary  
10 May 2005

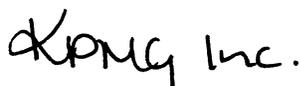
# Investec Bank Limited

## Report of the independent auditors

We have audited the annual financial statements and group annual financial statements of Investec Bank Limited set out on pages 22 to 61 for the year ended 31 March 2005. 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.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 March 2005, and of the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and the manner required by the Companies Act in South Africa.



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

Johannesburg  
10 May 2005



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

## Nature of business

Investec Bank Limited is a specialised bank providing a diverse range of financial products and services, including Private Banking, Treasury and Specialised Finance and Investment Banking, to a niche client base in South Africa and Mauritius.

## Group results

The results of Investec Bank Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2005.

A review of the operations for the year can be found on pages 7 to 10.

## Authorised and issued share capital

Details of the share capital are set out in note 9 to the financial statements.

On 23 September 2004 special resolutions were passed in terms of which:

- the authorised share capital was increased by the creation of 55 000 000 new non-redeemable, non-cumulative, non-participating preference shares of one cent each.
- the Memorandum of Association was amended to reflect the increase in the authorised share capital.

## Ordinary dividends

A dividend of R395 000 000 was declared on 1 December 2004 and was paid on 15 December 2004.

## Preference dividends

Non-redeemable non-cumulative non-participating preference shares.

Preference dividend number 2 amounting to 446.0 cents per share was declared on 11 June 2004 to shareholders registered on 2 July 2004 and was paid on 5 July 2004.

Preference dividend number 3 amounting to 427.7 cents per share was declared on 12 November 2004 to shareholders registered on 3 December 2004 and was paid on 6 December 2004.

Preference dividend number 4 amounting to 411.37 cents per share was declared on 20 May 2005 to shareholders registered on 1 July 2005 and will be paid on 4 July 2005.

## Directors

Details of the directors are reflected on page 17.

No changes occurred during the year under review.

Messrs S E Abrahams, S Koseff, B Kantor, G R Burger and B Tapnack retire by rotation in terms of the Articles of Association and being eligible, offer themselves for re-election.

## Directors' shareholdings

No director holds any ordinary shares in Investec Bank Limited.

Directors' shareholdings in Investec Limited and Investec plc and in Investec Limited and Investec Bank Limited preference shares are set out on page 50.

## Directors' remuneration

Directors' remuneration is disclosed on page 49.

## Secretary and registered office

The secretary is Selwyn Noik.

The registered office is 4th floor, 100 Grayston Drive, Sandown, Sandton, 2196

## Audit committee

An Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance 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. Further details on the role and responsibilities of the Audit Committee are set out in the group's Annual Report for the year ended 31 March 2005.

# Director's report

## Auditors

Ernst & Young and KPMG Inc. have expressed their willingness to continue in office as joint auditors. A resolution to re-appoint Ernst & Young and KPMG Inc. as joint auditors, will be proposed at the annual general meeting.

## Holding company

The bank's holding company is Investec Limited.

## Subsidiary companies

Details of principal subsidiary companies are reflected on page 55.

The interest of the company in the aggregate profits after tax of its subsidiary companies is R251 million (2004: R330 million) and its share in aggregate losses is R90 million (R2004: R655 million).

## Major shareholders

Investec Limited owns 100% of the issued ordinary shares.

## Special resolutions

At the general meeting of members held on 23 September 2004, special resolutions were passed in terms of which the authorised non-redeemable non-cumulative non-participating preference share capital was increased to 70 million shares of one cent each by the creation of 55 million new shares of one cent each.

At the annual general meeting a special resolution will be proposed to adopt new articles of association incorporating all the amendments made to the existing articles of association since 1969.

## Accounting policies and disclosures

Accounting policies are set having regard to commercial practice and comply with the applicable accounting standards. These policies are set out on pages 26 to 31.

## Creditor payment policy

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

## Basel II

The revised international capital adequacy framework (Basel II) was published during the year. This framework is designed to differentiate minimum regulatory capital requirements in a risk sensitive manner and incentivise and recognise sound risk management, internal control and governance practices. We have actively concentrated on ensuring that we will be ready for the implementation of Basel II in all our activities around the world. The framework is expected to be implemented at the beginning of January 2007 for the UK and a year later for South Africa.

## Employees

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

## Empowerment and transformation

The issue of empowerment and transformation remains high on the corporate agenda in South Africa, with the "big four" retail banks announcing empowerment transactions during the past year. We have previously effected our own empowerment transaction and are ready for implementation of the Financial Sector Charter, with all our reporting systems in place.

## Environment

Investec Bank Limited is committed to pursuing sound environmental policies in all aspects of its business and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

## Subsequent events

There are no facts or circumstances which occurred between the accounting date and the date of this report.



Selwyn Noik  
Company Secretary  
Investec Limited  
10 May 2005

# Income statement

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For the year ended 31 March  
R'million

	Notes	Group		Company	
		2005	2004	2005	2004
Interest received	17.1	6 762	6 551	5 559	5 718
Interest paid	17.2	(5 050)	(5 242)	(4 095)	(4 624)
<b>Net interest income before impairment of advances</b>		<b>1 712</b>	<b>1 309</b>	<b>1 464</b>	<b>1 094</b>
Impairment of advances	6	(131)	(173)	(82)	(172)
		<b>1 581</b>	<b>1 136</b>	<b>1 382</b>	<b>922</b>
Other income	18.1	1 119	962	1 054	1 376
<b>Total income</b>		<b>2 700</b>	<b>2 098</b>	<b>2 436</b>	<b>2 298</b>
Operating expenses	18.2	(1 296)	(1 076)	(1 211)	(1 004)
<b>Operating profit before taxation</b>		<b>1 404</b>	<b>1 022</b>	<b>1 225</b>	<b>1 294</b>
Taxation	19	(249)	(131)	(231)	(78)
<b>Operating profit after taxation</b>		<b>1 155</b>	<b>891</b>	<b>994</b>	<b>1 216</b>
Earnings attributable to minority shareholders		(1)	(1)	-	-
<b>Earnings attributable to shareholders</b>		<b>1 154</b>	<b>890</b>	<b>994</b>	<b>1 216</b>
<b>Headline earnings attributable to ordinary shareholders</b>	20	<b>823</b>	<b>597</b>	<b>649</b>	<b>926</b>

# Balance sheet

At 31 March  
R'million

## Assets

Cash and short-term funds  
Short-term negotiable securities  
Investment and trading securities  
Other assets  
Advances  
Loans to group companies  
Subsidiary companies  
Property and equipment

## Equity and liabilities

### Capital and reserves

Ordinary share capital  
Compulsorily convertible debentures  
Perpetual preference shares  
Reserves

Interest of minority shareholders in subsidiary

Total shareholders' funds

Subordinated debt

### Liabilities

Redeemable preference shares  
Deposits and other accounts  
Taxation

Notes	Group		Company	
	2005	2004	2005	2004
2	13 221	11 764	13 146	11 578
3	7 982	6 336	7 962	6 283
4	14 929	15 807	12 438	16 708
5	708	629	487	484
6	42 960	36 629	35 826	28 976
7	8 455	10 548	7 003	8 063
28	-	-	3 279	2 529
8	121	686	110	663
	<b>88 376</b>	<b>82 399</b>	<b>80 251</b>	<b>75 284</b>
9	16	16	16	16
10	681	1 938	681	1 938
11	1 491	1 491	1 491	1 491
12	6 608	6 226	5 777	5 554
	<b>8 796</b>	<b>9 671</b>	<b>7 965</b>	<b>8 999</b>
	5	29	-	-
	<b>8 801</b>	<b>9 700</b>	<b>7 965</b>	<b>8 999</b>
13	2 961	2 961	2 961	2 961
	<b>11 762</b>	<b>12 661</b>	<b>10 926</b>	<b>11 960</b>
14	1 655	1 740	-	-
15	74 492	67 866	68 885	63 217
16	467	132	440	107
	<b>76 614</b>	<b>69 738</b>	<b>69 325</b>	<b>63 324</b>
	<b>88 376</b>	<b>82 399</b>	<b>80 251</b>	<b>75 284</b>

# Statement of changes in equity

For the year ended 31 March  
R'million

	Notes	Group		Company	
		2005	2004	2005	2004
<b>Ordinary share capital</b>					
Balance at beginning and end of year	9	16	16	16	16
<b>Compulsorily convertible debentures</b>					
Balance at beginning of year		1 938	1 938	1 938	1 938
Buyback of debentures		(1 257)	-	(1 257)	-
Balance at end of year	10	<b>681</b>	<b>1 938</b>	<b>681</b>	<b>1 938</b>
<b>Perpetual preference shares</b>					
Balance at beginning of year		1 491	-	1 491	-
Issued during the year		-	1 500	-	1 500
Less: Issue expenses		-	(9)	-	(9)
Balance at end of year	11	<b>1 491</b>	<b>1 491</b>	<b>1 491</b>	<b>1 491</b>
<b>Share premium</b>					
Balance at beginning and end of year	12	<b>4 732</b>	<b>4 732</b>	<b>4 732</b>	<b>4 732</b>
<b>Retained earnings</b>					
Balance at beginning of year		1 010	1 097	429	37
Earnings attributable to ordinary shareholders		1 154	890	994	1 216
Dividends paid	21	(526)	(522)	(526)	(522)
Compulsorily convertible debenture interest		(214)	(268)	(214)	(268)
Transfer from other reserves		-	(65)	-	103
Transfer from regulatory reserve		22	(122)	(22)	(137)
Balance at end of year	12	<b>1 446</b>	<b>1 010</b>	<b>661</b>	<b>429</b>
<b>Regulatory reserve</b>					
Balance at beginning of the year		455	333	378	241
Transfer (to)/from retained earnings		(22)	122	22	137
Balance at end of year	12	<b>433</b>	<b>455</b>	<b>400</b>	<b>378</b>
<b>Revaluation and other reserves</b>					
Balance at beginning of year		19	18	5	83
Movement in foreign currency translation reserve		(5)	(59)	(4)	28
Movement in equity revaluations		-	(5)	-	(3)
Transfer to general reserves		-	65	-	(103)
Balance at end of year	12	<b>14</b>	<b>19</b>	<b>1</b>	<b>5</b>
<b>Cash flow hedging reserve</b>					
Balance at beginning of year		10	-	10	-
Cash flow hedge fair value adjustment		(27)	10	(27)	10
Balance at end of year	12	<b>(17)</b>	<b>10</b>	<b>(17)</b>	<b>10</b>
<b>Total</b>		<b>8 796</b>	<b>9 671</b>	<b>7 965</b>	<b>8 999</b>

# Cash flow statements

For the year ended 31 March  
R'million

	Notes	Group		Company	
		2005	2004	2005	2004
<b>Cash flows from operating activities</b>					
Cash generated by operating activities	22.1	1 543	1 176	1 260	1 338
Taxation paid	22.2	(27)	(51)	(2)	(2)
Cash available from operating activities		1 516	1 125	1 258	1 336
Dividends paid	22.3	(526)	(522)	(526)	(522)
Compulsorily convertible debenture interest paid		(214)	(268)	(214)	(268)
Net cash inflow from operating activities		776	335	518	546
<b>Cash flows from investing activities</b>					
Net funds arising on disposal of group businesses	22.4	-	84	-	-
Net investment in fixed assets		530	77	518	83
Net cash inflow from investing activities		530	161	518	83
<b>Cash flows from banking activities</b>					
Increase in deposits and other accounts		6 764	8 066	5 355	6 807
Decrease in income earning assets	22.5	(7 392)	(12 420)	(4 302)	(11 519)
Net cash (outflow)/inflow from banking activities		(628)	(4 354)	1 053	(4 712)
<b>Cash flows from financing activities</b>					
Issue of bonds		-	444	-	444
Redemption of bonds		-	(284)	-	(284)
Issue of perpetual preference shares		-	1 491	-	1 491
Redemption of redeemable preference shares		(85)	(80)	-	-
Net decrease/(increase) in subsidiaries and loans to group companies		2 146	(372)	736	(197)
Buyback of debentures		(1 257)	-	(1 257)	-
Payment to minority shareholders		(25)	-	-	-
Net cash inflow/(outflow) from financing activities		779	1 199	(521)	1 454
<b>Net increase/(decrease) in cash and short-term funds</b>					
Cash and short-term funds at beginning of year		11 764	14 423	11 578	14 207
Cash and short-term funds at end of year		13 221	11 764	13 146	11 578

## Nature of preparation

The annual financial statements have been prepared on the historical cost basis, unless otherwise indicated, in conformity with South African Statements of Generally Accepted Accounting Practice and the South African Companies Act of 1973. In preparation of the consolidated financial statements, uniform accounting policies have been applied throughout the group. The following are the principal accounting policies, which are consistent with those of the previous year except as noted below. The presentation currency is in Rand millions, unless otherwise indicated. The functional currency of the holding company is Rand.

## Changes to accounting policies

Accounting policies applied are consistent with those applied in the 31 March 2004 Annual Report, except for the treatment of goodwill.

The group has adopted the revised standards on Business Combinations (AC 140), Impairment of Assets (AC 128) and Intangible Assets (AC 129). As a result of the revised standards, the net goodwill balance at 1 April 2004 is no longer amortised. Goodwill is tested on an annual basis for impairment. These changes to accounting policies have no effect on the prior or current year financial statements.

## Basis of consolidation

The annual financial statements incorporate the consolidated financial results of Investec Bank Limited and its subsidiaries. All entities in which the group holds more than one half of the voting rights or over which the group has the ability to control are consolidated from the effective dates of acquisition and up to the effective dates of disposal, except where they are held with a view to subsequent resale in the short term.

All intercompany transactions, balances and unrealised surpluses and deficits are eliminated on consolidation, except to the extent that unrealised losses represent an impairment of an asset.

The company's investment in subsidiaries is reflected at the original acquisition cost. The cost of the investment is reviewed annually for an indication of impairment.

## Accounting for associates

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

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

## Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets arising out of business combinations at the date of acquisition, including the acquisition of interests in subsidiaries or associates.

Goodwill is carried at cost less accumulated impairments (refer to changes to accounting policies for detail of prior year treatment). The carrying amount is reviewed annually for impairment. If such impairment exists, the carrying value of goodwill is written down to its recoverable amount.

## Foreign entities

Foreign entities are subsidiaries, with a functional currency other than Rands, the activities of which are not an integral part of those of the reporting entity.

The assets and liabilities of foreign entities are translated at rates of exchange ruling at the balance sheet date. The translation differences arising are taken to reserves. The results of foreign entities are translated at weighted average rates of exchange for the relevant period. The difference between the profit and loss translated at an average rate and the closing rate is recorded as a movement in reserves. Any exchange difference for foreign currency loans which are used to hedge the net investment in foreign subsidiaries are also taken to reserves.

# Accounting policies

Goodwill arising on the acquisition of foreign entities is denominated in the currency of the acquiree.

## Foreign operations

Foreign operations are subsidiaries, with a functional currency other than Rands, the activities of which are an integral part of those of the reporting entity.

The monetary assets and liabilities of foreign operations are translated at rates of exchange ruling at balance sheet date. Non-monetary assets and liabilities are stated at the historic rates at the time the asset was acquired or liability incurred. The results of foreign operations are translated at average rates of exchange for the relevant period. The translation differences arising are included in income for the period.

Goodwill arising on the acquisition of foreign operations is denominated in the currency of the acquiree.

## Foreign currency transactions

All foreign currency transactions are translated at the exchange rates ruling at the time of the transactions. Any profit or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange profit or loss in the income statement, except for those relating to a hedging instrument used as a cash flow hedge or hedge of a net investment.

## Financial instruments

Financial instruments in relation to the group include fixed maturity and equity securities, derivative positions, private equity investments, loans and advances, deposits and other financial liabilities, equity instruments issued by the group, convertible instruments issued by the group and long term debt funding issued by the group. The accounting policies in relation to each of the above are noted below, followed by the policy adopted in relation to the application of hedge accounting.

### Assets held for trading or designated as held for trading

Financial assets classified as held for trading or designated as held for trading are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial assets are classified as trading when they are held with the intention of short-term disposal, held with

intention of generating short-term profits, or are derivatives. Financial assets classified as held at fair value are designated as such on initial recognition of the asset (or on initial adoption of AC 133) and remain in this classification until derecognition.

### Classification of financial instruments and related measurement on balance sheet

Financial assets are classified as held for trading, designated as held for trading, held to maturity, loans and receivables originated by the group, or available for sale instruments.

### Held-to-maturity assets

Financial assets that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortised cost on the balance sheet. These include certain purchased loans and certain debt investments.

### Loans and receivables originated by the group

Originated loans and receivables are loans and receivables created by the group by providing money to a debtor other than those created with the intention of short term profit taking (which are designated as trading). Originated loans and receivables comprise loans and advances to customers other than purchased loans. Originated loans and receivables are initially recorded at cost, which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

### Available for sale assets

Financial assets classified as available for sale are recorded at fair value on the balance sheet, with unrealised gains and losses recognised in equity. Realised gains and losses are recognised in income in the period in which the asset is realised. If an available for sale instrument is determined to be impaired, the respective cumulative unrealised gains and losses previously recognised in equity are included in the income statement for the period. To the extent that there is a reversal of any impairment recognised in the income statement, this reversal is first recognised in income to a maximum of any impairment previously recognised in income.

### Financial liabilities

Financial liabilities are classified as non trading, held for trading or designated as held for trading. Non trading liabilities are recorded at amortised cost where maturity dates exist. Where no maturity date exists, these instruments are carried

at cost. Held for trading or liabilities designated as held for trading are recorded at fair value, with changes in fair value recognised in the income statement. Liabilities designated as held for trading are designated as such on initial recognition of the liability (or on initial adoption of AC 133) and remain in this classification until derecognition.

#### **Regular way transactions**

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at settlement date.

#### **Valuations of financial instruments**

The following financial instruments are held at fair value:

- Fixed maturity securities classified as trading, held at fair value or available for sale,
- Equity securities,
- Private equity investments,
- Derivative positions,
- Loans and advances designated as held at fair value, and
- Financial liabilities classified as trading or designated as held at fair value

Where available, market prices provide the best basis of fair value. Where market prices are not available, the fair value is determined by discounting the expected cash flows, using market interest rates taking into account the credit quality and duration of the investment. In certain instances model pricing may be used to determine fair values. For private equity investments that are not publicly traded, management uses comparisons to similar companies, relevant third party arm's length transactions and other information specific to the investment.

#### **Impairments of financial assets held at amortised cost**

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms or equivalent value. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or on a portfolio of similar, homogeneous loans. An impairment allowance is credited against the carrying value of financial assets. The impairment allowance is calculated as the difference between the carrying value of the asset and the expected cash flows discounted at the original effective rate. An allowance for impairment is only

reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non distributable reserves. The non distributable regulatory provision reserve ensures that minimum regulatory provisioning requirements are maintained.

#### **Derivative instruments and hedge accounting**

All derivative instruments of the group are recorded on balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to apply offset and a legal right to offset exists.

#### **Derecognition of financial assets and liabilities**

A financial asset or a portion thereof, is derecognised when the group loses control over the contractual rights that comprise the asset. This occurs when the rights are realised, expire or are surrendered.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits and losses arising on trading derivatives are recognised in the income statement as part of trading income.

The group applies either fair value or cash flow hedge accounting when the transactions meet the specified hedge accounting criteria. To meet hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction.
- The hedge is expected to be highly effective at inception and throughout the period that hedge accounting is applied. A hedge is regarded as highly effective if at inception and throughout the life of the hedge, the group expects changes in the fair value or cash flows of the hedged item to be

# Accounting policies

almost fully offset by the changes in fair value or cash flows of the hedging instrument, and actual results are within a range of 80% to 125%.

- At inception it is determined that hedge effectiveness can be reliably measured and the basis for measuring hedge effectiveness is documented.
- Hedge effectiveness is measured at least at each reporting date cumulatively from the inception of the hedge and is determined to be effective throughout the period.
- In the case of hedging forecasted transactions, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported income.

Hedge accounting is discontinued when it is determined that the derivative ceases to be highly effective as a hedge; the derivative expires, or is sold, terminated or exercised; when the hedge item matures or is sold or repaid; or when a forecasted transaction is no longer deemed highly probable.

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges, the change in fair value of the hedging derivative is initially recognised in equity and is released to the initial cost of any asset/liability recognised or in all other cases, to the income statement when the hedged firm commitment or forecasted transaction affects net profit.

Derivative instruments transacted as economic hedges but which do not qualify for hedge accounting and derivatives that are derivatives that are entered into for trading purposes are treated in the same way as instruments that are held for trading.

To the extent that a derivative may be embedded in a host contract and the host contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

- The hybrid (combined) instrument is not measured at fair value with changes in fair value reported in net profit or loss.

## Offsetting of assets and liabilities

Assets and liabilities are offset when there is both an intention to apply offset and a legal right to offset exists.

## Instalment credit, lease and rental agreements

Instalment credit, lease and rental agreements are regarded as financing transactions.

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

## Property and equipment

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

The annual rates used to depreciate assets are as follows:

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

Certain of the group's properties are held for long-term investment purposes. Investment properties are properties held to earn rental income or for capital appreciation. These properties are revalued to their open market value and the aggregate surplus or deficit on revaluation is recognised in the income statement for the year.

## Trading properties

Trading properties are included in investment and trading securities and are stated at the lower of cost and net realisable value.

### Deferred taxation

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

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

### Impairments of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that it was charged to the income statement.

### Trust and fiduciary activities

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

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

### Income

Income is derived primarily from the business of banking and related activities and comprises interest income and other income.

### Interest income

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

### Other income

Other income includes trading profits, commissions and fees and investment income.

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

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

Investment income includes realised profits and losses on disposal of investments and dividends received. Dividend income is recognised when the shareholders rights to receive the dividend is established.

### Interest paid

Interest paid is recognised in the income statement as it accrues, based on the effective rates of interest implicit in the underlying instrument. The group does not capitalise interest paid.

### Retirement benefits

In South Africa the group provides a defined contribution pension fund, governed by the Pension Fund Act, 1956 and a disability fund for the benefit of employees. The group pension fund is structured as a money purchase scheme and, accordingly, can have no funding deficit. The scheme provides that at all times an employee will receive from the fund the amount that has been contributed together with the group's contribution plus interest and capital appreciation. Life cover is incorporated in the fund.

# Accounting policies

The group also offers the optional benefits of a defined contribution provident fund and a deferred compensation fund. The funds are administered by Alexander Forbes Consultants and Actuaries (Tvl) (Pty) Limited and are registered in South Africa. The group has no liabilities for other post retirement benefits.

Membership of the disability fund and either the defined contribution pension fund or the defined contribution provident fund is compulsory for all employees.

All employer contributions are charged to income, in terms of services rendered by employees in accordance with the rules of the scheme, and included under staff costs.

## Segmental reporting

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are distinguishable from those of other segments.

The group's primary segmental reporting is presented in the form of a business analysis (primary segment).

The business analysis is presented in terms of the group's five principal business divisions and Group Services and Other Activities.

No geographical segmental analysis is disclosed as the majority of the business of Investec Bank Limited and its subsidiaries is performed in South Africa and Mauritius.

## Comparative figures

Where necessary, comparative figures have been restated to conform to changes in presentation and enhance comparability (refer to note 25).

# Notes to the financial statements

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For the year ended 31 March

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## I. Segmental information

### 2005

	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Other	Total group
Net operating income	909	711	400	682	2 702
Net operating expenses	(521)	(396)	(118)	(249)	(1 284)
<b>Operating profit before headline adjustments and taxation</b>	<b>388</b>	<b>315</b>	<b>282</b>	<b>433</b>	<b>1 418</b>
Headline adjustments	-	-	-	(14)	(14)
<b>Operating profit before taxation</b>	<b>388</b>	<b>315</b>	<b>282</b>	<b>419</b>	<b>1 404</b>
Total assets	15 346	54 379	452	18 199	88 376
Cost to income ratio*	52.8%	55.9%	28.8%	35.7%	45.7%

### 2004

Net operating income	628	669	372	426	2 095
Net operating expenses	(415)	(353)	(92)	(216)	(1 076)
<b>Operating profit before headline adjustments and taxation</b>	<b>213</b>	<b>316</b>	<b>280</b>	<b>210</b>	<b>1 019</b>
Headline adjustments	-	-	-	3	3
<b>Operating profit before taxation</b>	<b>213</b>	<b>316</b>	<b>280</b>	<b>213</b>	<b>1 022</b>
Total assets	13 400	50 840	345	17 814	82 399
Cost to income ratio*	58.4%	51.6%	24.7%	43.2%	47.5%

Net assets by class of business is not disclosed as the directors do not view it to be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is held centrally.

No geographical analysis has been presented as Investec Bank Limited only operates in one geographical segment, namely Southern Africa.

\* Cost to income ratio is calculated as operating expenses expressed as a percentage of total income, before deducting impairment of advances.

# Notes to the financial statements

For the year ended 31 March  
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## 2. Cash and short-term funds

Balances with central banks  
Balances with other banks  
Loans under resale agreements  
Other short-term funds

### Classification

Held at fair value

## 3. Short-term negotiable securities

Balances with central banks  
Bills  
Commercial paper  
Promissory notes

### Classification

Loans and receivables  
Trading  
At elected fair value

## 4. Investment and trading securities

### Category analysis

Government and government guaranteed debt securities  
Other debt securities  
Listed equity securities  
Unlisted equity securities\*  
Equity shares in property companies  
Other securities^  
Positive fair value of derivatives

\* Directors valuation

^ Included in other securities are R128 million (2004: R64 million) of collateralised lending obligations and R71 million (2004: R72 million) of credit derivatives which have been held at the lower of amortised cost and net realisable value. In terms of IAS 39 these instruments are classified as financial assets at fair value through the income statement. However, due to their nature and the fact that they are not traded on an active market, these instruments are carried at amortised cost with revenue recognised on an effective yield basis.

### Analysis by portfolio (AC133 classifications)

Loans and receivables  
Held-to-maturity  
Available for sale  
Trading  
At elected fair value

	Group		Company	
	2005	2004	2005	2004
Balances with central banks	1 112	1 054	1 111	1 054
Balances with other banks	6 001	5 262	5 927	5 075
Loans under resale agreements	2 148	1 085	2 148	1 085
Other short-term funds	3 960	4 363	3 960	4 364
	13 221	11 764	13 146	11 578
Held at fair value	13 221	11 764	13 146	11 578
Balances with central banks	451	241	451	241
Bills	1 678	1 978	1 678	1 946
Commercial paper	-	1 743	-	1 743
Promissory notes	5 853	2 374	5 833	2 353
	7 982	6 336	7 962	6 283
Loans and receivables	1 356	726	1 337	704
Trading	5 081	1 917	5 081	1 886
At elected fair value	1 545	3 693	1 544	3 693
	7 982	6 336	7 962	6 283
Government and government guaranteed debt securities	2 006	2 372	1 938	1 912
Other debt securities	1 764	1 015	-	70
Listed equity securities	413	458	289	405
Unlisted equity securities*	853	172	850	1 074
Equity shares in property companies	27	64	27	64
Other securities^	376	609	-	2 195
Positive fair value of derivatives	9 490	11 117	9 334	10 988
	14 929	15 807	12 438	16 708
	853	172	850	1 074
Loans and receivables	48	-	25	-
Held-to-maturity	-	159	-	159
Available for sale	1 895	1	-	1
Trading	12 554	15 647	12 315	16 548
At elected fair value	432	**	98	**
	14 929	15 807	12 438	16 708

\*\* Included in the trading category in the prior year

# Notes to the financial statements

For the year ended 31 March  
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## 5. Other assets

Settlement debtors	171	17	90	17
Deferred tax asset (refer to note 16.2)	98	2	88	-
Other debtors and prepayments	439	610	309	467
	708	629	487	484

Settlement debtors and other debtors and prepayments are classified as loans and receivables.

## 6. Advances

### Category analysis

Commercial property loans	10 176	7 619	9 881	7 500
Residential mortgages	10 594	8 285	7 899	5 597
Leases and instalment debtors	2 042	2 000	1 816	1 785
Corporate and public sector loans and advances	12 840	12 934	11 111	10 613
Other private bank lending	6 479	4 661	5 328	3 681
Other loans and advances	1 136	1 432	21	62
	43 267	36 931	36 056	29 238

Specific impairment	(234)	(258)	(184)	(218)
Portfolio impairment	(73)	(44)	(46)	(44)
	42 960	36 629	35 826	28 976

### Classification

Loans and receivables	40 208	34 074	33 074	26 546
At elected fair value	2 175	2 555	2 175	2 430
Held-to-maturity	577	-	577	-
	42 960	36 629	35 826	28 976

### Maturity analysis - gross advances

On demand to one month	2 300	3 542	2 163	3 512
One month to six months	2 991	2 046	2 123	1 332
Six months to one year	3 456	2 609	3 299	1 774
One year to five years	20 233	14 774	14 830	11 425
Greater than five years	14 287	13 960	13 641	11 195
	43 267	36 931	36 056	29 238

### Specific and portfolio impairments

#### 2005

Reconciliation of movements in group specific and portfolio impairments for bad and doubtful debts.

#### Specific impairment

Balance at beginning of year	258	388	218	243
Charge to the income statement	102	164	80	163
Bad debts written off	(126)	(294)	(114)	(188)
Balance at end of year	234	258	184	218

	Group		Company	
	2005	2004	2005	2004
<b>5. Other assets</b>				
Settlement debtors	171	17	90	17
Deferred tax asset (refer to note 16.2)	98	2	88	-
Other debtors and prepayments	439	610	309	467
	708	629	487	484
<b>6. Advances</b>				
<b>Category analysis</b>				
Commercial property loans	10 176	7 619	9 881	7 500
Residential mortgages	10 594	8 285	7 899	5 597
Leases and instalment debtors	2 042	2 000	1 816	1 785
Corporate and public sector loans and advances	12 840	12 934	11 111	10 613
Other private bank lending	6 479	4 661	5 328	3 681
Other loans and advances	1 136	1 432	21	62
	43 267	36 931	36 056	29 238
Specific impairment	(234)	(258)	(184)	(218)
Portfolio impairment	(73)	(44)	(46)	(44)
	42 960	36 629	35 826	28 976
<b>Classification</b>				
Loans and receivables	40 208	34 074	33 074	26 546
At elected fair value	2 175	2 555	2 175	2 430
Held-to-maturity	577	-	577	-
	42 960	36 629	35 826	28 976
<b>Maturity analysis - gross advances</b>				
On demand to one month	2 300	3 542	2 163	3 512
One month to six months	2 991	2 046	2 123	1 332
Six months to one year	3 456	2 609	3 299	1 774
One year to five years	20 233	14 774	14 830	11 425
Greater than five years	14 287	13 960	13 641	11 195
	43 267	36 931	36 056	29 238
<b>Specific and portfolio impairments</b>				
<b>2005</b>				
Reconciliation of movements in group specific and portfolio impairments for bad and doubtful debts.				
<b>Specific impairment</b>				
Balance at beginning of year	258	388	218	243
Charge to the income statement	102	164	80	163
Bad debts written off	(126)	(294)	(114)	(188)
Balance at end of year	234	258	184	218

# Notes to the financial statements

For the year ended 31 March  
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## 6. Advances (continued)

### Portfolio impairment

Balance at beginning of year	44	35	44	35
Charge to the income statement	29	9	2	9
Balance at end of year	73	44	46	44

To meet minimum regulatory provision requirements, the following additional regulatory reserve is maintained.

## 7. Loans to group companies

Loans (from)/to holding company - Investec Limited	(11)	3 551	(12)	2 735
Loans to fellow subsidiaries	3 218	3 412	5 082	3 395
Redeemable preference share investment in Investec Limited	2 113	1 652	-	-
Redeemable preference share investments in fellow subsidiaries	3 135	1 933	1 933	1 933
	8 455	10 548	7 003	8 063

	Group		Company	
	2005	2004	2005	2004
	44	35	44	35
	29	9	2	9
	73	44	46	44
	433	455	400	378
	(11)	3 551	(12)	2 735
	3 218	3 412	5 082	3 395
	2 113	1 652	-	-
	3 135	1 933	1 933	1 933
	8 455	10 548	7 003	8 063

Loans to group companies are classified as loans and receivables.

Loans to fellow subsidiaries are interest bearing, with no fixed terms of repayment.

The yield of the redeemable preference shares is market related.

# Notes to the financial statements

For the year ended 31 March

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## 8. Property and equipment

Group

### 2005

	Cost or valuation	Accumulated depreciation & impairment losses	Carrying amount
Equipment	229	(174)	55
Furniture and vehicles	113	(69)	44
Investment properties	15	-	15
Leasehold improvements	4	(2)	2
Operational properties	17	(12)	5
	378	(257)	121

### 2004

Equipment	222	(160)	62
Furniture and vehicles	111	(67)	44
Investment properties	563	(1)	562
Leasehold improvements	3	(2)	1
Operational properties	17	-	17
	916	(230)	686

### 2005

	Equipment	Furniture & vehicles	Investment properties	Leasehold improvements	Operational properties	Total
Carrying amount at beginning of year	62	44	562	1	17	686
Additions	9	21	13	2	-	45
Disposals	-	(15)	(560)	-	-	(575)
Impairment losses	-	-	-	-	(12)	(12)
Depreciation	(16)	(6)	-	(1)	-	(23)
Carrying amount at end of year	55	44	15	2	5	121

### 2004

Carrying amount at beginning of year	79	62	656	2	17	816
Additions	36	18	556	-	-	610
Disposals	(17)	(23)	(649)	-	-	(689)
Impairment losses	(3)	(8)	(1)	-	-	(12)
Depreciation	(33)	(5)	-	(1)	-	(39)
Carrying amount at end of year	62	44	562	1	17	686

# Notes to the financial statements

For the year ended 31 March  
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## 9. Ordinary share capital

### Authorised

105 000 000 (2004: 105 000 000) ordinary shares of 50 cents each.

### Issued

31 700 000 (2004: 31 700 000) ordinary shares of 50 cents each.

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

## 10. Compulsorily convertible debentures

### Issued

3 573 994 (2004 - 3 573 994) unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R78.50 each.

Interest is payable six monthly in arrears on 31 January and 31 July 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.

The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 3 573 994 Investec Limited ordinary shares.

Nil (2004 - 5 000 000) Class A unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50 each, net of issue expenses.

Nil (2004 - 1 000 000) Class A Series II unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R159.50 each, net of issue expenses.

Nil (2004 - 1 500 000) Class B unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R199.50 each, net of issue expenses.

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

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

	Group		Company	
	2005	2004	2005	2004
	16	16	16	16
	282	282	282	282
	-	797	-	797
	-	160	-	160
	-	300	-	300

# Notes to the financial statements

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## 10. Compulsorily convertible debentures (continued)

The 2 250 714 Investec Bank Limited shares arising out of the conversion have been sold forward by the holders thereof to Investec Limited in exchange for Investec Limited ordinary shares.

On 15 December 2004, the Class A, Class A Series II and Class B debentures terms were amended (with the permission of the holders thereto and the South African Reserve Bank) whereby the compulsorily convertible debentures were changed to redeemable debentures.

This was effected to achieve a capital reduction in Investec Bank Limited and resulted in a buyback of debentures in place of a conversion and subsequent share repurchase and cancellation.

2 000 000 (2004 - 2 000 000) Class C unsecured subordinated compulsorily convertible debentures of 50 cents issued at a premium of R199.50 each, net of issue expenses.

Interest is payable six monthly in arrears on 30 September and 31 March of each year at a rate of 11% per annum for Class C debentures.

The Class C debentures will convert into Investec Bank Limited ordinary shares on a 2.3 for one basis on 31 March 2008.

All the convertible debentures are issued as part of the group's employee share ownership initiatives.

### Total compulsorily convertible debentures

## 11. Perpetual preference shares

### Authorised

70 000 000 (2004 - 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each.

### Issued

15 000 000 (2004 - 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each, issued at a premium of R99.99 per share.

Preference shareholders will be entitled to receive dividends, if declared, at a rate of 75% of prime of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the Company not ranking prior or pari passu with the preference shares.

An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

Group		Company	
2005	2004	2005	2004
399	399	399	399
681	1 938	681	1 938
1 491	1 491	1 491	1 491

# Notes to the financial statements

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## 12. Reserves

Share premium  
Retained earnings  
Regulatory reserve  
Foreign currency revaluation reserve  
Cash flow hedging reserve

	Group		Company	
	2005	2004	2005	2004
	4 732	4 732	4 732	4 732
	1 446	1 010	661	429
	433	455	400	378
	14	19	1	5
	(17)	10	(17)	10
	6 608	6 226	5 777	5 554
	1 961	1 961	1 961	1 961
	1 000	1 000	1 000	1 000
	2 961	2 961	2 961	2 961

## 13. Subordinated debt

R1 961 million (2004 - R1 961 million) Investec Bank Limited 16% local registered unsecured subordinated bonds due 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.

R1 000 million (2004 - R1 000 million) Investec Bank Limited IV02 subordinated 12.55% unsecured callable notes. The notes maturity date is 31 March 2013 but the company has the option to call the notes on 31 March 2008. If not called, the notes will switch to a floating rate of three month JIBAR plus 300 basis points payable quarterly in arrears until maturity.

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

# Notes to the financial statements

For the year ended 31 March  
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## 14. Redeemable preference shares

Redeemable preference shares

### Maturity analysis

On demand to one month  
One month to six months  
Six months to one year  
Greater than one year

Redeemable preference shares are classified as non trading liabilities.  
The yield of the redeemable preference shares is market related.

## 15. Deposits and other accounts

### Category analysis

Deposits and loans from banks  
Demand and savings deposits  
Fixed and notice deposits  
Negotiable certificates of deposit  
Client savings accounts  
Liabilities in respect of repurchase agreements  
Negative fair value of derivatives  
Settlement liabilities  
Creditors and other accounts

### Classification

Trading  
Non trading  
At elected fair value

### Maturity analysis

On demand to one month  
One month to six months  
Six months to one year  
Greater than one year

	Group		Company	
	2005	2004	2005	2004
Redeemable preference shares	1 655	1 740	-	-
On demand to one month	100	133	-	-
One month to six months	510	36	-	-
Six months to one year	231	639	-	-
Greater than one year	814	932	-	-
	1 655	1 740	-	-
Deposits and loans from banks	4 010	4 163	3 922	3 965
Demand and savings deposits	9 725	10 745	8 912	10 211
Fixed and notice deposits	32 189	34 399	31 759	33 691
Negotiable certificates of deposit	8 983	2 087	8 983	2 087
Client savings accounts	2 408	1 452	2 462	1 505
Liabilities in respect of repurchase agreements	5 750	2 885	1 981	660
Negative fair value of derivatives	8 725	8 933	8 555	8 339
Settlement liabilities	1 456	1 889	1 456	1 889
Creditors and other accounts	1 246	1 313	855	870
	74 492	67 866	68 885	63 217
Trading	12 060	10 204	11 940	9 610
Non trading	62 407	57 662	56 945	53 607
At elected fair value	25	*	-	*
	74 492	67 866	68 885	63 217
On demand to one month	37 561	35 737	36 471	34 192
One month to six months	24 081	17 711	22 273	17 297
Six months to one year	6 236	8 958	6 211	8 838
Greater than one year	6 614	5 460	3 930	2 890
	74 492	67 866	68 885	63 217

\* Included in trading category in the prior year

# Notes to the financial statements

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## 16. Taxation

### 16.1 Taxation

Income taxation payable  
Deferred taxation liability (refer to note 16.3)  
Indirect taxes payable

### 16.2 Deferred tax asset

Income and expenditure accruals  
Arising on STC credits

### 16.3 Deferred tax liability

Unrealised fair value adjustments on financial instruments  
Other temporary differences  
Deferred tax liability

Net deferred tax liability

Reconciliation of net deferred tax liability

Opening balance  
Charge to the income statement  
Closing balance

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred tax assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

## 17. Interest

### 17.1 Interest received

Cash and short-term funds  
Short-term negotiable securities  
Investment and trading securities  
Advances  
Intergroup/intercompany loans

Net foreign currency losses

### 17.2 Interest paid

Demand and savings deposits  
Fixed and notice deposits  
Negotiable certificates of deposit  
Repurchase agreements  
Other deposits and loan accounts  
Intergroup/intercompany loans

Funding costs allocated to trading profits

	Group		Company	
	2005	2004	2005	2004
Income taxation payable	267	64	258	43
Deferred taxation liability (refer to note 16.3)	189	74	173	71
Indirect taxes payable	11	(6)	9	(7)
	467	132	440	107
Income and expenditure accruals	10	2	-	-
Arising on STC credits	88	-	88	-
	98	2	88	-
Unrealised fair value adjustments on financial instruments	187	71	173	71
Other temporary differences	2	3	-	-
Deferred tax liability	189	74	173	71
Net deferred tax liability	91	72	85	71
Reconciliation of net deferred tax liability				
Opening balance	72	37	71	38
Charge to the income statement	19	35	14	33
Closing balance	91	72	85	71
Cash and short-term funds	843	741	833	735
Short-term negotiable securities	388	572	376	563
Investment and trading securities	38	25	7	32
Advances	4 849	4 498	3 811	3 754
Intergroup/intercompany loans	659	809	526	643
	6 777	6 645	5 553	5 727
Net foreign currency losses	(15)	(94)	6	(9)
	6 762	6 551	5 559	5 718
Demand and savings deposits	760	1 076	741	1 051
Fixed and notice deposits	2 376	2 844	2 355	2 813
Negotiable certificates of deposit	438	182	438	182
Repurchase agreements	-	3	-	3
Other deposits and loan accounts	1 840	2 040	1 084	1 565
Intergroup/intercompany loans	273	168	114	80
	5 687	6 313	4 732	5 694
Funding costs allocated to trading profits	(637)	(1 071)	(637)	(1 070)
	5 050	5 242	4 095	4 624

# Notes to the financial statements

For the year ended 31 March  
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## 18. Other income and operating expenses

### 18.1 Other income comprises:

	Group		Company	
	2005	2004	2005	2004
Commissions and fees - annuity	368	227	337	197
Principal transactions and trading income	433	495	405	445
Gross principal transactions and trading income	1 070	1 566	1 042	1 515
Funding costs allocated to trading profits	(637)	(1 071)	(637)	(1 070)
Commissions and fees - deal	214	198	203	172
Dividends received	106	39	109	12
(Loss)/profit on sale of subsidiaries	(2)	3	-	-
Income from subsidiaries	-	-	-	550
	1 119	962	1 054	1 376

### 18.2 Operating expenses comprise:

Personnel remuneration	809	629	771	598
Pension and provident fund contributions (defined contributions)	41	36	41	36
Audit fees	18	28	16	26
Statutory audit fees	17	22	15	21
Under provision from prior year	-	5	-	5
Other services	1	1	1	-
Directors' emoluments paid by subsidiary	26	19	26	19
Executive directors' remuneration **	21	16	21	16
Non-executive directors' remuneration **	5	3	5	3
Depreciation and impairment of fixed assets	35	39	35	36
Premises	110	111	93	105
Equipment	54	50	49	44
Business expenses	127	100	106	77
Marketing expenses	76	64	74	63
	1 296	1 076	1 211	1 004

## 19. Taxation

### Taxation on income

South Africa	249	125	231	78
- current taxation	237	105	231	78
- adjustments in respect of prior year current taxation	218	50	217	45
- deferred taxation	-	20	-	-
- deferred taxation adjustment on normal tax rate adjustment*	23	-	17	-
	(4)	35	(3)	33
Foreign current taxation	12	20	-	-
- Mauritius	11	11	-	-
- Botswana	1	9	-	-

### Secondary taxation on companies

Total tax charge for the year	-	6	-	-
	249	131	231	78

### Tax rate reconciliation

Income before taxation as per income statement	1 404	1 022	1 225	1 294
Less : Debenture and bond interest	(214)	(268)	(214)	(268)
	1 190	754	1 011	1 026

\* The normal rate of taxation applicable to South African entities has been reduced to 29%. This change is effective from 1 April 2005 for Investec Bank Limited and its South African subsidiaries.

\*\* Further information see note 26

# Notes to the financial statements

For the year ended 31 March  
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## 19. Taxation (continued)

Total taxation charge in income statement  
Less: secondary taxation on companies  
Total taxation on income

Effective rate of taxation

The standard rate of South African normal taxation has been affected by:

- dividend income  
- foreign earnings\*\*  
- deferred taxation adjustment on normal tax rate adjustment\*  
- other permanent differences

\* The normal rate of taxation applicable to South African entities has been reduced to 29%. This change is effective from 1 April 2005 for Investec Bank Limited and its South African subsidiaries.

\*\* Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.

## 20. Headline earnings attributable to ordinary shareholders

### Calculation of headline earnings

Earnings attributable to ordinary shareholders  
Headline adjustments  
Loss/(profit) on disposal of subsidiaries  
Loss on the impairment of owner occupied property  
Headline earnings attributable to shareholders  
Preference dividends payable  
Compulsorily convertible debenture interest  
Headline earnings attributable to ordinary shareholders

## 21. Dividends

### on fully paid ordinary shares

Declared and paid

### on perpetual preference shares

Declared and paid

## 22. Cash flow information

### 22.1 Cash generated by operating activities

Net income before taxation  
Adjusted for:  
Depreciation and impairment losses  
Impairment on advances  
Headline adjustments (see note 20)  
Fair value adjustments

	Group		Company	
	2005	2004	2005	2004
Total taxation charge in income statement	249	131	231	78
Less: secondary taxation on companies	-	(6)	-	-
Total taxation on income	249	125	231	78
Effective rate of taxation	20.9%	16.6%	22.8%	7.6%
The standard rate of South African normal taxation has been affected by:				
- dividend income	3.0%	14.7%	3.1%	25.3%
- foreign earnings**	2.0%	5.9%	-	-
- deferred taxation adjustment on normal tax rate adjustment*	0.3%	-	0.3%	-
- other permanent differences	3.8%	(7.2%)	3.8%	(2.9%)
	30.0%	30.0%	30.0%	30.0%
Earnings attributable to ordinary shareholders	1 154	890	994	1 216
Headline adjustments	14	(3)	-	-
Loss/(profit) on disposal of subsidiaries	2	(3)	-	-
Loss on the impairment of owner occupied property	12	-	-	-
Headline earnings attributable to shareholders	1 168	887	994	1 216
Preference dividends payable	(131)	(22)	(131)	(22)
Compulsorily convertible debenture interest	(214)	(268)	(214)	(268)
Headline earnings attributable to ordinary shareholders	823	597	649	926
Declared and paid on fully paid ordinary shares	395	500	395	500
Declared and paid on perpetual preference shares	131	22	131	22
	526	522	526	522
Net income before taxation	1 404	1 022	1 225	1 294
Adjusted for:				
Depreciation and impairment losses	35	51	35	45
Impairment on advances	131	173	82	107
Headline adjustments (see note 20)	-	(3)	-	-
Fair value adjustments	(27)	(67)	(82)	(108)
	1 543	1 176	1 260	1 338

# Notes to the financial statements

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## 22. Cash flow information (continued)

### 22.2 Income tax paid

Income tax payable and deferred tax balances at beginning of year  
Amounts charged to income statement  
Taxation balance for group companies disposed of  
Income tax payable and deferred tax at end of year

	Group		Company	
	2005	2004	2005	2004
Income tax payable and deferred tax balances at beginning of year	(136)	(57)	(114)	(38)
Amounts charged to income statement	(249)	(131)	(231)	(78)
Taxation balance for group companies disposed of	-	1	-	-
Income tax payable and deferred tax at end of year	358	136	343	114
	(27)	(51)	(2)	2

### 22.3 Dividends paid

Current year dividend paid

Current year dividend paid	(526)	(522)	(526)	(522)
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### 22.4 Net funds arising on disposal of group businesses

Cash and short-term funds  
Short-term negotiable securities  
Investment and trading securities  
Other assets  
Advances  
Loans to group companies  
Property and equipment  
Intangible assets  
Deposits and other accounts  
Taxation  
Foreign currency translation reserve  
Net assets disposed of  
Profit on disposal  
Proceeds on disposal of group companies  
Less cash on hand on date of disposal  
Net cash inflow from disposal of group companies

Cash and short-term funds	-	50	-	-
Short-term negotiable securities	-	123	-	-
Investment and trading securities	-	1	-	-
Other assets	-	3	-	-
Advances	-	406	-	-
Loans to group companies	-	98	-	-
Property and equipment	-	2	-	-
Intangible assets	-	1	-	-
Deposits and other accounts	-	(557)	-	-
Taxation	-	(1)	-	-
Foreign currency translation reserve	-	5	-	-
Net assets disposed of	-	131	-	-
Profit on disposal	-	3	-	-
Proceeds on disposal of group companies	-	134	-	-
Less cash on hand on date of disposal	-	(50)	-	-
Net cash inflow from disposal of group companies	-	84	-	-

### 22.5 Movement in income earning assets

Short-term negotiable securities  
Investment and trading securities  
Advances  
Other assets

Short-term negotiable securities	(1 599)	1 954	(1 632)	1 881
Investment and trading securities	521	(7 064)	4 012	(7 561)
Advances	(6 326)	(455)	(6 758)	319
Other assets	12	(6 855)	76	(6 158)
	(7 392)	(12 420)	(4 302)	(11 519)

# Notes to the financial statements

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## 23. Contingent liabilities and commitments

Guarantees and letters of credit  
Acceptances on behalf of clients  
Other

### Operating lease commitments

Annual commitments in respect of non-cancellable operating leases

### Lease properties

Within one year  
Between one and five years  
Over five years

	Group		Company	
	2005	2004	2005	2004
	1 894	1 363	1 687	1 291
	3 395	2 379	3 294	2 185
	578	833	576	816
	5 867	4 575	5 557	4 292
	3 811	3 422	3 811	3 422
	110	86	110	86
	560	581	560	581
	3 141	2 755	3 141	2 755
	3 811	3 422	3 811	3 422

The above represents gross rentals on operating leases which expire in April 2024.

23.1 Preference shares to the value of R1 655 million (2004 - R1 740 million) have been issued by subsidiaries in respect of which Investec Bank Limited has granted a put option to the holders in event of default by the issuer.

# Notes to the financial statements

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## 24. Related party transactions

Transactions, arrangements and agreements involving directors and others:

Particulars of transactions, arrangements and agreements entered into by the group with directors and connected persons and companies controlled by them and with officers of the company.

At year end, 6 directors had outstanding loans from Investec Bank Limited. For loans to related parties, normal credit parameters are applied.  
Loans- Investec Bank Limited

HS Herman has a 13.25% holding in Taaibos Square (Pty) Ltd. A loan was provided to the entity by Investec Bank Limited on an arm's length, fully secured basis as follows:  
Taaibos Square (Pty) Ltd

FTiti has a 11% holding in Tiso Group. At 31 March 2005 Investec Bank Limited group provided the following total advances to Tiso Group on an arm's length basis.

MP Malungani has a 59.2% holding in Peu Group (Proprietary) Limited. At 31 March 2005 Investec Bank Limited group provided the following total advances to Peu Group (Proprietary) Limited on an arm's length basis.

S Koseff, GR Burger, B Kantor, B Tapnack, HS Herman, PRS Thomas, DE Jowell, DM Lawrence have an interest in Spurwing-P Investments Limited and Spurwing-L Investments Limited, which jointly amount to a holding of 47.05% and 22.95% respectively. Loans are provided to these entities by Investec Bank (Mauritius) Limited on an arm's length, fully secured basis as follows:

Spurwing-P Investments Limited

Spurwing-L Investments Limited

	Group		Company	
	2005	2004	2005	2004
Loans- Investec Bank Limited	47	37	42	37
Taaibos Square (Pty) Ltd	-	70	-	70
Tiso Group	98	97	-	-
Peu Group (Proprietary) Limited	213	193	-	-
Spurwing-P Investments Limited	41	71	41	71
Spurwing-L Investments Limited	12	20	12	20

All of the above loans are included in advances to customers.

The group's personal account trading policy requires all employees who participate in securities transactions to deal on an arm's length basis through Investec Securities Limited. This has no material effect on either Investec Securities Limited or the group's earnings. Directors' portfolios are subject to management fees on an arm's length basis. Particulars of directors' dealings in Investec Limited and Investec plc shares are recorded in a register held at the Registered Office of the Company which is available for inspection.

## Transactions with other related parties of the group

Any dealings with regard to investments in unit trusts or the asset management division occur at arm's length.

# Notes to the financial statements

For the year ended 31 March  
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## 25. Changes in accounting policies and other prior year adjustments

### 25.1 Prior year reclassifications

Investments in preference shares were classified under investment and trading securities in the prior year. To achieve better disclosure, the comparatives have been adjusted to reflect these assets as advances. Following from the consolidation of the staff share scheme in the Investec Limited financial statements, to achieve fairer presentation, loans to the staff share scheme have been reclassified from other assets to intergroup balances.

The effect of the restatements at 31 March 2004 is as follows:

- Decrease in investment and trading securities
- Increase in advances
- Decrease in other assets
- Increase in intergroup balances

	Group		Company	
	2005	2004	2005	2004
- Decrease in investment and trading securities	-	(903)	-	-
- Increase in advances	-	903	-	-
- Decrease in other assets	-	(780)	-	(780)
- Increase in intergroup balances	-	780	-	780

There is no effect on reserves

## 26. Directors' remuneration

A remuneration committee comprising non-executive directors is responsible for determining the overall reward packages of executive directors. The policy on remuneration packages for non-executive directors is agreed and determined by the board.

### Policy on executive directors' and employees' remuneration

Our philosophy is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and us.

We reward executive directors and employees for their contribution through payment of an industry competitive annual package, a variable performance reward and ownership in the form of share incentive scheme participation. Overall rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our values, culture and philosophies in the pursuit of excellence is considered paramount in determining overall reward levels.

Both the type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress.

The key principles of our remuneration policy for executive directors and employees, which was applied during the financial year, are as follows:

- Reward programmes are designed and administered to align directors' and employees' interests with those of stakeholders
- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with, our short- and long-term success.
- Total rewards comprise a fixed and variable component.
- A significant proportion of rewards, including annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. We recognise the performance of the business and the individual. As indicated above, qualitative and quantitative issues form an integral part of the determination of reward levels.

## 26. Directors' remuneration (continued)

- Reward levels are targeted to be commercially competitive, on the following basis:
  - The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made.
  - Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly.
  - For executive directors, the FTSE UK Speciality and Other Finance firms provide the most appropriate benchmark.
  - For employees, a combination of firms from the JSE Financial 15 and the FTSE UK Speciality and Other Finance sector offer the most appropriate benchmark.
  - In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistencies. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.
- Total compensation (base salary, pension, benefits and incentives) is targeted to the relevant competitive market (see above) at upper quartile levels for superior performance.

During the year, the committee's external advisors reviewed the remuneration levels and structure for the executive directors. This indicated that base salaries are below median levels and consequently, the key principle of targeting an upper quartile level of compensation for superior performance is unlikely to be achievable within the current remuneration structure. It is the committee's intention to review this policy for the 2006 financial year. As part of this review, the committee, with assistance from its advisors, plans to assess the appropriateness of the quantum of, and balance between, fixed and variable remuneration. However, based on the committee's belief of delivering a significant proportion of rewards linked to the performance of the business, executive directors' base salaries are not expected to increase significantly. Thus the objective of upper quartile levels of total compensation will be achieved through higher performance linked variable pay.

### Executive directors - policies on the components of remuneration and employment

The reward package for executive directors and employees comprises:

- Base salary and benefits
- Annual bonuses
- Long-term share incentive plans

The committee reviews the elements of the reward package relative to appropriate benchmarks and other comparable organisations, the value of individuals in perpetuating our values and culture, and the possible replacement cost of such individuals.

The elements of the reward package, as listed above, are discussed below and the components for each director are detailed in tables that follow.

#### Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual.

It has been the company's policy to seek to set salaries at median market levels. However, annual salary increases for executive directors have in the recent past had more regard to salary increases within the company than median external market levels.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices.

#### Annual bonuses

Annual bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by Economic Value Added (EVA) profit performance against pre-determined targets. These targets have been in force, and unchanged, for the past few years and are subject to periodic review, with varying levels of return required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee based businesses). Individual annual incentive levels are allocated from the EVA pool, based on individual

# Notes to the financial statements

## 26. Directors' remuneration (continued)

performance, as determined by the committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

In this regard, if business and individual performance goals are achieved or bettered, the variable element of the total reward package is likely to be substantially higher than the relevant target market. This is in order to ensure that overall reward levels are finally positioned at the upper quartile level for superior performance. In certain circumstances, therefore, the annual bonus may be more than 100% of the base salary.

### Long-term share incentive plans

We have a number of share incentive plans that are designed to link the interests of directors and employees with those of shareholders and long-term organisational interests, through performance and risk-based equity grants.

The committee does not currently intend to grant share options to executive directors and with the maturing leveraged equity plans, the committee will be reviewing its policy on long-term incentives within the review of executive directors' compensation noted above.

### Policy on non-executive directors' remuneration

Non-executive directors receive fees for being a member of the Investec Bank Limited board and fees are also payable for any additional time committed to the group including attendance of certain other meetings. Furthermore, non-executive directors may not participate in our share option and our long-term share incentive plans. Prior to the implementation of the group's Dual Listed Companies (DLC) structure in July 2002, certain non-executive directors did participate in Investec Group Limited's (now Investec Limited's) share incentive plans.

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2005:

Name	Salaries, directors fees and other remuneration 2005 R	Annual bonus 2005 R	Total remuneration expense 2005 R	Total remuneration expense 2004 R
<b>Executive directors</b>				
S Koseff (Chief Executive Officer)	1 183 269	4 000 000	5 183 269	3 966 960
B Kantor (Managing Director)	347 675	3 669 127	4 016 802	2 862 038
GR Burger (Group Risk and Finance Director)	1 125 000	4 750 000	5 875 000	4 756 250
DM Lawrence (Deputy Chairman)	1 575 000	2 113 497	3 688 497	2 606 782
B Tapnack	1 032 000	1 598 700	2 630 700	2 176 933
	<b>5 262 944</b>	<b>16 131 324</b>	<b>21 394 268</b>	<b>16 368 963</b>
<b>Non-executive directors</b>				
HS Herman (Chairman)	1 261 262	-	1 261 262	872 094
SE Abrahams	883 518	-	883 518	707 977
DE Jewell	973 787	-	973 787	883 977
MP Malungani	382 778	-	382 778	283 644
DR Motsepe	39 000	-	39 000	13 000
Dr. MZ Nkosi	91 100	-	91 100	72 000
PRS Thomas	667 681	-	667 681	551 867
F Titi	407 070	-	407 070	59 958
RAP Upton	-	-	-	45 000
	<b>4 706 196</b>	<b>-</b>	<b>4 706 196</b>	<b>3 489 517</b>
<b>Total in Rands</b>	<b>9 969 140</b>	<b>16 131 324</b>	<b>26 100 464</b>	<b>19 858 480</b>

# Notes to the financial statements

## 26. Directors' remuneration (continued)

The following table shows directors' shareholdings in Investec plc, Investec Limited and Investec Limited preference shares as at 31 March 2005:

Name	Beneficial and non-beneficial interest							
	Investec plc shares		Investec Limited shares		Investec Limited preference shares		Investec Bank Limited preference shares	
	31 March 2004	31 March 2005	31 March 2004	31 March 2005	31 March 2004	31 March 2005	31 March 2004	31 March 2005
<b>Executive directors</b>								
S Koseff (Chief Executive Officer)	871 997	1 087 017	181 386	185 636	-	-	3 000	3 000
B Kantor (Managing Director)	100	100	1 050 000	1 195 288	-	70 904	-	-
GR Burger (Group Risk and Finance Director)	445 361	605 460	80 977	85 227	-	-	-	-
DM Lawrence (Deputy Chairman)	132 794	202 431	19 260	19 260	-	-	-	-
B Tapnack	58 503	106 996	8 099	1 303	-	1 900	-	1 000
<b>Non-executive directors</b>								
HS Herman (Chairman)	255 205	380 079	48 905	48 905	-	-	1 135	1 135
SE Abrahams	-	8 000	-	-	-	-	-	-
DE Jowell	60 000	62 340	-	-	-	-	-	-
MP Malungani	-	-	1 545 778	1 545 778	-	-	-	-
DR Motsepe	-	-	-	-	-	-	-	-
Dr. MZ Nkosi	-	-	-	-	-	-	-	-
PRS Thomas	137 162	156 219	51 191	51 191	-	-	-	-
FTiti	-	-	364 000	308 000	-	-	-	-
RAP Upton	-	-	-	-	-	-	-	-
<b>Total number</b>	<b>1 961 122</b>	<b>2 608 642</b>	<b>3 349 596</b>	<b>3 440 588</b>	<b>-</b>	<b>72 804</b>	<b>4 135</b>	<b>5 135</b>

### Note:

- The total number of Investec plc and Investec Limited shares at 31 March 2005 was 74.6 million and 44.0 million respectively.
- The market price of an Investec plc share as at 31 March 2005 was £15.55 (2004: £10.89).
- The market price of an Investec Limited share as at 31 March 2005 was R178.00 (2004: R125.30).
- In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso), Peu Group (Proprietary) Limited (Peu), a broad based Entrepreneurship Development Trust and an Employee Share Trust in terms of which they acquired a 25.1% stake in the issued share capital of Investec Limited. MP Malungani is the Chairman of Peu and FTiti is the Chief Executive Officer of Tiso.

The following table shows directors' interest in the Investec Limited Security Purchase and Option Scheme Trust as at 31 March 2005:

Name	31 March 2004		31 March 2005		Settlement period
	Investec plc shares	Investec Limited shares	Investec plc shares	Investec Limited shares	
B Tapnack	4 391	2 579	-	-	1 April 2004 to 20 June 2012

### Note:

- The shares in the table above were held in terms of the Investec Limited Share Purchase Scheme, for which the director had a liability for any related scheme debt. No options have been allocated to directors in terms of this scheme.
- B Tapnack settled his share liability on 9 March 2005 when the market value was R188.00 per Investec plc share and R186.00 per Investec Limited share.

# Notes to the financial statements

## 26. Directors' remuneration (continued)

The following tables shows directors' interest in options as at 31 March 2005:

### Investec plc shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2004	Excersised during the year	Lapsed during the year	Balance at 31 March 2005	Period exercisable
<b>Executive directors</b>							
S Koseff	20 Dec 2002	R 111.96	33 000	8 250	-	24 750	20 Dec 2005 to 20 Mar 2008
B Kantor	20 Dec 2002	£7.93	50 000	11 554	-	38 446	20 Dec 2005 to 20 Mar 2012
GR Burger	20 Jun 2002 20 Dec 2002	R164.50 R111.96	63 000 33 000	- 8 250	15 750 -	47 250 24 750	20 Jun 2005 to 20 Mar 2008
DM Lawrence	20 Jun 2002 20 Dec 2002	R164.50 R111.96	31 500 23 100	- 5 775	7 875 -	23 625 17 325	20 Dec 2005 to 20 Mar 2008
B Tapnack	28 Jun 2002 20 Dec 2002	R164.50 R111.96	31 500 23 100	- 5 775	7 875 -	23 625 17 325	20 Dec 2005 to 20 Mar 2008

### Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2004	Excersised during the year	Lapsed during the year	Balance at 31 March 2005	Period exercisable
<b>Executive directors</b>							
S Koseff	20 Dec 2002	R 111.32	17 000	4 250	-	12 750	20 Dec 2005 to 20 Mar 2008
GR Burger	20 Jun 2002 20 Dec 2002	R164.50 R111.32	37 000 17 000	- 4 250	9 250 -	27 750 12 750	20 Jun 2005 to 20 Mar 2008
DM Lawrence	20 Jun 2002 20 Dec 2002	R164.50 R111.32	18 500 11 900	- 2 975	4 625 -	13 875 8 925	20 Dec 2005 to 20 Mar 2008
B Tapnack	20 Jun 2002 20 Dec 2002	R164.50 R111.32	18 500 11 900	- 2 975	4 625 -	13 875 8 925	20 Dec 2005 to 20 Mar 2008

#### Note:

No new grants were made during the financial year. The market price of an Investec plc share as at 31 March 2005 was £15.55 (2004: £10.89). A total of 74.6 million Investec plc shares were in issue as at 31 March 2005. The market price of an Investec Limited share as at 31 March 2005 was R178.00 (2004: R125.30). A total of 44.0 million Investec Limited shares were in issue as at 31 March 2005.

Details with respect to options exercised:

- S Koseff exercised his options and received 8 250 Investec plc shares and 4 250 Investec Limited shares on 21 February 2005, when the share price was R174.99 and R172.99 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.
- B Kantor exercised his options and sold 11 554 Investec plc shares on 15 March 2005, when the share price was £16.45 per Investec plc share. The performance conditions with respect to these options were met.
- GR Burger exercised his options and received 8 250 Investec plc shares and 4 250 Investec Limited shares on 21 February 2005, when the share price was R174.99 and R172.99 per Investec plc and Investec Limited share, respectively. The performance conditions with respect to these options were met.

## 26. Directors' remuneration (continued)

- DM Lawrence exercised his options and sold 5 775 Investec plc shares and 2 975 Investec Limited shares on 3 January 2005, when the share price was R186.50 per Investec plc share and R186.50 per Investec Limited share. The performance conditions with respect to these options were met.
- B Tapnack exercised his options and sold 5 775 Investec plc shares and 2 975 Investec Limited shares on 6 January 2005, when the share price was R187.01 per Investec plc share and R186.50 per Investec Limited share. The performance conditions with respect to these options were met.

Details with respect to options lapsed:

- GR Burger forfeited options in terms of the scheme rules in respect of 15 750 Investec plc shares and 9 250 Investec Limited shares on 20 September 2004. The share price on 20 September 2004 was R129.50 per Investec plc share and R128.50 per Investec Limited share.
- DM Lawrence forfeited options in terms of the scheme rules in respect of 7 875 Investec plc shares and 4 625 Investec Limited shares on 20 September 2004. The share price on 20 September 2004 was R129.50 per Investec plc share and R128.50 per Investec Limited share.
- B Tapnack forfeited options in terms of the scheme rules in respect of 7 875 Investec plc shares and 4 625 Investec Limited shares on 20 September 2004. The share price on 20 September 2004 was R129.50 per Investec plc share and R128.50 per Investec Limited share.

## Leveraged equity plans

A group of senior and executive managers, including certain directors, who have or can have a significant impact on the business, have been granted participation in leveraged equity plans known as Fintique II and Fintique III, details of which are outlined below.

### Fintique II

Fintique II was constituted on 31 July 1996, via a special purpose vehicle (SPV), initially available to 235 selected executives, senior managers and directors. Participants acquired units in the SPV, where the underlying instruments are compulsory convertible debentures, which convert into 886 Investec shares for every 1 000 units in Fintique II.

The scheme was funded through:

- Cash contributions from participants.
- The upfront sale of the income stream on the debentures and the right to the redemption proceeds.

Fintique II participants have a right to receive a combination of Investec plc and Investec Limited shares on maturity of the scheme on 31 July 2008. They also have an obligation to pay any potential shortfall on maturity, for which they signed a personal surety.

All the units in Fintique II were fully vested as at 31 July 2002. As at 31 March 2005, the unit holder had a liability of R69.93 per share. A total of 4.0 million units were issued in terms of the scheme, converting into approximately 3.5 million shares.

### Fintique III

Fintique III was constituted in the British Virgin Islands on 15 December 1998, via its own SPV, initially available to 500 selected executives, senior managers and directors. Participants acquired units in the SPV, where the underlying instruments were compulsory convertible debentures, which equated to 763.2 Investec shares for every 1 000 units in Fintique III. The acquisition of the units by each participant was funded from a number of sources. On maturity of the scheme, participants had an obligation to settle their respective portion of the outstanding loans after which they would be eligible to acquire and/or sell the shares that were awarded in terms of the scheme.

# Notes to the financial statements

## 26. Directors' remuneration (continued)

Fintique III matured and all units of the scheme became free of restriction and thus "fully vested" in the sense that the term is used in the UK on 15 December 2004. A total of 9.5 million units that were issued in terms of the scheme represented approximately 8.8 million shares on a gross basis. On 15 December 2004 participants in the scheme had an obligation to pay an amount of R102.38 or £5.45 per share to settle their respective portion of the outstanding loan obligation relating to their unit holding. The closing market price of an Investec plc share and an Investec Limited share on 15 December 2004 was £15.90 and R167.30, respectively.

The following table shows directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2005:

Name	Entitlement to Investec plc shares 1 April 2004	Entitlement to Investec plc shares 31 March 2005	Entitlement to Investec Limited shares 1 April 2004	Entitlement to Investec Limited shares 31 March 2005	Settlement period
<b>Executive directors</b>					
S Koseff	122 800	183 684	72 121	107 879	1 Apr 2005 to 31 Jul 2008
B Kantor	122 800	-	72 121	144 921	1 Apr 2005 to 31 Jul 2008
GR Burger	101 171	125 904	59 417	73 943	1 Apr 2005 to 31 Jul 2008
DM Lawrence	47 445	47 445	27 865	27 865	1 Apr 2005 to 31 Jul 2008
B Tapnack	50 236	33 491	29 504	19 669	1 Apr 2005 to 31 Jul 2008
<b>Non-executive directors</b>					
HS Herman	78 145	90 209	45 895	52 980	1 Apr 2005 to 31 Jul 2008

### Notes:

All the shares to which the directors are entitled in terms of the Fintique II scheme are fully tradeable and so "fully vested" as the term is understood in the UK and can be taken up at a price of R69.93 per share, based on the valuation of the scheme as at 31 March 2005. The market price of Investec plc shares and Investec Limited shares as at 31 March 2005 was £15.55 and R178.00, respectively. While the combined Investec plc and Investec Limited share entitlement will remain unchanged, the mix of Investec plc and Investec Limited shares may vary from time to time. The directors are at risk for any shortfall on maturity of the scheme.

- S Koseff acquired entitlements in terms of the Fintique II scheme to 60 884 Investec plc shares and 35 758 Investec Limited shares on 21 February 2005, for a cash amount of R104.27 per share plus a future liability of R79.00 per share.
- B Kantor took up his entitlement in respect of 50 000 Investec Limited shares in terms of the Fintique II scheme on 15 March 2005 for a cash amount of R188.50 per share, by settling the appropriate liability in respect of the shares taken up. The 50 000 Investec Limited shares are now disclosed under beneficial and non-beneficial interest on page 50. The mix of Investec plc and Investec Limited shares was amended within the scheme structure.
- GR Burger acquired entitlements in terms of the Fintique II scheme to 24 733 Investec plc shares and 14 526 Investec Limited shares on 21 February 2005, for a cash amount of R104.27 per share plus a future liability of R79.00 per share.
- B Tapnack disposed of entitlements in terms of the Fintique II scheme to 16 745 Investec plc shares and 9 835 Investec Limited shares on 15 March 2005.
- H Herman acquired entitlements in terms of the Fintique II scheme to 12 064 Investec plc shares and 7 085 Investec Limited shares on 21 February 2005, for a cash amount of R104.27 per share plus a future liability of R79.00 per share.

# Notes to the financial statements

## 26. Directors' remuneration (continued)

The following table shows directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique III as at 31 March 2005:

	Net underlying entitlement to Investec plc shares on maturity of the scheme	Net underlying entitlement to Investec Limited shares on maturity of the scheme
<b>Executive directors</b>		
S Koseff	245 428	-
B Kantor	-	245 428
GR Burger	170 504	-
DM Lawrence	101 385	-
B Tapnack	117 151	-
<b>Non-executive directors</b>		
HS Herman	186 933	-
SE Abrahams	15 264	-
DE Jowell	22 896	-
PRS Thomas	19 080	-
<b>Total number</b>	<b>878 641</b>	<b>245 428</b>

### Notes:

- As discussed on pages 52 to 53, Fintique III became a fully vested scheme in terms of the scheme structure on 15 December 2004. Due to the leveraged nature of the scheme, the directors' entitlement to Investec shares was 72.83% per unit on maturity of the scheme.
- The above share entitlements are shown prior to the settlement of the directors' share of the outstanding loan obligations in terms of the scheme of an amount of R102.38 or £5.45 per share. As discussed on pages 52 to 53, the participants in the Fintique III scheme were eligible to acquire and/or sell their shares received in terms of the scheme on 15 December 2004 after settlement of their loan obligation. The above net share entitlement received by the directors is now reflected as part of their beneficial and non-beneficial shareholdings as shown on page 50.

## For the year ended 31 March R'million

### 27. Capital adequacy statement

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

	Company	
	2005	2004
Primary capital (Tier 1)	6 761	6 429
Secondary capital (Tier 2)	4 285	5 640
Total	11 046	12 069
Less : Impairments	491	573
Net qualifying capital	10 555	11 496
<b>Risk weighted assets (banking and trading assets)</b>	<b>54 194</b>	<b>57 967</b>
<b>Capital adequacy ratio</b>	<b>19,5%</b>	<b>19,8%</b>

# Notes to the financial statements

For the year ended 31 March		Nature of business	Issued ordinary capital	Holding %	Shares at book value		Net indebtedness	
R'million					2005	2004	2005	2004
<b>28. Principal subsidiary companies</b>								
<b>Direct subsidiaries of Investec Bank Limited</b>								
	Investec Bank (Mauritius) Limited ^	Banking institution	R 281 630 447	100	280	280	1 145	939
	Grayinvest Limited	Investment holding	R 1 000	100	1	1	-	6
	Reichmans Limited	Trade financing	R 10	100	60	60	419	391
	Investec Holdings (Botswana) Ltd o	Investment holding	Pula 360	75	3	56	(30)	-
	SIB Investments Limited	Investment holding	R 1 485	100	-*	557	-	(561)
	Secfin Finance Ltd	Investment holding	R 200	100	-*	-*	-	-
	Securities Equities (Pty) Ltd	Investment holding	R 26 500 000	100	-*	-*	7	7
	Sechold Finance Services (Pty) Ltd	Investment holding	R 1 000	100	-*	-*	(242)	286
	KWJ Investments (Pty) Ltd	Investment holding	R 100	100	-*	-*	650	146
	AEL Investment Holdings (Pty) Ltd	Investment holding	R 1 000	100	-*	-*	778	233
	Investpref Ltd	Investment holding	R 1 000	100	-*	-*	69	41
	Vesque Limited	Finance & investment	R 2 236 200	100	-*	-*	-	2
	Pvt Mortgages 1 (Pty) Ltd	Securitised vehicles			77	77	(41)	(100)
	Pvt Mortgages 2 (Pty) Ltd	Securitised vehicles			98	98	(52)	(51)
	Other				-*	-*	57	61
					519	1 129	2 760	1400

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

^ Mauritius

o Botswana

\* less than R1 million

## 29. Group derivative instruments

### Financial instruments, including derivatives and risk disclosure

#### Fair values

The fair value of a financial instrument represents the present value of the positive or negative cash flows which would have occurred if the rights and obligations arising from that instrument were closed out by the group in an orderly market transaction at year end. The group's trading book comprises treasury bills, settlement accounts, debt securities, equity shares, short positions in securities, and derivatives as well as secured customer loans and deposits. The fair values of listed and publicly traded securities held for investment purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note.

#### Derivatives

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations. Included in the table below are all derivative instruments entered into by the group at 31 March 2005.

#### Notional principal

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

# Notes to the financial statements

For the year ended 31 March R'million	2005			2004		
	Notional principal	Positive Fair value	Negative Fair value	Notional principal	Positive Fair value	Negative Fair value
<b>29. Group derivative instruments (continued)</b>						
<b>Derivative positions</b>						
<b>Foreign exchange derivatives</b>						
Forward foreign exchange	31 725	1 095	1 085	42 418	3 114	3 244
Currency swaps	5 961	919	85	11 664	1 565	283
OTC options bought and sold	3 248	140	90	6 507	864	321
OTC derivatives	40 934	2 154	1 260	60 589	5 543	3 848
Exchange traded futures	-	1	173	-	-	-
Total	40 934	2 155	1 433	60 589	5 543	3 848
<b>Interest rate contracts</b>						
Caps and floors	11 359	33	40	7 136	27	40
Swaps	241 823	5 653	6 174	262 296	4 163	2 753
Forward rate agreements	469 872	686	700	726 482	744	552
OTC options bought and sold	3 198	34	18	7 321	23	38
OTC derivatives	726 252	6 406	6 932	1 003 235	4 957	3 383
Exchange traded futures	6 467	4	7	101 703	21	15
Total	732 719	6 410	6 939	1 104 938	4 978	3 398
<b>Equity and stock index derivatives</b>						
OTC options bought and sold	850	898	882	142 600	1 525	1 830
Exchange traded futures	8 108	-	-	381	3	2
Exchange traded options	835	8	-	1 248	6	4
Total	9 793	906	882	144 229	1 534	1 836
<b>Commodity derivatives</b>						
OTC options bought and sold	9 768	674	665	5 054	665	38
Commodity swaps and forwards	952	62	123	1 901	4	208
Total	10 720	736	788	6 955	669	246
Collateral received/paid		(717)	(1 317)		(1 607)	(395)
<b>Trading derivatives included in assets/liabilities</b>		<b>9 490</b>	<b>8 725</b>		<b>11 117</b>	<b>8 933</b>

Included in interest rate contracts above are interest rate swaps entered into for fair value and cashflow hedging purposes. These specific derivatives form part of the group's management of its interest rate profile. The cash flow hedges have been entered into to hedge a portion of the anticipated future dividend payments on perpetual preference shares from 2014 to 2032. The fair value hedges have been entered into to hedge a portion of the fixed rate subordinated debt to minimise the interest rate gap. Included in the equity and stock index derivatives is the fair value of embedded equity derivatives of R56 million.

# Notes to the financial statements

For the year ended 31 March  
R'million

## 30. Asset quality, specific and general provisions

Total loans and advances to customers (gross of impairments)  
Managed book  
Net loans and advances to customers

Income statement impairment charge

### Total provisions

Specific impairment  
Total general provision  
Regulatory reserve  
Portfolio impairment

Gross non-performing loans  
Security

### Net non-performing loans

### Adequacy of provisions

Specific impairment as a % of total loans and advances to customers  
Portfolio impairment as a % of net loans and advances to customers  
Total impairments as a % of total loans and advances to customers  
Total impairments as a % of gross non-performing loans  
Total impairments as a % of net non-performing loans  
Specific impairment as a % of net non-performing loans

	Group	
	2005	2004
	43 267	36 931
	(932)	(998)
	42 335	35 933
	(131)	(173)
	234	258
	506	499
	433	455
	73	44
	740	757
	422	714
	(247)	(539)
	175	175
	0.54%	0.70%
	1.20%	1.39%
	1.71%	2.05%
	175.36%	106.02%
	422.86%	432.57%
	133.71%	147.43%

# Notes to the financial statements

## 31. Group currency profile

The group currency profile analyses the consolidated assets and liabilities in terms of their originating currencies. These totals are then expressed in South African Rands. Consequently this profile does not reflect any off balance sheet hedges entered into by the group.

For the year ended 31 March 2005

R'million

	ZAR	GBP	USD	EURO	Other	Total
<b>Assets</b>						
Cash and short-term funds	10 716	60	2 389	27	29	13 221
Short-term negotiable securities	7 982	-	-	-	-	7 982
Investment and trading securities	16 076	(45)	(1 409)	211	96	14 929
Other assets	403	1	301	-	3	708
Advances	40 879	466	1 295	280	40	42 960
Loans to group companies	8 385	(196)	334	(68)	-	8 455
Property and equipment	119	-	-	-	2	121
	84 560	286	2 910	450	170	88 376
<b>Equity and liabilities</b>						
Share capital and reserves	6 624	-	-	-	-	6 624
Compulsorily convertible debentures	681	-	-	-	-	681
Redeemable preference shares	1 491	-	-	-	-	1 491
Subordinated debt	2 961	-	-	-	-	2 961
Interest of minority shareholders in subsidiaries	-	-	-	-	5	5
Redeemable preference shares	1 655	-	-	-	-	1 655
Deposits and other accounts	70 695	181	3 270	282	64	74 492
Taxation	472	-	-	-	(5)	467
	84 579	181	3 270	282	64	88 376

Closing exchange rates used in the above table:

US Dollar \$1 = R6.22 British Pound £1 = R11.73 European Euro €1 = R8.07

# Notes to the financial statements

For the year ended 31 March 2005

R'million

## 31. Group currency profile (continued)

### Assets

	ZAR	GBP	USD	EURO	Other	Total
Cash and short-term funds	9 023	96	2 386	113	146	11 764
Short-term negotiable securities	6 304	-	32	-	-	6 336
Investment and trading securities	17 626	(237)	(1 765)	60	123	15 807
Other assets	138	6	482	1	2	629
Advances	34 381	469	1 691	84	4	36 629
Loans to group companies	10 385	168	(15)	8	2	10 548
Property and equipment	683	-	-	-	3	686
	78 540	502	2 811	266	280	82 399

### Equity and liabilities

Share capital and reserves	6 242	-	-	-	-	6 242
Compulsorily convertible debentures	1 938	-	-	-	-	1 938
Redeemable preference shares	1 491	-	-	-	-	1 491
Subordinated debt	2 961	-	-	-	-	2 961
Interest of minority shareholders in subsidiaries	29	-	-	-	-	29
Redeemable preference shares	1 740	-	-	-	-	1 740
Deposits and other accounts	63 745	285	3,502	241	93	67 866
Taxation	127	-	-	-	5	132
	78 273	285	3 502	241	98	82 399

Closing exchange rates used in the above table:

US Dollar \$1 = R6.37 British Pound £1 = R11.67 European Euro €1 = R7.78

# Notes to the financial statements

For the year ended 31 March

R'million	0 - 1 Months	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	More than 5 years	Total
<b>32. Supplementary risk information</b>							
<b>Liquidity gap at 31 March 2005</b>							
Cash and short-term funds	12 994	187	-	40	-	-	13 221
Short-term negotiable securities	2 487	1 057	1 434	530	1 015	1 459	7 982
Investment and trading securities*	13 607	47	-	39	808	428	14 929
Other assets	280	104	88	16	193	27	708
Advances	7 472	147	66	2 207	18 881	14 187	42 960
Loans to group companies	2 993	7	40	-	5 377	38	8 455
Property and equipment	-	-	-	-	-	121	121
<b>Assets</b>	<b>39 833</b>	<b>1 549</b>	<b>1 628</b>	<b>2 832</b>	<b>26 274</b>	<b>16 260</b>	<b>88 376</b>
Equity	-	-	-	-	5	8 796	8 801
Subordinated debt	-	-	-	-	-	2 961	2 961
Liabilities*	38 406	16 191	8 032	6 467	5 848	1 670	76 614
<b>Equity and liabilities</b>	<b>38 406</b>	<b>16 191</b>	<b>8 032</b>	<b>6 467</b>	<b>5 853</b>	<b>13 427</b>	<b>88 376</b>
Liquidity gap	1 427	(14 642)	(6 404)	(3 635)	20 421	2 833	-
<b>Cumulative liquidity gap</b>	<b>1 427</b>	<b>(13 215)</b>	<b>(19 619)</b>	<b>(23 254)</b>	<b>(2 833)</b>	<b>-</b>	
<b>Liquidity gap at 31 March 2004</b>							
Cash and short-term funds	11 694	-	-	4	66	-	11 764
Short-term negotiable securities	2 848	3 488	-	-	-	-	6 336
Investment and trading securities	14 372	167	447	214	281	326	15 807
Other assets	126	58	32	25	136	252	629
Advances	3 542	1 082	1 867	2 609	13 871	13 658	36 629
Loans to group companies	156	215	263	976	1 028	7 910	10 548
Property and equipment	1	-	-	-	66	619	686
<b>Assets</b>	<b>32 739</b>	<b>5 010</b>	<b>2 609</b>	<b>3 828</b>	<b>15 448</b>	<b>22 765</b>	<b>82 399</b>
Equity	-	-	-	1 257	710	7 733	9 700
Subordinated debt	-	-	-	-	-	2 961	2 961
Liabilities	35 737	14 081	3 630	9 090	4 273	2 927	69 738
<b>Equity and liabilities</b>	<b>35 737</b>	<b>14 081</b>	<b>3 630</b>	<b>10 347</b>	<b>4 983</b>	<b>13 621</b>	<b>82 399</b>
Liquidity gap	(2 998)	(9 071)	(1 021)	(6 519)	10 465	9 144	-
<b>Cumulative liquidity gap</b>	<b>(2 998)</b>	<b>(12 069)</b>	<b>(13 090)</b>	<b>(19 609)</b>	<b>(9 144)</b>	<b>-</b>	

\* Positive fair value of derivatives of R9 490 million and negative fair value of derivatives of R8 725 million have been included in the 0-1 month column under investment and trading securities and liabilities respectively.

The above reflects contractual maturities adjusted for management's expectation of actual maturities based on known behavioural patterns.

# Notes to the financial statements

For the year ended 31 March

R million	Total trading	0 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	More than 5 years	Non int bearing	Total non trading	Total
<b>32. Supplementary risk information (continued)</b>									
<b>Repricing gap at 31 March 2005</b>									
Cash and short-term funds	2 677	9 392	-	40	-	-	1 112	10 544	13 221
Short-term negotiable securities	3 213	2 168	54	125	928	1 398	96	4 769	7 982
Investment and trading securities	10 523	1 235	69	828	1 784	374	116	4 406	14 929
Advances	578	27 833	620	2 106	7 527	4 296	-	42 382	42 960
Other assets	127	8 676	9	11	106	28	327	9 157	9 284
<b>Assets</b>	<b>17 118</b>	<b>49 304</b>	<b>752</b>	<b>3 110</b>	<b>10 345</b>	<b>6 096</b>	<b>1 651</b>	<b>71 258</b>	<b>88 376</b>
Equity	-	1 491	-	-	686	-	6 624	8 801	8 801
Subordinated debt	-	-	-	-	-	2 961	-	2 961	2 961
Liabilities	11 983	47 689	5 925	6 085	2 317	1 594	1 021	64 631	76 614
<b>Equity and liabilities</b>	<b>11 983</b>	<b>49 180</b>	<b>5 925</b>	<b>6 085</b>	<b>3 003</b>	<b>4 555</b>	<b>7 645</b>	<b>76 393</b>	<b>88 376</b>
Effect of internal hedges <sup>^</sup>	-	2 829	3 859	(1 699)	(4 989)	-	-		
Interest rate gap	5 135	2 953	(1 314)	(4 674)	2 353	1 541	(5 994)		
<b>Cumulative repricing gap</b>	<b>5 135</b>	<b>8 088</b>	<b>6 774</b>	<b>2 100</b>	<b>4 453</b>	<b>5 994</b>	<b>-</b>		
<b>Repricing gap at 31 March 2004</b>									
Cash and short-term funds	1 294	10 400	-	4	66	-	-	10 470	11 764
Short-term negotiable securities	1 917	2 325	22	58	738	1 242	34	4 419	6 336
Investment and trading securities	15 647	75	2	7	32	1	43	160	15 807
Advances	-	21 076	744	1 374	7 824	5 579	32	36 629	36 629
Other assets	17	9 312	612	-	-	-	1 922	11 846	11 863
<b>Assets</b>	<b>18 875</b>	<b>43 188</b>	<b>1 380</b>	<b>1 443</b>	<b>8 660</b>	<b>6 822</b>	<b>2 031</b>	<b>63 524</b>	<b>82 399</b>
Equity	-	1 491	-	-	1 257	681	6 271	9 700	9 700
Subordinated debt	-	-	-	-	-	2 961	-	2 961	2 961
Liabilities	10 162	43 709	3 316	7 843	1 439	1 123	2 146	59 576	69 738
<b>Equity and liabilities</b>	<b>10 162</b>	<b>45 200</b>	<b>3 316</b>	<b>7 843</b>	<b>2 696</b>	<b>4 765</b>	<b>8 417</b>	<b>72 237</b>	<b>82 399</b>
Effect of internal hedges <sup>^</sup>	-	7889	316	1190	(7 375)	(2 020)	-		
Interest rate gap	8 713	5 877	(1 620)	(5 210)	(1 411)	37	(6 386)		
<b>Cumulative repricing gap</b>	<b>8 713</b>	<b>14 590</b>	<b>12 970</b>	<b>7 760</b>	<b>6 349</b>	<b>6 386</b>	<b>-</b>		

<sup>^</sup> All derivative instruments have been included at fair value in the trading column. To the extent that internal derivative hedges have been entered into between the non trading book and the trading book the effect of these are reflected in the respective repricing buckets. On the balance sheet all internal derivatives are eliminated and therefore this line item only reflects the transfer of risk from the non trading book to the trading book. The risk within the trading book is managed within the parameters which is fully discussed in the risk management section of the group's Annual Report.

For information regarding the groups' risk management policies and other risk information, please refer to the group's Annual Report for the year ended 31 March 2005.

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# Investec Bank Limited

## Notice of Annual General Meeting

### Investec Bank Limited (registration number 1969/004763/06)

Notice is hereby given that the annual general meeting of Investec Bank Limited will be held at 09:00 on Monday, 8 August 2005 in the board room, 2nd floor, 100 Grayston Drive, Sandown, Sandton to transact the following business:

1. To receive and adopt the annual financial statements for the year ended 31 March 2005.
2. To re-appoint Ernst & Young and KPMG Inc. as joint auditors and fix their remuneration.
3. To sanction the interim and final dividends paid on the ordinary and preference shares for the year ended 31 March 2005.
4. To sanction the debenture interest paid for the year ended 31 March 2005.
5. To sanction the interest paid on the IV01 bonds and IV02 class A notes for the year ended 31 March 2005.
  - 6.1 To re-elect the directors by way of a single resolution.
  - 6.2 To elect directors. Messrs S E Abrahams, S Koseff, B Kantor, G R Burger and B Tapnack retire by rotation in terms of the articles of association and being eligible, offer themselves for re-election. For brief biographical details of the directors to be re-elected, please refer to page 23 of the Annual Report.
7. To approve the remuneration of the directors for the year ended 31 March 2005.
8. To place all the unissued ordinary and preference shares under the control of the directors as a general authority in terms of section 221 of the Companies Act, 1973, who are authorised to allot and issue such shares in their discretion until the next annual general meeting, subject to the provisions of the Companies Act, 1973, the Banks Act, 1990, and the Listings Requirements of the JSE Securities Exchange South Africa.
9. To consider and, if deemed fit, to pass with or without modification the following resolutions as special resolutions of the company:

#### Special Resolution No. 1:

- Resolved that in terms of Article 4(a)(i) of the Articles of Association and with effect from 8 August 2005, Investec Bank Limited hereby approves, as a general approval contemplated in Sections 85 and 89 of the South African Companies Act of 1973, the acquisition by Investec Bank Limited or its subsidiaries from time to time, of the issued ordinary shares and non-redeemable non-cumulative non-participating preference shares, upon such terms and conditions and in such amounts as the directors of Investec Bank Limited or its subsidiaries may from time to time decide, but subject to the provisions of the Companies Act, 1973, the Banks Act, 1990 and the Listings Requirements of the JSE Securities Exchange South Africa, provided that this general authority shall be valid until the next annual general meeting, and shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution.

*The reason and effect of this special resolution is to grant a renewable general authority to Investec Bank Limited to acquire ordinary shares and non-redeemable non-cumulative non-*

*participating preference shares which are in issue from time to time in terms of the Companies Act, 1973, the Banks Act, 1990 and the Listings Requirements of the JSE Securities Exchange South Africa, for the repurchase by Investec Bank Limited or a subsidiary of Investec Bank Limited, of Investec Bank Limited shares*

*The directors of Investec Bank Limited have no present intention of making any purchases, but believe that Investec Bank Limited should retain the flexibility to take action if future purchases were considered desirable and in the best interests of its shareholder.*

#### Special Resolution No. 2:

- Resolved that subject to the provisions of the Companies Act, 1973, the Banks Act, 1990 and the Listings Requirements of the JSE Securities Exchange South Africa, the articles of association of the company be and are hereby cancelled in their entirety and substituted with new articles of association attached hereto, as initialled by the Chairman for identification purposes and forming part of this resolution.

*The reason for the special resolution is that the company wishes to incorporate the amendments made to the existing Articles of Association into a single consolidated document.*

*The effect of the special resolution will be that all the amendments to the old Articles of Association will be incorporated into the Articles of Association which are to be adopted.*

*A copy of the new Articles of Association is available for inspection at the registered address of the company during business hours.*

#### Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on page 17 of the Annual Report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position.

#### Proxies

Holders of the non-redeemable non-cumulative non-participating preference shares, debentures, IV01 bonds and IV02 Class A notes shall be entitled to attend the meeting but not to vote on any of the resolutions.

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, to vote in his/her stead. A proxy need not be a member of the company.

Completed proxies must reach the registered office of the company at least twenty-four hours before the time appointed for the meeting.

By order of the board.

S Noik  
Company Secretary  
Sandown

10 May 2005

# Investec Bank Limited

## Form of proxy: Ordinary shares

Form of proxy for annual general meeting

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

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a holder(s) of  ordinary shares in Investec Bank Limited  
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 members of the company to be held on Monday, 8 August 2005 at 09:00 and at any adjournment thereof.

Please indicate by entering the number of shares held in your name in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he thinks fit.

Investec Bank Limited	In favour of	Against	Abstain
1. To receive and adopt the audited annual financial statements			
2. To reappoint the auditors and fix their remuneration			
3. To sanction the dividends paid			
4. To sanction the debenture interest paid			
5. To sanction the interest paid on the IV01 and IV02 bonds			
6.1 To handle the re-election of the directors by way of a single resolution.			
6.2 To re-elect directors: Messrs D M Lawrence, M P Malungani, P R S Thomas and F Titi and Ms D R Motsepe are the directors retiring by rotation in terms of the Articles of Association at the conclusion of the Annual General Meeting			
7. To approve the remuneration of the directors			
8. To place the unissued shares under the control of the directors			

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 and speak and to vote in his place. In the event of a poll a member or his proxy shall have one vote for every share held.

### Notes

- 1 Preference shareholders are entitled to attend the annual general meeting, but not vote thereat.
- 2 The date must be filled in on this form of proxy when it is signed.
- 3 This proxy must be received by The Company Secretary, Mr S Noik,  
c/o Group Secretarial, 4th Floor, Zone 5, 100 Grayston Drive, Sandown, Sandton, 2196  
PO Box 785700, Sandton, 2146  
not later than 24 hours before the commencement of the meeting.

