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If you have disposed of all your shares in Investec Group Limited ("Investec") or Investec Holdings Limited ("Inhold"), this circular should be handed to the purchaser of such shares or the stockbroker, banker or other agent through whom the disposal was effected.

Investec
Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1925/002833/06)

Investec
Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1985/005574/06)

Circular to Investec and Inhold shareholders

regarding

the acquisition by Investec of the financial services and insurance businesses of Fedsure Holdings Limited.

Merchant bank

Investec
Corporate Finance
Investec Bank Limited
(Registration number 1969/004763/06)

Reporting accountants

PricewaterhouseCoopers
PricewaterhouseCoopers Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration no 1998/012055/21)

Ernst & Young

Sponsor in South Africa

Investec
Securities
Investec Securities Limited
Member of the JSE
(Registration number 1972/008905/06)

Attorneys

Jowell Glyn & Marais
Jowell, Glyn & Marais Inc
(Registration number 1990/000849/21)

Sponsoring broker in Namibia

HSBC
Phillip J A van Heerden
Member Namibian Stock Exchange
Trading as
HSBC Securities (Namibia) (Pty) Limited
Reg. No. 95/505

Sponsoring broker in Botswana

Investec
Securities
Investec Securities (Botswana) (Pty) Limited
(Registration number 97/2262)

Date of issue: 30 March 2001

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CONTENTS

The definitions on pages 2 and 3 of this circular have been used below and throughout this circular.

DEFINITIONS

In this circular and the annexures hereto, unless otherwise indicated, reference to the singular shall include the plural and *vice versa,* words denoting one gender include others, expressions denoting natural persons include juristic persons and associations of persons, and the words in the first column have the meanings stated opposite them in the second column.

"the acquisition"	the proposed acquisition by Investec of the financial services and insurance businesses of Fedsure, as represented by the Fedsure assets, in terms of the acquisition agreement;
"the acquisition agreement"	the agreement between Investec and Fedsure, dated 24 December 2000, detailing the acquisition, as amended by an amendment agreement, dated 9 March 2001;
"the BSE"	the Botswana Stock Exchange;
"circular"	this circular to Investec shareholders, dated 30 March 2001, relating to the acquisition and all the annexures hereto;
"closing date"	the second business day after the fulfilment of the conditions precedent;
"conditions precedent"	the conditions precedent set out in paragraph 7 of this circular;
"Fedsure"	Fedsure Holdings Limited (registration number 1969/12384/06), a public company incorporated in South Africa and listed on the JSE;
"the Fedsure assets"	the assets to be acquired by Investec from Fedsure, which represent materially all of the assets of Fedsure, other than Fedsure Healthcare, and which specifically comprise 100% of the shares in and shareholders' claims against: – Fedsure International; and – Fedsure Investments (which has as its principal subsidiary, Fedsure Life);
"Fedsure Healthcare"	Fedsure Healthcare (Proprietary) Limited (registration number 1994/005099/07), a company incorporated in South Africa and a wholly-owned subsidiary of Fedsure, and its subsidiary companies;
"Fedsure International"	Fedsure International Limited (registration number 1997/004664/06), a public company incorporated in South Africa and a wholly-owned subsidiary of Fedsure prior to the acquisition;
"Fedsure Investments"	Fedsure Investments Limited (registration number 1968/015688/06), a public company incorporated in South Africa and a wholly-owned subsidiary of Fedsure prior to the acquisition;
"Fedsure Life"	Fedsure Life Assurance Limited (registration number 1944/017130/06), a public company incorporated in South Africa and a wholly-owned subsidiary of Fedsure prior to the acquisition;
"the Fedsure unbundling"	the unbundling by Fedsure of a maximum of 19 212 204 Investec shares to its shareholders;
"Inhold"	Investec Holdings Limited (registration number 1985/005574/06), a public company incorporated in South Africa and listed on the JSE and the holding company of Investec;

"the Inhold group"	Inhold and its subsidiaries;
"Investec" or "the company"	Investec Group Limited (registration number 1925/002833/06), a public company incorporated in South Africa and listed on the JSE, the BSE and the NSX;
"Investec Bank"	Investec Bank Limited (registration number 1969/004763/06), a company incorporated in South Africa and a wholly-owned subsidiary of Investec;
"the Investec consideration shares"	19 212 204 Investec shares to be issued as part purchase consideration for the acquisition;
"the Investec group"	Investec and its subsidiaries;
"the JSE"	the JSE Securities Exchange South Africa;
"Norwich Life"	Norwich Life South Africa Limited (registration number 1987/003755/06), a public company incorporated in South Africa and a wholly-owned subsidiary of Fedsure Life;
"the Norwich merger"	the proposed transfer of all the assets and liabilities of Norwich Life into Fedsure Life;
"the NSX"	the Namibian Stock Exchange;
"the purchase consideration"	the consideration for the acquisition, being the Investec consideration shares and R250 million in cash;
"South Africa"	the Republic of South Africa;
"Rand"	South African Rand;
"TMA"	TMA Investment Products Services (Pty) Limited (registration number 1992/003608/07), a company incorporated in South Africa and a wholly-owned subsidiary of Fedsure Investments; and
"the unbundling legislation"	section 60 of the Income Tax Act, 1993 (Act 113 of 1993) as amended.

Investec
Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1925/002833/06)

Investec
Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1985/005574/06)

Directors:

Hugh S Herman *(Chairman)**
Stephen Koseff *(Chief Executive Officer)*
Bernard Kantor *(Managing Director)*
Sam E Abrahams*
Arnold I Basserabie*
Hilton K Davies*
Graham H Davin*
Donn E Jowell*
Ian R Kantor*
David M Lawrence
David H Mitchell*
Daphne R Motsepe*
Morley Z Nkosi*
Bradley Tapnack
Peter R S Thomas*

*Non-executive

Directors:

Ian R Kantor *(Chairman)*
Bas Kardol *(Deputy Chairman)*
Arnold I Basserabie
Glynn R Burger
Graham H Davin
Hugh S Herman
Bernard Kantor
Stephen Koseff
David H Mitchell
Peter R S Thomas

CIRCULAR TO INVESTEC AND INHOLD SHAREHOLDERS

1. INTRODUCTION

It was announced on Wednesday, 22 November 2000 that agreement had been reached in terms of which Investec would acquire the Fedsure assets from Fedsure, subject to the fulfilment of the conditions precedent as set out in paragraph 7 below.

Subsequent announcements were made on Wednesday, 27 December 2000 and Friday, 9 March 2001, describing amendments to the terms of the acquisition.

The purpose of this circular is to furnish Investec shareholders with all the relevant information relating to the acquisition, in accordance with the Listings Requirements of the JSE, the BSE and the NSX

2. BACKGROUND AND RATIONALE FOR THE ACQUISITION

Since 1991, Investec has held a strategic investment in Fedsure, which is currently approximately 19%. In turn, Fedsure Life through its policyholders' funds currently holds approximately 22% of Inhold on an undiluted basis and approximately 17% on a fully diluted basis, as well as approximately 0,9% of Investec on an undiluted basis and approximately 0,7% on a fully diluted basis.

Investec believes that the acquisition will add to shareholder value through improving the balance of its overall portfolio of activities and increasing the annuity revenue stream in several key business units. This will enhance Investec's ability to perform in volatile financial markets. In addition, the acquisition resolves the cross-shareholding which previously complicated the Inhold group structure.

Specifically, the benefits of the acquisition lie primarily in the value that will be extracted through:

– the enhancement of critical mass and economies of scale in key activities through integrating businesses common to both companies;
– entry into allied areas of business, facilitating the development of these into core operations of suitable scale;
– the disposal, joint venturing or outsourcing of businesses that may be of greater value outside the Investec group;
– the removal of the cross-shareholding between the Inhold group and Fedsure.

3. DESCRIPTION OF THE FEDSURE ASSETS

The Fedsure assets consist of insurance businesses and financial services businesses. The insurance businesses are mainly focused on life insurance, comprising individual life and employee benefit products. The financial services businesses include asset and unit trust management, property asset management and linked product management.

International operations are focused in the United Kingdom, Ireland, Singapore and Australia. The product and service offerings include life insurance, traded endowments, investment administration services for independent financial advisers and employee benefits consulting and administration.

4. PROPOSED OPERATIONAL AND MANAGEMENT RESTRUCTURE

With effect from 19 March 2001, the board of Fedsure has agreed to form a steering committee consisting of key Investec executives and chaired by David Nurek, a non-executive director of Fedsure and an executive director of Investec Bank. This committee has been tasked with managing the implementation of the acquisition and the restructure set out below once the acquisition has become unconditional and to fulfil a caretaker role until then.

4.1 Life assurance

Fedsure Life, together with its wholly-owned subsidiary Norwich Life, comprises substantially all of the life assurance operations of Fedsure. Norwich Life is expected to be merged with Fedsure Life in terms of the Norwich merger.

Recognising that the operation of a traditional life assurance business along a bancassurance model is not a core part of Investec's strategy, it is the Investec group's intention to perpetuate this business either through a transaction with another life assurance company or by outsourcing the administration of the business to a third party. This will enable Investec to focus on developing more dynamic and transparent investment products, using the skills developed by its linked product, financial engineering and asset management units.

To this end, Investec is at an advanced stage of negotiations with Capital Alliance Holdings Limited ("Capital Alliance"), to conclude an agreement in terms of which the traditional individual life assurance operations of Fedsure Life and Norwich Life will be outsourced to Capital Alliance with the intention of an ultimate disposal of these businesses to Capital Alliance with effect from 31 March 2001.

It is intended that the consideration for this disposal would be a combination of cash and Capital Alliance shares, with Investec intending to retain a meaningful holding in Capital Alliance. Investec Asset Management would retain the mandate to manage all Fedsure Life and Norwich Life funds.

Shareholders will be kept informed of the progress of these negotiations.

Morris Bernstein, presently chief executive officer of Fedsure Life, will be retiring at the end of May 2001 and Sam Hackner, an executive director of Investec Bank and head of Investec's global private client group, has been appointed to oversee the integration of Fedsure Life's individual business with Capital Alliance.

4.2 Employee benefits

The employee benefits operations of Fedsure will provide Investec with significant scale in the retirement fund administration arena. Investec believes that there are substantial synergies between employee benefits and the asset management businesses of Investec, the exploitation of which will further enhance shareholder value.

Ciaran Whelan, presently managing director of Investec Asset Management's retail business, has been appointed to head the employee benefits division after implementation of the acquisition, while Andrew McGinn, executive director of Fedsure Life responsible for employee benefits, will serve as his deputy.

4.3 Fedsure asset management and unit trust management

The acquisition will add approximately R35 billion of wholesale funds to Investec's asset management operations and will create an asset management company with approximately R115 billion in domestic assets under management. Fedsure's international assets under management will be added to Investec's own already substantial international asset management operations. In both cases, significant economies of scale are expected. The expected benefit of integration and resultant synergies between Investec Asset Management and Fedsure asset management is considered a key strategic driver behind the acquisition.

Compliance with regulation has delayed the implementation of the acquisition and to prevent damage to the businesses in the resultant period of uncertainty, an agreement has been reached in terms of which Fedsure's asset management and unit trust management activities will be outsourced to Investec with effect from 1 March 2001 and Investec's intention is the full integration of these businesses within Investec asset management after implementation of the acquisition.

4.4 TMA

The activities of TMA overlap with those of Investec Asset Management's retail business and, consequently, TMA will be fully integrated. Synergies are expected through the sharing of systems, administration and overhead and the increase in scale with approximately R17 billion in linked-product funds under administration (at current market value) after the acquisition.

John Green, currently Fedsure group executive for strategy and international operations, will be appointed to replace Ciaran Whelan as head of Investec Asset Management's retail business.

4.5 Fedsure Properties

Fedsure Properties, which presently manages a portfolio of approximately R4 billion, will be integrated with Investec's existing property businesses. Investec views property management as being complementary to its current property businesses and sees significant opportunity in the restructuring of the Fedsure portfolio; an exercise that will be embarked on after implementation of the acquisition bringing to bear Investec's expertise in both property and investment banking.

4.6 Fedsure General

Fedsure General is the short-term insurance arm of Fedsure and is held by the Fedsure Life main life fund. Investec is, together with management, presently investigating the alternatives available to it. Given the scale of this business, its strong management and strong performance, Investec does not consider any decision in this regard to be urgent. Investec will continue to support Fedsure General to maintain its market position.

4.7 Saambou Bank Holdings Limited ("Saambou")

The Fedsure Life main life fund currently holds a strategic shareholding of approximately 41% of Saambou on a fully diluted basis. It is Investec's intention that this investment will be sold in due course and strong expressions of interest in Saambou have already been made by several credible parties.

4.8 Other investments

Fedsure's investments in Fedsure Credit Life (via the Fedsure Life main life fund) and (internationally) NMG, NSP Buck and Irish Life are not part of Investec's long-term strategy. Investec's ultimate objective will therefore be to dispose of such businesses or investments.

Fedsure currently holds a 65% interest in Fedbond, a participation mortgage bond vehicle which represents an insignificant proportion of the acquisition. Investec and Fedsure are in discussions with management to decide the future direction of this business.

4.9 Head office

After the implementation of the strategy for each business unit outlined above, the head office and central functions for the expanded Investec group will be fulfilled by the existing Investec infrastructure. As a result thereof, the Fedsure head office will be rationalised.

In this regard, the following developments are pertinent:

Arnold Basserabie, will continue in his role as chief executive officer of Fedsure and will contribute to the transition and integration process. He will provide guidance and support to David Nurek, who will assume the position of chief executive officer of the Fedsure businesses to oversee the transition and integration process.

David Barber, presently group chief financial officer of Fedsure, has tendered his resignation from Fedsure with effect from the end of April 2001. Bradley Tapnack, financial director of Investec, will fulfil the role of chief financial officer of the Fedsure businesses in addition to his present responsibilities to ensure the successful implementation of Investec's proposed strategy.

5. TERMS OF THE ACQUISITION

5.1 The purchase consideration

The purchase consideration for the Fedsure assets will be settled by:

– the delivery to Fedsure of the Investec consideration share on the closing date; and

– the payment to Fedsure of R250 million in cash on the closing date.

5.2 The Norwich merger

Fedsure is currently in discussion with the Financial Services Board to transfer all the assets and liabilities of Norwich Life into Fedsure Life, thereby completing the integration of the two companies. The Norwich merger will apportion the excess assets of Norwich between policyholders and shareholders. The portion of the surplus allocated to shareholders will continue to support the solvency and working capital requirements of the combined business.

A circular was mailed to Norwich Life policyholders on 26 January 2001, dealing with the Norwich merger and no objections thereto have been received at the date of issue of this circular. Emerging from the finalisation of the year end actuarial valuation, there has been a reduction in the free assets position of Fedsure Life which, while adequately in excess of statutory requirements, may impede the proposed transfer of the assets and liabilities of Norwich Life into Fedsure Life. Accordingly, Investec has agreed to inject additional capital into Fedsure Life to facilitate completion of the Norwich merger. The merger is subject to final approval by the Financial Services Board and the High Court.

5.3 Dividends

All the Investec consideration shares will rank to receive the Investec final dividend for the year ending 31 March 2001, notwithstanding the day on which the closing date falls.

6. FINANCIAL INFORMATION

6.1 Financial effects of the acquisition for Investec shareholders

The table below sets out the financial effects of the acquisition on Investec based on the following:

– the financial results of Investec for the rolling 12-month period ended on 30 September 2000, based on the published results for the financial year to 31 March 2000 and the half year to 30 September 2000;

– the audited financial results of Fedsure for the year ended 31 December 2000;

– the assumption that the acquisition was effective from 1 October 1999 with regard to the headline earnings calculation for the rolling 12-month period ended on 30 September 2000;

– the assumption that the acquisition was effective on 30 September 2000 with regard to the net asset value calculations;

– the assumption that all the Investec consideration shares issued to Fedsure had been unbundled to Fedsure shareholders at the relevant effective date of acquisition and that, accordingly, 3,65 million Investec consideration shares had been received and cancelled by Investec;
– R677 million of net asset value is attributable to Investec shareholders in terms of the Norwich merger;
– an issue price of R226 per Investec consideration share as per the acquisition agreement;
– goodwill of R2 743 million arises from the acquisition, which includes R1 285 million relating to the value of in force insurance business; and
– interest earned is reduced by 12% per annum before taxation for the cash portion of R250 million of the purchase consideration.

Per Investec share	"Before" Rolling 12 months ended 30 September 2000 (cents)	"Pro forma – After" Rolling 12 months ended 30 September 2000 (cents)	Change (%)
Headline earnings	1 471	1 633	11,0
Diluted net asset value	8 679	10 570	21,8
Diluted net tangible asset value	6 190	5 935	(4,1)
Diluted net tangible asset value, adjusted to include the value of in force insurance business	6 190	7 101	14,7

6.2 Pro forma net asset statement

The pro forma net asset statement of Investec, illustrating the effect that the acquisition would have had on Investec's net asset value if the acquisition had been effective at 30 September 2000, is set out in the table below, based on the following:
– the net assets of Investec at 30 September 2000;
– the net assets of Fedsure at 31 December 2000;
– an issue price of R226 per Investec consideration share as per the acquisition agreement;
– the assumption that the acquisition was effective on 30 September 2000; and
– the assumption that all the Investec consideration shares issued to Fedsure had been unbundled to Fedsure shareholders at 30 September 2000 and that, accordingly, 3,65 million Investec consideration shares had been received and cancelled by Investec.

	"Before" 30 September 2000 (R' million)	Pro forma adjustments	"Pro forma – After" 30 September 2000 (R' million)
ASSETS			
Cash and short-term funds	79 446	5 071	84 517
Short-term negotiable securities	54 394	–	54 394
Investment and trading securities	9 477	31 176	40 653
Other assets	6 471	2 069	8 540
Advances	33 525	6 287	39 812
Associated companies	463	(362)	101
Fixed assets	1 198	197	1 395
Intangible assets	2 364	2 743	5 107
Goodwill	2 364	1 458	3 822
Value of in force insurance business	–	1 285	1 285
	187 338	47 181	234 519
EQUITY AND LIABILITIES			
Capital and reserves	9 521	3 545	13 066
Total shareholders' funds	8 219	3 428	11 647
Subordinated debt	1 000	–	1 000
Interest of minority shareholders in subsidiaries	302	117	419
Liabilities	177 817	43 636	221 453
Deposits and other accounts	177 198	3 045	180 243
Insurance funds	–	40 591	40 591
Taxation	369	–	369
Shareholders for ordinary dividend	250	–	250
	187 338	47 181	234 519

The pro forma net asset statement is provided for illustrative purposes only and because of its nature may not give a true picture of Investec's financial position after the acquisition. The independent reporting accountants' report on the pro forma net asset statement is included as Annexure III to this circular.

6.3 Independent reporting accountants' report and report of historical information on the Fedsure assets

The report of the independent reporting accountants on the Fedsure assets is set out in Annexure I to this circular. The report of historical financial information on the Fedsure assets is set out in Annexure II to this circular.

6.4 Goodwill

In terms of the acquisition R2 743 million (including R1 285 million for the value of in force insurance business) of the purchase consideration is attributed to goodwill, representing the amount by which the value of the Fedsure assets exceeds the net book value of such assets. It is Investec's stated accounting policy to write-off goodwill arising on the acquisition of subsidiaries against income over a period not exceeding 20 years.

7. CONDITIONS PRECEDENT

The transaction is subject to the fulfillment of the following conditions precedent:

- approval by Fedsure shareholders in general meeting of the requisite resolutions to implement the transaction;
- approvals by the South African Reserve Bank and the Financial Services authorities of South Africa and the United Kingdom to the extent required;
- approval by the South African Revenue Service for the distribution by Fedsure of the Investec consideration shares to Fedsure shareholders in terms of the unbundling legislation; and
- approvals by the Competition Commission and the Competition Tribunal to the extent required.

8. WARRANTIES

The transaction contains warranties normally associated with a transaction of this nature.

9. THE UNBUNDLING BY FEDSURE

Following the acquisition Fedsure will hold 19 212 204 Investec shares and 100% of Fedsure Healthcare.

There is a possibility that Fedsure will retain or sell a portion of the Investec consideration shares in order to secure finance for, or settle the financing of, Fedsure Healthcare, as well as to settle certain other contingent liabilities which arose prior to 31 December 2000 and for which Fedsure is responsible.

Subject to the fulfilment of the conditions precedent, the remaining Investec consideration shares will be distributed to Fedsure shareholders in terms of the unbundling legislation.

Investec, as a 19% shareholder in Fedsure, will receive its own shares from the unbundling, which it may cancel.

10. SHARE CAPITAL

The share capital of Investec at Friday, 23 March 2001, being the last practicable date prior to the finalisation of this circular, is set out below:

Authorised	R'000
150 000 000 ordinary shares of 60 cents each	90 000
10 000 000 class 'A' variable rate compulsorily convertible non-cumulative preference shares of 60 cents each	6 000
50 000 variable rate redeemable cumulative preference shares of 60 cents each	30
10 000 000 variable rate unsecured subordinated compulsorily convertible debentures of 60 cents each	6 000
5 000 000 class 'A' variable rate unsecured subordinated compulsorily convertible debentures of 60 cents each	3 000
Total authorised equity capital	105 030

Issued	R'000
81 010 020 ordinary shares of 60 cents each	4 119 793
Nominal value	48 606
Share premium	4 071 187
2 000 000 class 'A' variable rate compulsorily convertible non-cumulative preference shares of 60 cents each	460 000
Nominal value	1 200
Share premium	458 800
11 622 variable rate unsecured subordinated compulsorily convertible debentures of 60 cents each	281
Nominal value	7
Share premium	274
1 880 000 class 'A' variable rate unsecured subordinated compulsorily convertible debentures of 60 cents each	384 000
Nominal value	1 128
Share premium	382 872
Total issued equity capital	4 964 074

As result of the acquisition, Investec will issue a further 19 212 204 ordinary shares to Fedsure. Should the Fedsure unbundling occur, Investec may cancel some or all of the unbundled Investec shares accruing to it (based on its shareholding of approximately 19% in Fedsure).

11. MATERIAL CHANGES

Other than in respect of the acquisition, there have been no material changes in the assets and liabilities of the company, nor has Investec made any material acquisitions or disposed of any of its material businesses since its published interim results for the six months ended 30 September 2000.

12. SUBSTANTIAL SHAREHOLDERS

At Friday, 2 March 2001, being the last practicable date prior to the finalisation of this circular, the following shareholders were the registered holders of in excess of 5% of the issued share capital of Investec:

Registered shareholder	Number of shares held at 2 March 2001	Percentage of issued share capital before the acquisition (Notes 1 and 3)
Inhold	48 319 457	50,45
Standard Bank Nominees (Transvaal) (Proprietary) Limited	15 976 587	16,68
Nedcor Bank Nominees Limited	11 248 068	11,74
	75 544 112	78,87

At Friday, 23 March 2001, being the last practicable date prior to the finalisation of this circular, to the best of the knowledge of Investec, the following shareholders were beneficially interested in 5% or more of the issued capital of Investec:

Beneficial shareholder	Number of shares held at 23 March 2001	Percentage of issued share capital before the acquisition (Notes 1 and 3)	Percentage of issued share capital after the acquisition (Notes 2 and 3)
Inhold	48 319 457	50,45	43,41

Note 1 The column entitled "Percentage of issued share capital before the acquisition" refers to the percentage of the issued capital of Investec before the issue of the Investec consideration shares and the cancellation of the Investec shares that Investec will receive back pursuant to the Fedsure unbundling.

Note 2 The column entitled "Percentage of issued share capital after the acquisition" refers to the percentage of the issued capital of Investec after the issue of the Investec consideration shares and the cancellation of the Investec shares that Investec will receive back pursuant to the Fedsure unbundling. It is assumed that all the Investec consideration shares will be unbundled during the Fedsure unbundling.

Note 3 The calculation of the percentage interests in Investec was based on the number of Investec shares in issue after the future conversion of all Investec compulsorily convertible instruments and the issue of all Investec shares for Investec Bank shares in terms of forward purchase agreements relating to the share purchase schemes.

13 PARTICULARS OF DIRECTORS AND THEIR INTERESTS

13.1 Directors

A list of the directors of Investec is set out below:

Full name, age and qualifications	Address	Occupation
Hugh S Herman (60) BA, LLB	100 Grayston Drive Sandown Sandton 2196	Banker
Stephen Koseff (49) BCom, CA(SA), H Dip BDP, MBA	100 Grayston Drive Sandown Sandton 2196	Banker
Bernard Kantor (51)	2 Gresham Street London EC2V 7QP United Kingdom	Banker
Sam E Abrahams (62) FCA, CA(SA)	43 Fifth Avenue Illovo Sandton 2196	Consultant
Arnold I Basserabie (56) BSc, FIA, ASA, FILPA	Fedsure House 1 de Villiers Street Johannesburg 2001	Businessman
Dr Hilton K Davies (67) BCom, DEcon (Sc)	4th Floor, Boart Place Fredman Drive Oxford Park Sandton 2196	Consultant
Graham H Davin (45) BCom, BAcc, CA(SA), MBA	Insinger Townsley 44 Workship Street London EC2A 2JT United Kingdom	Banker
Donn E Jowell (59) BCom, LLB	Jowell Glyn & Marais House 72 Grayston Drive Sandton 2196	Attorney
Ian R Kantor (54) BSc(Eng), MBA	Herengracht 551 1017 BM Amsterdam The Netherlands	Banker
David M Lawrence (49) BA(Econ) (Hons), MCom	100 Grayston Drive Sandown Sandton 2196	Banker
David H Mitchell (67)	D F Corlett Construction 40 Berea Street City and Suburban 2092	Building Contractor

Full name, age and qualifications	Address	Occupation
Daphne R Motsepe (43) BR BCompt MBA	SA Post Office Postpark South 2nd Floor 1234 Church Street East Colbyn, Pretoria 0001	Regional General Manager
Dr Morley Z Nkosi (65) BSc MBA PhD	4 Nerine Place Kleve Hill Park Sandton 2199	Consultant
Bradley Tapnack (54) BCom CA(SA)	100 Grayston Drive Sandown Sandton 2196	Banker
Peter R S Thomas (55)	5 St Peter Road CA(SA) Houghton 2198	Consultant

13.2 Directors' interests

Save as disclosed in this circular, the directors of Investec had no interests in transactions entered into by Investec during the current or the immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

Save as disclosed in this circular, no director of Investec had any other direct or indirect interest in the acquisition.

The beneficial and non-beneficial holdings of the directors of Investec in the share capital of Investec and Fedsure at Friday, 23 March 2001, being the last practicable date prior to the finalisation of this circular, are set out in paragraphs 13.2.1, 13.2.2, 13.2.3 and 13.2.4 below. Paragraph 13.2.1 below sets out all holdings of Investec directors in Investec, excluding indirect holdings via Inhold. Paragraph 13.2.2 below discloses all holdings of Investec directors in the issued share capital of Inhold. Paragraph 13.2.3 below sets out the future entitlement of Investec directors to Inhold shares in terms of the share purchase schemes. Paragraph 13.2.4 below discloses the holdings of Investec directors in Fedsure.

13.2.1 Holdings of Investec directors in Investec (excluding indirect holdings via Inhold)

Director	Number of shares held beneficially at 23 March 2001	Number of shares held non-beneficially at 23 March 2001
Hugh S Herman	2 500	–
Stephen Koseff	–	–
Bernard Kantor	–	–
Sam E Abrahams	–	–
Arnold I Basserabie	5 100	–
Hilton K Davies	918	–
Graham H Davin	–	–
Donn E Jowell	–	–
Ian R Kantor	874	–
David M Lawrence	–	–
David H Mitchell	–	–
Daphne R Motsepe	–	–
Morley Z Nkosi	–	–
Bradley Tapnack	–	–
Peter R S Thomas	375	–

In the period from 31 March 2000 to 23 March 2001, no changes occurred in the holdings of Investec directors in Investec.

13.2.2 Holdings of Investec directors in Inhold

Director	Number of shares held beneficially at 23 March 2001	Number of shares held non-beneficially at 23 March 2001
Hugh S Herman	176 450	–
Stephen Koseff	754 597	206 020
Bernard Kantor	837 549	–
Sam E Abrahams	–	–
Arnold I Basserabie	2 000	–
Dr Hilton K Davies	2 689	–
Graham H Davin	193 341	–
Donn E Jowell	–	100 000
Ian R Kantor	2 216 243	–
David M Lawrence	60 500	–
David H Mitchell	6 809	–
Daphne R Motsepe	–	–
Morley Z Nkosi	–	–
Bradley Tapnack	32 240	–
Peter R S Thomas	159 951	–

In the period from 31 March 2000 to 23 March 2001, the only changes were that Hugh S Herman decreased his beneficial holding in Inhold by 1 800 shares while Stephen Koseff, Bernard Kantor, Ian R Kantor and David M Lawrence increased their beneficial holdings in Inhold by 18 499, 22 499, 10 173 and 15 500 shares, respectively.

Inhold will have 52 283 302 ordinary shares in issue and will hold 48 319 457 shares in Investec after the future conversion of all Investec compulsorily convertible instruments and the issue of all Investec shares for Investec Bank shares in terms of forward purchase agreements relating to the share purchase schemes.

13.2.3 Future entitlement of Investec directors to Inhold shares in term of the share purchase schemes

Director	Number of shares at 23 March 2001
Hugh S Herman	213 300
Stephen Koseff	188 000
Bernard Kantor	188 000
Sam E Abrahams	19 200
Arnold I Basserabie	–
Dr Hilton K Davies	–
Graham H Davin	66 000
Donn E Jowell	28 800
Ian R Kantor	90 000
David M Lawrence	108 000
David H Mitchell	–
Daphne R Motsepe	–
Morley Z Nkosi	–
Bradley Tapnack	176 000
Peter R S Thomas	24 000

In the period from 31 March 2000 to 23 March 2001, the only changes to the future entitlement to Inhold shares were in respect of Hugh S Herman, Stephen Koseff, David M Lawrence and Bradley Tapnack, who reduced their entitlements by 4 400, 7 700, 25 000 and 25 100 shares, respectively, by exercising their rights.

13.2.4 Holdings of Investec directors in Fedsure

Director	Number of shares held beneficially at 23 March 2001	Number of shares held non-beneficially at 23 March 2001
Hugh S Herman	–	–
Stephen Koseff	–	–
Sam E Abrahams	–	–
Arnold I Basserabie	2 314 790	–
Hilton K Davies	–	–
Graham H Davin	–	–
Donn E Jowell	–	17
Bernard Kantor	–	–
Ian R Kantor	–	–
David M Lawrence	–	–
David H Mitchell	986 910	166 412
Daphne R Motsepe	–	–
Morley Z Nkosi	–	–
Bradley Tapnack	–	–
Peter R S Thomas	–	–

14. OPINION AND CONSENTS

The directors of Investec are of the opinion that the terms and conditions of the acquisition are fair and reasonable to Investec shareholders.

The attorneys, reporting accountants, merchant bank, sponsor, sponsoring brokers, and transfer secretaries have all consented in writing to act in the capacity stated and to their names being stated in this circular and have not withdrawn their consents prior to Friday, 30 March 2001, being the last practicable date prior to the publication of this circular.

15. WORKING CAPITAL STATEMENT

The directors of Investec are of the opinion that the working capital of the Investec group, after the acquisition, is adequate for the business of the Investec group for its current and foreseeable future requirements.

16. LITIGATION STATEMENT

There are no legal or arbitration proceedings which may have, or have during the 12 months preceding the date of this circular, had a material effect on the financial position of the Fedsure assets. Investec is not aware that any such proceedings are pending or threatened.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Investec whose names are given in paragraph 13.1 on pages 12 to 13 of this circular collectively and individually accept full responsibility for the accuracy of the information given with regard to Investec and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts.

By order of the board

INVESTEC GROUP LIMITED

Selwyn Noik
Company Secretary

Johannesburg
30 March 2001

INVESTEC HOLDINGS LIMITED

Selwyn Noik
Company Secretary

Johannesburg
30 March 2001

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE FEDSURE ASSETS

The Directors
Investec Group Limited
100 Grayston Drive
Sandton
2196

22 March 2001

Dear Sirs

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE FEDSURE ASSETS

INTRODUCTION

The Board of Directors of Investec Group Limited ("Investec") has decided to proceed with the proposed acquisition of the financial services and insurance businesses of Fedsure ("the Fedsure assets").

At your request and for the purpose of the Circular to Investec shareholders to be dated on or about 30 March 2001, we present our report on the financial information presented in the Report of Historical Financial Information of the Fedsure assets, included as Annexure II to the Circular, in compliance with the Listings Requirements of the JSE Securities Exchange South Africa ("JSE").

RESPONSIBILITY

The compilation, contents and presentation of the Circular and the Report of Historical Financial Information are the responsibility of the directors of Investec. Our responsibility is to express an opinion on the financial information included in the Circular.

SCOPE

We conducted our work in accordance with statements of South African Auditing Standards. These standards require that we plan and perform our work to obtain reasonable assurance that the historical financial information is free of material misstatement. Our work included:

- examining, on a test basis, evidence supporting the amounts and disclosures of the above mentioned historical financial information (the evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information),
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall historical financial information presentation.

OPINION

In our opinion, the historical financial information of the Fedsure assets relating to the years ended 31 December 1998, 1999 and 2000 fairly presents, in all material respects, for the purposes of the Circular to shareholders, the financial position of the Fedsure assets at the respective dates, and the results of their operations and cash flows for the years then ended in accordance with Statements of Generally Accepted Accounting Practice applicable during each of the years.

Yours faithfully

PricewaterhouseCoopers Inc
Chartered Accountants(SA)
Registered Accountants and Auditors

Sunninghill

Report of combined historical financial information on the Fedsure assets

I INTRODUCTION

An agreement was reached in terms of which Investec acquired the Fedsure assets from Fedsure.

Fedsure Holdings Limited, The Fedsure Healthcare assets, comprising Fedsure Healthcare and its subsidiaries and The Federated Employers Trust, did not form part of the transaction ("the remaining assets").

The financial information set out in this report presents the aggregated financial history of the Fedsure assets from 1 January 1998 to its most recent financial year end, 31 December 2000.

II BASIS OF PREPARATION

The Combined Financial Information of the Fedsure assets presented in this report has been extracted and compiled from the accounting records of Fedsure used in the preparation of the audited consolidated annual financial statements of the group for the three years ended 31 December 2000.

The Combined Financial Information comprises an aggregation of amounts included in the financial statements of those divisions, subsidiary and associated undertakings of Fedsure Holdings Limited relating to the activities of the group being sold to Investec Group Limited. The principal entities included within the financial records are shown in Note III. It excludes the remaining assets.

The following summarises the accounting and other principles which the Directors have applied in preparing the Combined Financial Information:

- The Combined Financial Information has been prepared by aggregating amounts included in the financial statements of the relevant businesses for all periods presented, or in the case of acquisitions or disposals during the period presented, from and up to the date control passed, or in the case of associated undertakings, the date the exercise of significant influence commenced or ceased;
- Transactions and balances between subsidiary undertakings included within the financial records have been eliminated. Where transactions between the Group and its associated undertakings have resulted in profits and losses which are reflected in the carrying amount of assets in either the Group's balance sheet or that of the associated undertaking, the part of the profit or loss relating to the Group's share has been eliminated.

Historically no consolidated financial statements have been prepared for the Fedsure assets. The Combined Financial Information has been prepared for the purpose of this circular to shareholders.

PricewaterhouseCoopers Inc acted as auditors to Fedsure Holdings Limited for the years ended 31 December 2000, 31 December 1999 and 31 December 1998 and reported without qualification for these periods.

III PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

	Issued capital proportion held			Book value of investment shares		
	12 months December 2000	12 months December 1999	12 months December 1998	12 months December 2000	12 months December 1999	12 months December 1998
Subsidiaries/associates in which the Fedsure assets have a direct interest:						
(i) Insurance companies:						
Fedsure Life Assurance Limited and its subsidiaries	100	100	100	1 818	1 118	1 118
(ii) Financial Services:						
Fedsure Asset Management Company (Pty) Limited	100	100	100	1	1	1
SBN Investments (Pty) Limited	100	100	100	280	280	280
Norwich Holdings Limited	100	100	100	940	940	940
Fedsure Participation Mortgage Bond Managers (Pty) Limited	65	65	65	1	1	1
Fedsure Properties (Pty) Limited	100	100	–	6	6	6
Fedsure Trust Limited	65	65	65	–	–	–
Fedsure Unit Trust Management Company Limited	100	97,5	65	28	17	17
TMA Investment Products Services (Pty) Limited	100	100	100	1	16	8
(iii) International activities:						
Spire Investments Limited	100	100	–	99	99	–
TMA Investment Products International (Pty) Limited	100	100	100	4	2	2
Fedsure Investments (UK) Limited	100	100	100	6	6	6
(iv) Principal associates:						
NFB Finance Brokers (Pty) Limited	49	49	49	–	–	–
Safrican Insurance Company Limited	49	49	49	19	19	19
Financial IQ (Pty) Limited	49	–	–	39	–	–
Total interest in subsidiaries/associates				3 242	2 505	2 398
Subsidiaries/associates in which the Fedsure assets have an indirect interest:						
(i) Insurance companies:						
Fedsure General Insurance Limited	100	100	100			
(ii) International activities						
Fedsure Trade Endowment Limited (UK)	100	100	–			
Beale Dobie & Company Limited (UK)	100	100	100			
Policy Portfolio Plc (UK)	100	100	100			
(iii) Principal associates:						
Irish Life International Limited (Ireland)	25	25	25			
NMG Holdings (PTE) Limited	30	30	30			
NSP Lewis (Pty) Limited (Australia)	39	39	16,5			

IV STATEMENT OF ADJUSTMENTS

Statement of adjustments for the years ended 31 December	2000 Rm	1999 Rm	1998 Rm
Attributable income after exceptional items			
As previously reported	(1 059)	573	447
Effect of leave pay provided	–	(9)	(6)
	(1 059)	564	441
Shareholders funds			
As previously reported	565	1 745	1 485
Effect on opening retained income of leave pay provided	–	(15)	(9)
Current year leave pay provided	–	(9)	(6)
	565	1 721	1 470

V COMBINED FINANCIAL INFORMATION OF THE FEDSURE ASSETS

Income statement for the years ended 31 December	Notes	2000 Rm	1999 Rm	1998 Rm
Operational earnings	1 – 5	465	444	316
Life Insurance		390	315	175
Financial Services		35	84	56
International		40	45	30
Norwich		–	–	55
Less Preference dividend		–	–	(15)
		465	444	301
Investment income on free assets		31	120	140
Attributable income before exceptional items		496	564	441
Exceptional items		(1 555)	–	–
Attributable income after exceptional items		(1 059)	564	441
Earnings per Fedsure share (cents)				
Fully diluted				
Attributable earnings before exceptional items	6	279	330	285
Attributable earnings after exceptional items	6	(605)	330	285
Undiluted				
Attributable earnings before exceptional items	6	287	330	298
Attributable earnings after exceptional items	6	(613)	330	298
Dividend per Fedsure share (cents)		79	185	147

Balance sheet as at 31 December	Notes	2000 Rm	1999 Rm	1998 Rm
ASSETS				
Investment assets		43 030	41 497	31 912
Government and public authority stocks		6 328	5 736	3 736
Mortgages, debentures and other loans	12	6 287	5 753	4 528
Equities and associates	13	21 492	22 006	17 293
Property investments		3 356	3 587	3 427
Funds on deposit		5 567	4 415	2 928
Other non-current assets	14	197	503	188
Current assets	15	2 069	2 040	1 253
Total assets		45 296	44 040	33 353
EQUITY AND LIABILITIES				
		565	1 721	1 470
Share capital and share premium	7	921	921	921
Non-distributable reserves		114	72	69
Retained earnings		(470)	728	480
Minority shareholders' interest	9	117	178	143
Non-current liabilities		41 771	39 539	30 247
Debentures	8	183	183	172
Long-term liabilities	10	125	143	113
Insurance funds	11	41 463	39 213	29 962
Current liabilities	16	2 843	2 602	1 493
Total equity and liabilities		45 296	44 040	33 353
NAV per Fedsure share (cents)	6	323	1 008	923

Statement of changes in equity for the years ended 31 December	2000 Rm	1999 Rm	1998 Rm
Share capital and share premium	921	921	921
Balance at beginning of period	921	921	1 413
Arising from shares	–	–	2 607
Capital reductions	–	–	(3 099)
Non-distributable reserves	114	72	69
Balance at beginning of year	72	69	48
Unrealised exchange gains	52	(2)	20
Short-term contingency reserves	(10)	5	1
Retained income	(470)	728	480
Balance at beginning of year	728	480	273
(Loss)/income attributable to shareholders	(1 059)	564	441
Dividends	(139)	(316)	(234)
	565	1 721	1 470

Cash flow statement for the years ended 31 December	Notes	2000 Rm	1999 Rm	1998 Rm
Cash flow from operating activities				
Cash generated from operations	23	1 514	5 183	2 891
Cash generated from decrease/(utilised) to increase net other assets	24	344	439	1 057
		1 858	5 622	3 948
Taxation paid		(137)	(106)	(76)
Dividends paid	25	(319)	(270)	(184)
Net cash from operating activities		1 402	5 246	3 688
Cash flow from investing activities				
Subsidiaries acquired	27	–	(625)	(1 672)
Net purchase of investments	26	(232)	(3 175)	(1 160)
Net cash (used in)/generated by investing activities		(232)	(3 800)	(2 832)
Cash flow from financing activities				
Proceeds of share issues		–	–	130
Proceeds from debenture issues		–	11	30
(Decrease)/increase in loans		(18)	30	113
Net cash (utilised in)/generated by financing activities		(18)	41	273
Net increase/(decrease) in cash and cash equivalents		1 152	1 487	1 129
Cash and cash equivalents at beginning of year		4 415	2 928	1 799
Cash and cash equivalents at end of year		5 567	4 415	2 928

Accounting policies

The following are the principal accounting policies of the Fedsure assets.

Accounting policies applicable to the Fedsure assets

Investments in subsidiaries

Subsidiary undertakings, which are those companies in which the Fedsure assets, directly or indirectly, have an interest of more than one half of the voting rights or otherwise have power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Fedsure assets and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Fedsure Financial and Insurance businesses have been eliminated.

Investments in associates

An associated undertaking is an entity in which the Fedsure assets have a long-term interest of not less than 20 per cent and in respect of which the Fedsure assets exercise significant influence over, but do not control the operational and financial policies. The results of associated undertakings are accounted for using the equity method of accounting.

Foreign currencies

Income statements of foreign entities are translated into South African rand at average exchange rates for the year and the balance sheets are translated at the year-end exchange rates ruling on 31 December. Exchange differences arising on translation are taken directly to translation reserve in shareholders' equity.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end exchange rates.

Financial instruments

Financial instruments carried on the balance sheet include bank and cash balances, investments, receivables and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Fedsure assets' share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions occurring after 31 December 1998 is reported on the balance sheet under non-current assets and will be amortised using the straight-line method over its estimated useful life commencing 1 January 2000. Goodwill on acquisitions that occurred prior to 1 January 1999 was written off in full through a reduction in share premium in the previous year. Goodwill on major strategic acquisitions to expand product or geographical coverage is amortised over a maximum period of 20 years. The carrying amount of goodwill is reviewed annually and written down for permanent impairment.

Fixed assets

Computers, furniture, equipment and motor vehicles are stated at cost less accumulated depreciation, calculated on a straight-line basis over their expected useful lives. The expected useful lives are as follows:

Computers	3 to 5 years
Furniture	10 years
Equipment	8 years
Motor vehicles	5 years

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise funds on deposit.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Pension obligations

The Fedsure assets operate defined benefit and contribution pension funds for employees.

For defined benefit plans, the pension accounting costs are assessed using the attained age method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates which have terms to maturity approximating the terms of the related liability.

Contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.

Post-retirement benefits

Post-retirement benefits are provided by way of medical aid schemes for employees. Provision is made for unfunded future medical aid contributions of employees and pensioners. Current service costs are charged to income and include the expense for benefits received by the employee currently in service and the cost of funding for the employee when no longer in service. The current service cost is determined by professionally qualified independent actuaries taking into account funding of the post-retirement benefits.

Deferred income taxes

Deferred taxation is provided, using the liability method, in respect of all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing difference will reverse. Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is probable.

Comparatives

Where necessary, comparative figures have been changed to conform with changes in presentation in the current year.

Significant accounting policies applicable to insurance business

Life funds

Liabilities under unmatured policies are computed annually at the balance sheet date by the statutory actuaries in accordance with prevailing legislation and generally accepted actuarial practice. The transfers to life funds reflected in the summarised income statement of life insurance activities represent the increase or decrease in actuarial liabilities, including provisions for policyholders' bonuses and net adjustments to policyholders' bonus stabilisation reserves, and net adjustments to contingency and other reserves within the life funds.

Investments

The policy is to reflect investments at fair value, which has been determined on the following valuation bases:

Government and public authority stocks

Government and public authority stocks are stated at market value.

Mortgages, other loans, deposits and debentures

Mortgages, other loans and funds on deposit are reflected at par or redemption value, after making provision for any anticipated losses. Debentures are stated at market value.

Equities

Listed equity investments are stated at market value. Market value is calculated by reference to stock exchange-quoted selling prices at the close of business on the balance sheet date. Unlisted equity investments are stated at directors' valuation, with reference to fair values based on accepted valuation methodologies.

Property investments

Property investments are stated at directors' valuation based upon annual internal valuations, periodically confirmed by external valuations, of the respective properties, principally on an open-market value with existing-use basis, having regard to the age and location of the building.

Subsidiaries

Investments in subsidiaries are stated at directors' valuation with reference to fair values based on accepted valuation methods.

Realised and unrealised changes in investment values are transferred directly to life funds.

Commission

Commission is shown net of reinsurance commission and profit-sharing arrangements.

Investment income

Investment income comprises interest, dividends, net rental income from properties and the share of the results of subsidiaries and is stated after deducting investment management fees. Dividend income is accounted for on an entitlement, "last day to register" basis and other investment income on an accrual basis.

Premium income

Premium income is shown net of reinsurance premiums and is accounted for as follows:

Investment funds, lump sums and single premiums are accounted for on a cash-receipt basis in terms of the policy contract. All other premiums are accounted for when they become due and payable.

Marketing and administration expenses

Marketing and administration expenses include head office and branch administration expenditure, marketing and development expenditure and all other non-commission related expenditure.

Policyholder benefits

Policyholder benefit payments are shown net of reinsurance recoveries. In respect of outstanding claims, provision is made for the estimated cost of claims notified but not settled at the date of the balance sheet, less estimated reinsurance recoveries, using the latest and most reliable information available.

NOTES TO THE FINANCIAL INFORMATION

1. Segmental analysis

	Life Insurance Rm	Financial Services Rm	International Activities Rm	Other Rm	Total Rm
Year ended 31 December 2000					
Life insurance income	8 289	–	–	–	8 289
	(9 400)	(60)	45	–	(9 415)
Other income	–	268	1 302	–	1 570
Operating and administration expenditure	(9 400)	(328)	(1 257)	–	(10 985)
Net investment return	2 285	122	4	–	2 411
	1 174	62	49	–	1 285
Share of results of associates	–	3	11	–	14
Taxation	4	(30)	(20)	–	(46)
Operating profit	1 178	35	40	–	1 253
Less: Transfer to life fund	(757)	–	–	–	(757)
Income/(loss) before exceptional items	421	35	40	–	496
Exceptional items	(1 310)	–	–	(245)	(1 555)
Net adjustment to shareholders' assets of Fedsure Life in respect of immediate annuities and non unitised business and market movement on shareholders' assets	(1 310)	–	–	–	(1 310)
Write off of goodwill relating to Healthcare business	–	–	–	(397)	(397)
Adjustment to the fair value of Norwich Life at acquisition	–	–	–	152	152
Net income after exceptional items	(889)	35	40	(245)	(1 059)
Year ended 31 December 1999					
Life insurance income	9 858	–	–	–	9 858
	(7 010)	13	62	–	(6 935)
Other income	–	239	1 118	–	1 357
Operating and administration expenditure	(7 010)	(226)	(1 056)	–	(8 292)
Net investment return	1 962	70	–	–	2 032
	4 810	83	62	–	4 955
Share of results of associates	–	24	2	–	26
Taxation	(6)	(23)	(19)	–	(48)
Operating income	4 804	84	45	–	4 933
Less: Transfer to life fund	(4 369)	–	–	–	(4 369)
Net income	435	84	45	–	564

1. Segmental analysis (continued)

Year ended 31 December 1998

	Life Insurance Rm	Financial Services Rm	International Activities Rm	Other Rm	Total Rm
Life insurance income	4 402	–	–	–	4 402
	(3 172)	(6)	47	–	(3 131)
Other income	–	170	786	–	956
Operating and administration expenditure	(3 172)	(176)	(739)	–	(4 087)
Net investment return	1 102	48	–	–	1 150
	2 332	42	47	–	2 421
Share of results of associates	–	34	1	–	35
Taxation	41	(20)	(18)	–	3
Operating income	2 373	56	30	–	2 459
Less: Transfer to life fund	(2 058)	–	–	–	(2 058)
Net income before Norwich	315	56	30	–	401
Norwich net income					55*
Net income before preference dividend					456
Preference dividend					(15)*
Net income					441

* Detailed breakdown of Norwich results not available.

Geographical analysis	**2000 Rm**	**1999 Rm**	**1998 Rm**
South Africa			
Net (loss)/income before transfer to/from reserves	(1 099)	519	411
Total assets	44 354	43 228	32 771
International			
Net income before transfer to/from reserves	40	45	30
Total assets	942	812	582

2. Other income

Revenue represents administration fees, commissions received and other sundry income.

	2000 Rm	1999 Rm	1998 Rm
3. Operational earnings			
The following items have been charged in arriving at operational earnings:			
Depreciation	56	73	59
Interest paid	68	50	23
Rentals under operating leases	8	9	6
Auditors' remuneration	7	3	3
Audit fees	6	2	2
Management consulting services	1	1	1
Directors' emoluments	5	4	4
Executive directors-other emoluments	4	3	3
Non-executive directors-for services as directors	1	1	1
Remuneration other than to employees	–	7	5
The following items have been credited in arriving at operational earnings:			
Interest received	116	102	84
Exchange gains	(5)	4	14

4. Exceptional items

4.1 The accounting policy adopted by Fedsure Life is to transfer movements on assets relating to non-unitised liabilities and realised/unrealised movements on the market value of shareholders' assets direct to the life funds. Fedsure Life experienced negative investment returns during the year. Excess assets existing at 31 December 1999 were insufficient to meet the adverse experience in 2000 in respect of annuity and non-unitised business and market movements relating to the shareholders' portion of excess assets. The deficit has been charged to the income statement.

4.2 In view of the financial support required for the medical schemes business of the Healthcare group and evaluation of the fair value of underlying assets and liabilities, the carrying value of the goodwill has been permanently impaired and consequently has been written off.

4.3 In previous years shareholders' profits on certain classes of business in Norwich Life were not recognised in the income statement. These profits are now recognised. An amount of R152 million relates to periods prior to acquisition of Norwich. At the interim stage, in accordance with the Group's accounting policies, this was set off against goodwill. Consequent to the write-off of goodwill set out in note 4.2, this amount has been released to the income statement.

	2000 Rm	1999 Rm	1998 Rm
5. Taxation			
South African normal tax			
Long-term operations	–	2	4
Long-term operations under/(over) provision prior year	(4)	4	(45)
Financial services	30	23	20
Foreign tax	20	19	18
	46	48	(3)

6. Earnings per Fedsure share and NAV per Fedsure share

Operational earnings

Operational earnings attributable to shareholders amounted to R(1 090) million (1999: R444 million; 1998: R316 million) and the weighted average number of Fedsure Holdings Limited ordinary shares in issue for the period amounted to 172,7 million (1999: 170,7 million; 1998: 148,2 million).

Attributable income

Attributable income to ordinary shareholders before exceptional items amounted to R496 million (1999: R564 million; 1998: R441 million) and after exceptional items amounted to R(1 059) million (1999: R564 million; 1998: R441 million) and the weighted average number of Fedsure Holdings Limited ordinary shares in issue for the period amounted to 172,7 million (1999: 170,7 million; 1998: 148,2 million).

During 2000 a further 4 397 132 Fedsure Holdings Limited ordinary shares of 2 cents each were issued.

The 1998 diluted earnings per share is as a result of 11,5 million 135 cents cumulative automatically convertible preference shares of 2 cents each which have now been converted into ordinary shares.

The automatically convertible debentures do not have a dilutory effect and have not been brought into account for the calculation of the fully diluted earnings per share.

NAV per Fedsure share

The net asset value per Fedsure share is based on shareholder's funds of R565 million (1999: R1 721 million; 1998: R1 470 million) and the actual number of Fedsure Holdings Limited ordinary shares in issue at 31 December 2000 of 175,1 million (1999: 170,7 million; 1998: 159,2 million).

	2000 Rm	1999 Rm	1998 Rm
7. Share capital			
The Fedsure assets' authorised and issued share capital and share premium are made up as follows:			
Authorised			
212 million ordinary shares of 5 cents each (1999: 212 million; 1998: 200 million)	11	11	10
250 million ordinary shares of 2 cents each (1999: 250 million; 1998 250 million)	5	5	5
(1998: 12 million 135 cents cumulative automatically convertible preference shares of 2 cents each) (note 7.2)	–	–	1
	16	16	16
Issued			
164 million ordinary shares of 5 cents each (1999: 164 million; 1998: 153 million)	9	9	8
51 million ordinary shares of 2 cents each (1999: 51 million; 1998 51 million)	1	1	1
(1998: 12 million 135 cents cumulative automatically convertible preference shares of 2 cents each) (note 7.2)	–	–	1
Share capital	10	10	10
Share premium	911	911	911
Balance at beginning of year	911	911	1 405
Movement during the year:			
Arising from shares issued	–	–	2 605
Capital reduction	–	–	(3 099)
Total share capital	921	921	921

7.1 The authorised unissued ordinary and preference shares are under the control of the directors subject to the provisions of sections 221 and 222 of the Companies Act and the articles of association.

7.2 On 29 March 1999, the automatically convertible preference shares of 5 cents each in issue were converted to ordinary shares on a one-for-one basis. The criterion for the automatic conversion of these shares had been met as the ordinary dividend in respect of the 1998 year exceeded 135 cents per share.

The new shares ranked for dividend from 1 January 1999. Furthermore it was decided at the annual general meeting to convert the balance of preference shares in the company's authorised share capital to ordinary shares ranking pari passu with the existing authorised share capital.

	2000 Rm	1999 Rm	1998 Rm
8. Debentures			
5 884 360 (1999: 5 884 360; 1998: 5 656 720) unsecured variable rate automatically convertible debentures ("debentures") issued by Fedsure Investments Limited	183	183	172
Unless the board otherwise resolves, each debenture shall be automatically and compulsorily converted into one ordinary share in the capital of Fedsure Investment Limited on the sixth anniversary of the acceptance date, subject to extension to a maximum period of ten years at the board's discretion. The current rate of interest payable in respect of the debentures is 11,5% (1999: 11,5%) per annum.			
9. Minority shareholders' interest			
Minority shareholders' interest	42	104	39
Redeemable preference shares issued by subsidiary companies	75	74	104
	117	178	143

	2000 Rm	1999 Rm	1998 Rm
10. Long-term liabilities			
Secured loans			
Two loans raised by a subsidiary, secured by mortgage over freehold property having a market value of R73 million (1999: R73 million; 1998: R56 million). These loans bear interest at rates varying between 6% and 10%.	–	1	1
Tannery Park North (Pty) Limited			
Bankers' acceptances			
The loan will not be repaid at maturity date but will be rolled over since the financing is of a long-term nature. The loan is secured by land and buildings having a market value of R7 million (1999: R50 million).	3	15	–
Nedcor Bank Limited			
The loan is secured by land and buildings with a market value of R38 million.	–	3	–
Nedcor Bank Limited			
The loan is secured by land and buildings having a market value of R34 million (1999: R38 million) and is repayable on 31 December 2009.	12	10	–
Midrand Town Centre (Pty) Limited			
Standard Corporate and Merchant Bank			
The debt is repayable by 31 March 2004 or within 60 months of the issuance of the architects' certificate of practical completion, whichever is the earlier. The loan is secured by land and buildings having a market value of R43 million.	14	10	–
	29	39	1
Unsecured loans			
These represent loans to the following subsidiary companies from outside shareholders which are unsecured, interest free at year-end and repayable by mutual agreement:			
Bonuses Development Phase 3 (Pty) Limited	–	5	–
Capricorn (Science and Manufacturing Parks) (Pty) Limited	34	34	–
Midrand Town Centre (Pty) Limited	24	24	–
Norcom (Pty) Limited	16	16	–
Capricorn (Science and Manufacturing Parks) (Pty) Limited has two further loans both of which are unsecured but with different interest and repayment terms.			
– No fixed repayment term at a rate of 9%	2	2	–
– Repayable by 31 December 2010 at 14,5%	1	2	–
Uniquity Investments (Pty) Limited, unsecured, interest free repayable 4 November 2004	6	6	–
Unsecured loans raised by other subsidiaries	13	15	112
	96	104	112
	125	143	113

	2000 Rm	1999 Rm	1998 Rm

11. Insurance funds

	2000 Rm	1999 Rm	1998 Rm
Life funds	41 391	39 149	29 899
Short-term insurance funds	72	64	63
	41 463	39 213	29 962

12. Mortgages, debentures and other loans

	2000 Rm	1999 Rm	1998 Rm
Mortgages secured over fixed property	66	32	31
Loans secured against life policies	3 347	2 955	2 364
Other loans and debentures	2 874	2 766	2 133
	6 287	5 753	4 528

13. Equities and associates

	2000 Rm	1999 Rm	1998 Rm
Listed equities	19 260	16 797	14 805
Unlisted equities	2 013	5 008	1 788
Associated companies	219	201	700
– Shares at cost	202	174	658
– Share of retained income	17	27	42
	21 492	22 006	17 293

14. Other non-current assets

	2000 Rm	1999 Rm	1998 Rm
Deferred tax	11	4	2
Fixed assets	186	184	181
Computers, furniture, equipment and motor vehicles at cost	342	306	346
Less: Accumulated depreciation	(156)	(122)	(165)
Goodwill	–	315	5
	197	503	188

15. Current assets

	2000 Rm	1999 Rm	1998 Rm
Amounts receivable and accrued income	2 069	2 040	1 253

16. Current liabilities

	2000 Rm	1999 Rm	1998 Rm
Amounts payable, income received in advance and other liabilities and provisions	1 800	1 597	758
Policyholders' claims intimated not yet paid	971	744	546
Dividends payable	–	180	134
Taxation	72	81	55
	2 843	2 602	1 493

17. Pension obligations

A number of defined contribution provident, defined benefit and defined contribution pension schemes for all permanent employees are operated; these are all governed by the Pension Funds Act. The assets of the schemes are independent of the Fedsure assets' finances. These schemes are currently funded by contributions from employees only.

The defined benefit schemes are actuarially valued every three years using the attained-age method and any deficits identified are funded either by lump sum payments or by increased future contributions. Mortality rates for active members are based on the actual experience of the funds over many years, as are withdrawal rates. The discount rate applied to future cash flows is assumed to exceed the escalation in salaries and wages by two percentage points.

The latest independent actuarial valuation of the major defined benefit fund was carried out as at 1 April 1999. The valuation was carried out for Fedsure and its subsidiaries as a whole and no attempt was made to split the valuation between the Fedsure assets and the remaining assets.

18. Post-retirement medical benefits

Post-retirement benefits are provided by way of contributions to medical aid schemes. The present value of the obligation at 31 December 2000 is R44 million for which a provision of R30 million, based on an independent actuarial valuation, has been created to cover these future costs.

A summary of the obligations at 31 December 2000 is as follows:

	Rm
Present value of obligation	44
Liability recognised	30
Liability to be recognised over eight years from 1 January 2001	14

The Fedsure assets have contributed to an independent trust set up to provide for future obligations. The trust relates to Fedsure and its subsidiaries as a whole and no attempt was made to split the fair value of these assets at 31 December 2000 between the Fedsure assets and the remaining assets.

The principal actuarial assumptions used for valuation purposes were:

	%
CPI inflation	10
Healthcare cost inflation	13
Discount rate (net of tax)	15

19. Contingent liabilities

Fedsure Investments and Fedsure Holdings have jointly guaranteed bank overdraft facilities granted to Fedsure Healthcare amounting to R150 million.

	2000 Rm	**1999 Rm**	**1998 Rm**
20. Commitments			
Capital commitments			
Commitments in respect of capital expenditure and long-term investments approved by directors:			
Contracted for	–	11	*
Not contracted for	–	–	*
Funds to meet these commitments will be provided from the Fedsure assets' resources.			
Operating lease commitments			
The future minimum lease payments under non-cancellable operating leases are as follows:			
Not later than one year	4	–	*
Later than one year and not later than five years	6	15	*
Later than five years	–	–	*

* Information not available

21. Related-party transactions

The following are deemed to be significant related party transactions:

Barrow Construction (Proprietary) Limited

Barrow Construction were involved in the following developments:

– 161 Rivonia Road during the 1998 and 1999 financial year ends totalling approximately R2,4 million.

– The Fedsure Asset Management building during the 2000 financial year totalling approximately R9 million.

There are no amounts owing to Barrow Construction (Proprietary) Limited at 31 December 2000.

Assets under management

Fedsure Asset Management Company (Pty) Limited, a subsidiary of Fedsure Investments Limited, manages assets on an arm's length basis on behalf of certain of the Fedsure assets' related parties, including assets for Investec Group Limited of R1,8 billion at 31 December 2000.

22. Financial instruments and risk management

At 31 December 2000, the carrying amounts of cash and bank balances, receivables, accounts payable, and accrued expenses approximate their fair values, due to the short-term maturities of these assets.

The fair values of marketable securities are presented in the notes to the financial statements. The fair values of other long-term investments and of long-term borrowings are not materially different from their carrying amounts.

An investment committee sets policies and receives quarterly reports on compliance with investment policies.

The risks associated with these assets and liabilities are managed as follows:

Equity price risk

The Fedsure assets invest in equity investments on behalf of policyholders and shareholders. The investments in equities are reflected in the balance sheet at market values, which are susceptible to fluctuations in value. Futures and options are used, from time to time, to hedge the risk of adverse price movement.

Interest rate risk

The fair values of the fixed maturity investments and borrowings under loan agreements will fluctuate in response to changes in the market interest rates. Additionally, relative values of alternative investments, liquidity of the instrument and other general market conditions affect the fair values. Portfolios are structured to allow those instruments making up the portfolio to be held to maturity while meeting the obligations to policyholders. This matching of the investment portfolio compared to the expected maturity of the policyholder liabilities is carried out on a monthly basis and corrective action is taken to immunise shareholders from movements in the market price of the fixed maturity investments.

Credit risk

Fair values of investments may be affected by the creditworthiness of the issuer of securities. Limits of exposure are set by the investment committee and independently monitored.

	2000 Rm	1999 Rm	1998 Rm
23. Cash generated from operations			
Attributable income after exceptional items	(1 059)	564	441
Preference dividend	–	–	15
Transfer to insurance funds	2 126	4 459	2 348
Taxation	128	132	96
Adjustment for non-cash items	319	28	(9)
	1 514	5 183	2 891

	2000 Rm	1999 Rm	1998 Rm
24. Cash generated from decrease/(utilised) to increase net other assets			
Amounts receivable	(54)	(757)	(322)
Amounts payable	173	784	223
Policyholders' claims intimated but not yet paid	227	198	222
Fixed assets	(2)	214	934
	344	439	1 057
25. Cash dividends paid			
Dividends provided at beginning of the year	(180)	(134)	(84)
Dividends per income statement	(139)	(316)	(234)
Dividends provided at end of year	–	180	134
Payments made	(319)	(270)	(184)
26. Net purchase of investments			
Investments at beginning of year excluding funds on deposit	37 082	28 984	17 958
Direct transfer in respect of realised and unrealised profits on investments	149	4 923	(941)
Adjustments	–	–	10 807
Investments at end of year	(37 463)	(37 082)	(28 984)
	(232)	(3 175)	(1 160)
27. Subsidiaries acquired			
Goodwill	–	(408)	(3 104)
Assets and liabilities acquired	–	(217)	(994)
	–	(625)	(4 098)
Paid by issue of shares	–	–	2 426
Cash paid	–	(625)	(1 672)

28. Subsequent events

The directors are not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt within the financial statements, which significantly affects the financial position of the Fedsure assets or the results of its operations.

29. Summarised income statement of life insurance activities

Income statement for the periods ended	Notes	2000 Rm	1999 Rm	1998 Rm
Income				
Premium income	(a)	8 289	9 858	6 559
Recurring premiums		3 284	3 134	2 954
Single premiums		5 005	6 724	3 605
Investment income	(b)	2 285	1 962	1 869
Total income		10 574	11 820	8 428
Outgo				
Commission		543	408	390
Marketing and administration expenses		737	616	649
Policyholder benefits	(c)	8 120	5 986	4 582
Taxation	(d)	(4)	6	(41)
Total outgo		9 396	7 016	5 580
Income less outgo		1 178	4 804	2 848
Less: Transfer to life funds		757	4 369	2 533
		421	435	315
Exceptional items		(1 310)	–	–
Income attributable to shareholders		(889)	435	315
Being: Operational earnings		(920)	315	175
Investment income on free assets		31	120	140

Income statement for the periods ended	2000 Rm	1999 Rm	1998 Rm
(a) Premium income			
Individual Life	4 315	4 627	4 110
Recurring premiums	1 475	1 528	1 547
Single premiums	2 840	3 099	2 563
Group Benefit Schemes	3 974	5 231	2 449
Recurring premiums	1 809	1 606	1 407
Single premiums	2 165	3 625	1 042
	8 289	9 858	6 559
(b) Investment income			
Dividends	562	423	450
Net rentals	252	240	211
Interest and income of subsidiary	1 462	1 305	1 222
	2 276	1 968	1 883
Less: Interest of outside shareholders in subsidiaries	(1)	–	(14)
Transfer from/(to) statutory contingency reserve	10	(6)	–
	2 285	1 962	1 869

29. Summarised income statement of life insurance activities (continued)

Income statement for the periods ended	2000 Rm	1999 Rm	1998 Rm
(c) Policyholder benefits			
Individual Life	3 259	2 922	2 264
Death and disability benefits	224	190	199
Maturities	1 145	913	625
Surrenders	765	760	517
Annuities	1 125	1 059	923
Group Benefit Schemes	4 861	3 064	2 318
Death and disability benefits	517	502	377
Maturities	372	281	220
Surrenders	3 493	1 921	1 580
Annuities	479	360	141
	8 120	5 986	4 582
(d) Taxation			
Life insurance taxation			
Current year	–	2	4
Under/(over) provision in prior years	(4)	4	(45)
	(4)	6	(41)

VI STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES

Consolidated statement of actuarial values of asset and liabilities	Notes	2000 Rm	1999 Rm	1998 Rm
Assets			Restated	
Total value of assets	2	42 991	41 367	*
Less: Liabilities	3	41 003	38 647	*
Actuarial value of policy liabilities		39 859	37 264	*
Long-term and current liabilities as per balance sheet		1 144	1 383	*
Excess of assets over liabilities	10	1 988	2 720	*
The excess of assets over liabilities is represented by:				
Share capital		1 818	1 118	*
Non-distributable reserves				
Distributable reserves		(393)	595	*
Balance of excess		563	1 007	*
Total		1 988	2 720	*
Capital adequacy requirements	7	1 521	1 379	*
Times CAR covered by excess of assets over liabilities		1.3	2.0	*

* – not available

VI STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES (continued)

Analysis of movements in excess of assets over actuarial liabilities	2000 Rm	1999 Rm	1998 Rm
Surplus from Life Assurance Operation	390	315	*
Investment income on free assets	31	120	*
Total earnings	421	435	*
Movements of free assets	(1 462)	566	*
Total surplus/(strain)	(1 041)	1 001	*
Reconciliation of surplus assets			
Excess of assets over liabilities at beginning of year	2 720	2 391	*
Total surplus/(strain)	(1 041)	1 001	
Change in valuation basis	(291)	(446)	*
New share capital issued	700	0	*
Dividends paid	(100)	(226)	*
Excess of assets over liabilities at end of year	1 988	2 720	*

* – not available

Report by the statutory actuary

I have conducted separate actuarial valuations of Fedsure Life Assurance Limited and Norwich Life South Africa Limited as at 31 December 2000, according to guidelines issued by the Actuarial Society of South Africa for financial soundness valuations. The statement above reflects the consolidated position of the two life assurers.

In my opinion the life assurers, looked at individually or as a consolidated entity, were financially sound at that date and the statements of actuarial values of assets and liabilities, read together with the financial statements fairly presents the financial position of the two life assurers.

G Raftopoulos BSC, FIA, ASA.

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES

1. Background

Separate actuarial valuations of assets and liabilities on the financial soundness basis were prepared for each of Fedsure and Norwich Life according to the guidelines of the Actuarial Society of South Africa. The results were consolidated and below is an outline of the key features.

The financial soundness valuation provides a prudently realistic view of the financial position of a life assurance company according to the valuator's best realistic estimates based on past and expected future experience.

The values of the assets and liabilities were determined on a consistent basis.

In previous years for Norwich Life the discounted value of future shareholders' earnings on with profit business used to be shown in the Statement of Actuarial Values of Assets and Liabilities. This practice is discontinued because fuller information is now available in the report on Embedded Values.

2. Method of valuing assets

Assets have been valued according to the Accounting Policies on pages 21 to 23 but adjusted for the consolidation referred to in 1 above. In summary they were valued as follows:

2.1. Equities, properties and gilts were valued at market value.

2.2. Short-term deposits, unquoted and fixed assets were valued at balance sheet value.

3. Method of valuing liabilities

3.1. This section describes the methodology used to value the main policy classes. The methodology has been applied consistently from last year to this year.

3.2. The liabilities for fully linked group policies were calculated at the market value of underlying assets and for group deposit administration (smoothed bonus) policies as the sum of the balances in the main and the capital growth accounts.

3.3. The liabilities for fully linked and deposit administration individual policies were calculated in the same way as for the corresponding group policies except that a deduction was made for unrecovered initial expenses and an adjustment was made for Rand Reserves. The Rand Reserves provide for deviations between the premium basis and the valuation basis with respect to mortality, disability, maintenance expenses and maturity guarantees.

3.4. A shadow portfolio is held for the deposit administration liabilities referred to in 3.2 and 3.3. If the assets exceed the liabilities, the excess is held as an additional liability to assist with smoothing future bonuses and if the liabilities exceed the assets, the shortfall is a reduction in liabilities which will be extinguished over a maximum period of 3 years.

3.5 The liabilities for conventional policies with reversionary, terminal and claims bonuses were calculated by discounting the value of future benefits, premiums and expenses and assuming maintenance of bonuses up to the level funded by the investment return on the underlying assets.

3.6. The liabilities for life and temporary annuities and disability income policies in the course of payment are calculated by discounting the present value of the benefits and expected future expenses.

3.7. The liabilities for group death and capital disability policies were calculated in accordance with past and anticipated claims experience.

3.8. Provision was made for the possible additional mortality which will be experienced as a result of AIDS in accordance with the Actuarial Society's Guidelines.

4. Key actuarial assumptions

4.1. The discount rates for valuing liabilities (other than immediate annuities) for with profit and market related business was determined according to balanced portfolios for these two main policy classes. The base discount rates used were 13,59% and 14,08% for the with profit and the market related policies of Fedsure Life. A discount rate of 13,59% was used for all assurance policies of Norwich Life. Below are details of the yields used for the main asset categories.

	%
Equities	(7,4)
Properties	14,5
Gilts	19,0
Money market	10,5

4.2. In each of Fedsure Life and Norwich Life the non-profit immediate annuities are housed in two separate portfolios for business reasons. The discount rate for each portfolio was fixed by reference to the performance of the underlying assets, which are mainly gilts and debentures. Tests showed that there was a reasonably matched position between the outflow from liabilities and the inflow from assets. The discount rates used are shown below:

	Portfolio 1 %	Portfolio 2 %
Fedsure Life	13,69	13,36
Norwich Life	13,27	–

4.3. The assumptions below relating to future surrenders, lapse, mortality, incidence of disability and termination of disability payments were based on the results of up-to-date investigations.

4.4. It was assumed that for Group Benefits policies future expenses would be covered by future fees.

4.5. For Individual Life policies future maintenance expenses were assumed to escalate at 7% per annum.

5. Prescribed margins

Prescribed margins were added to the best estimate assumptions in accordance with the Guidance Note on Financial Soundness Valuations issued by the Actuarial Society of South Africa, PGN104.

6. **Second tier margins**

The second tier margins included in the liabilities are the margins for future shareholder earnings on Individual Life business and were treated as an asset in the determination of the capital adequacy requirements.

7. **Capital adequacy requirements**

The capital adequacy requirement is determined in accordance with the guidelines of the Actuarial Society of South Africa. It provides additional protection for policy holders against adverse mortality, disability and expense experience and assists in providing protection of guarantees during extreme economic changes. The anticipated action, agreed with management in handling business issues has been taken into account in determining these requirements.

The capital adequacy requirement for the combined entity of Norwich and Fedsure Life has been taken as the sum of the requirements of each life assurer. This over-states that position because the benefits of synergies have been ignored.

8. **Material changes relating to valuation bases and assumptions**

Following recent investigations, the following changes have been made to liabilities:

– Reduction in discount rate, mortality rate, updating lapses and increasing unit expenses of policies.
– Reduction of Group risk reserves to minimum permitted in terms of the Long Term Insurance Act.
– Provision for data errors on the Life database. (Norwich Life only).
– Release of some second tier margins. (Fedsure Life only).

The overall effect of the above changes has been to increase liabilities by R291,3m.

9. **Movement of free assets**

This movement arises from changes in asset values relative to non-unitised liabilities because assets and liabilities are not directly related to each other and from changes in asset values attributable to shareholders' interests.

10. **Excess of assets over liabilities**

The excess of assets over liabilities arises after providing for the liabilities outlined in 3 above, bonuses to policyholders and dividends payable to shareholders. This excess can be looked upon as providing an indication of the financial soundness of the company after taking into account the composition of its liabilities.

VII COMMENTARY ON THE FEDSURE ASSETS

Financial year ended 31 December 1998

The salient features of the 1998 results of the Fedsure assets were as follows:

Long-term insurance activities

Premium income of Fedsure Life, increased by 24% to R4,4 billion; recurring premiums increased by 10% to R1,6 billion and single premiums increased by 34%to R2,8 billion.

Net investment income of Fedsure Life, excluding capital appreciation, at R1,1 billion was slightly higher than in 1997, mainly due to an increased exposure to equities. The decline in investment markets in the second half of 1998 resulted in capital depreciation of nearly R1 billion.

Policyholders' benefits paid by Fedsure Life increased by 19% to R2,6 billion.

After a transfer to the life fund of R2,1 billion, income attributable to Fedsure Life amounted to R315 million.

100% of the Norwich Group ("Norwich") was acquired with effect from 31 August 1998. Prior to that date, Norwich operated independently of the other Fedsure businesses. Integration of the respective companies took place thereafter and became fully effective from 1 January 1999.

Financial services and international activities

Fedsure Asset management enjoyed an inflow of R1,2 billion of new funds during 1998. Together with those taken over from Norwich, total assets under administration were in excess of R30 billion compared to R15 billion at the end of 1997.

During 1998 the market value of the property portfolio of Fedsure Property Services grew to R2 billion and, together with Norwich, was R3,5 billion at year end.

The contribution to the Fedsure assets' earnings from international activities in 1998 was 9%. This was the first full year of international activities for the Fedsure assets.

The major contributors to international profits were the companies dealing in Traded Endowment Policies ("TEPs") in the UK. Volatility in the investment market led to an increase in demand for TEPs both from the UK and mainland Europe.

Financial year ended 31 December 1999

The salient features of the 1999 results of the Fedsure assets were as follows:

Long-term insurance activities

Net premium income for the combined Fedsure Life and Norwich increased by 50% to R9,8 billion; recurring premiums increased by 6% to R3,1 billion; and single premiums increased by 87% to R6,7 billion.

Income earned on investments for the combined Fedsure Life and Norwich, excluding capital appreciation, increased by 5% to R2 billion. In the same period, capital appreciation (mainly from the investment in equities) amounted to R5 billion.

Marketing and administration expenses at R616 million for the combined Fedsure Life and Norwich were R18 million below 1998 and allowing for inflation, reflect the gross savings of R47 million anticipated from the integration with Norwich. In 1999 these savings resulted in a reduction of the expense ratio from above 14% at the end of 1998 to below 12% in 1999.

After transfer to the life funds of R4,4 billion, attributable income for the combined Fedsure Life and Norwich, including investment income of R120 million on the shareholders' portion of free assets, amounted to R435 million.

Financial services and international activities

Assets under management (including those of the unit trusts) for Fedsure Asset Management and Properties increased from R33 billion in 1998 to over R41 million at the end of 1999.

1999 was the first full trading year for Fedsure Properties, including the portfolios off the Norwich Group.

The Fedsure assets' earnings from international activities for 1999 grew to R45 million.

The major contributor to international profits was from the purchase and sales of TEPs under the brands of Beale Dobie and Policy Portfolio which are active principally in the UK market.

A joint venture between NSP Lewis and Buck Consulting Australia was concluded in May 1999. NSP Lewis is a holding company owning 70% of the combined operating company, NSP Buck. The balance is held by Buck Consultants Inc, a USA-based employee benefits firm in the Mellon Bank group.

Financial year ended 31 December 2000

The salient features of the 2000 results of the Fedsure assets were as follows:

Long-term insurance activities

There has been a weakening of the actuarial position of the Group's life insurance businesses, which has resulted in an exceptional transfer from shareholders to policyholders of R1 310 million. This transfer was necessitated by many factors, the most material of which were:

- Increase in policy holder liabilities which were not covered by investment returns of R0,8 billion. A material factor has been the overexposure of the Fedsure Life insurance funds to the financial sector and to property. After many years of out performance of the financial sector, the last three years were disappointing.
- Loss on immediate annuity business of R0,3 billion. There was a large drop in bond rates in the latter part of the year and due to the duration of liabilities exceeding that of the assets, this caused a valuation loss of R0,2 billion. The balance of the loss resulted from changes in actuarial assumptions and an adverse mortality experience. Since the year end action has been taken to protect the portfolio from future losses.

Actuarial balance sheet

During the year R700 million of additional capital was injected into Fedsure Life. Despite this injection, the consolidated excess of assets over liabilities dropped by R732 million, as shown in the table below:

	2000 Rm	1999 Rm
Excess assets		
– Fedsure Life	1 358	1 815
– Norwich Life	1 430	1 705
	2 788	3 520
Consolidation adjustment	(800)	(800)
Total	1 988	2 720

Financial services and International activities

The financial services and international business produced an operating profit of R75 million compared to R129 million in 1999 in very competitive and volatile markets with poor overall investment returns.

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE FINANCIAL EFFECTS OF THE ACQUISITION AND THE UNAUDITED PRO FORMA NET ASSET STATEMENT OF INVESTEC

The Directors
Investec Group Limited
2nd Floor
Investec House
100 Grayston Drive
Sandown
Sandton
2196

27 March 2001

Gentlemen

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE FINANCIAL EFFECTS OF THE ACQUISITION AND THE UNAUDITED PRO FORMA NET ASSET STATEMENT OF INVESTEC GROUP LIMITED

The definitions outlined in the Definitions section of the Investec circular (to be issued on or about Friday, 30 March 2001) to which this report relates have been used mutatis mutandis throughout this report.

1. INTRODUCTION

We report on the financial effects of the acquisition (as more fully described in paragraph 6.1 of the Investec circular) and the unaudited pro forma net asset statements set out in paragraph 6.2, of the said circular.

The financial effects of the acquisition and the unaudited pro forma net asset statement have been prepared for illustrative purposes only, to provide information about how the acquisition of the Fedsure financial services and insurance businesses by Investec and the proposed Fedsure unbundling (of all of the Investec consideration shares received) would have impacted on the consolidated financial position and the results of Investec, had the above transactions been effected as at or for the rolling financial year ended 30 September 2000.

By their very nature, the financial effects of the acquisition and the unaudited pro forma net asset statement may not give a true and fair reflection of the effect of the acquisition on Investec's earnings nor on Investec's financial position after the acquisition.

At your request and for the purpose of the acquisition we present our report on both the financial effects of the acquisition and the unaudited pro forma net asset statement of Investec in compliance with paragraph 8.46.(b) of the Listings Requirements of the JSE.

2. RESPONSIBILITIES

The Directors of Investec are solely responsible for the preparation of the financial effects of the acquisition and the unaudited pro forma net asset statement to which this reporting accountants' report relates, in addition to the financial statements and financial information relating to Investec from which such calculations have been prepared. The Directors of Fedsure are responsible for the financial statements and the financial information relating to Fedsure.

It is our responsibility to form an opinion on the financial effects of the acquisition and the unaudited pro forma net asset statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the financial effects of the acquisition and the unaudited pro forma net asset statement beyond that owed to those to whom those reports were addressed at their various dates of issue.

3. BASIS OF OPINION

Our work, which did not involve any independent examination of any of the underlying financial information, consisted primarily of agreeing the unadjusted financial information of Investec back to the interim financial report for the six month period ended 30 September 2000 and the audited annual financial statements as at 31 March 2000, whilst the Fedsure unadjusted financial information was obtained from the published results announcement for the financial year ended 31 December 2000 and the report of combined historical financial information of the Fedsure assets presented in Annexure II of the circular to Investec shareholders to be dated on or about 30 March 2001. Furthermore we considered the evidence supporting the various assumptions and adjustments made in deriving the financial effects analysis of the acquisition and the unaudited pro forma net asset statement through discussions with relevant staff and members of the senior management of Investec and, where so required, Fedsure. In the course of such discussions we were also given access to copies of pertinent supporting documentation and workings prepared by the Investec staff responsible for implementing the acquisition.

Because the above procedures do not constitute either an audit or a review made in accordance with South African Auditing Standards, we do not express any assurance on the fair presentation of either the financial effects of the acquisition or the unaudited pro forma net asset statement as outlined in the circular to shareholders.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with statements of South African Auditing Standards, other matters might have come to our attention that would have been reported to you.

4. OPINION

In our opinion:

- the financial effects of the acquisition and the unaudited pro forma net asset statement have been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of Investec; and
- the adjustments are appropriate for the purposes of presenting the financial effects of the acquisition and the unaudited pro forma net asset statement in terms of the acquisition agreement and the proposed Fedsure unbundling.

Yours faithfully

ERNST & YOUNG
Chartered Accountants (SA)
Registered Accountants and Auditors

Published unaudited results of Investec at 30 September 2000

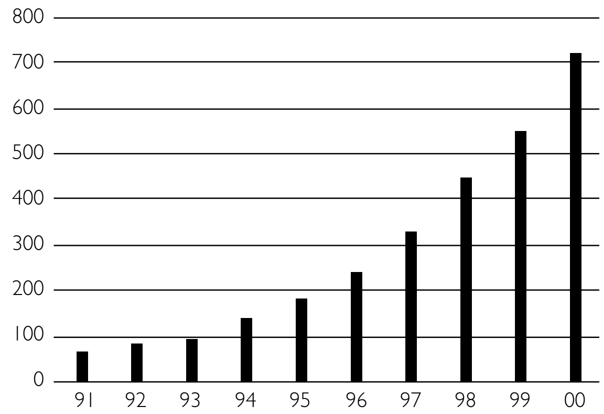
Investec Group Limited
Unaudited group results for the six months ended 30 September 2000

INCOME BEFORE TAXATION 32,4%
DILUTED HEADLINE EARNINGS PER SHARE 31,1%

Salient Features

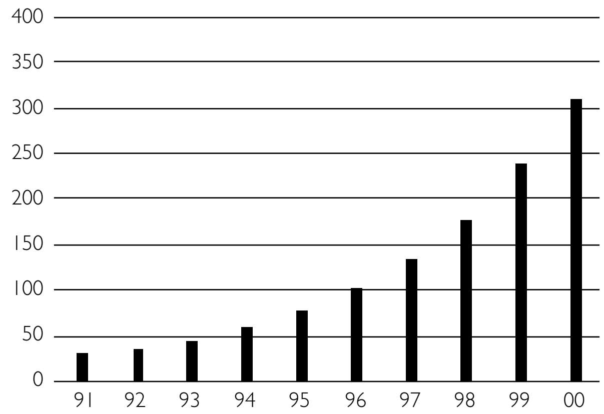
	30 Sept. 2000	% Increase	30 Sept. 1999	Year to 31 March 2000
Headline earnings attributable to ordinary shareholders (R' millions)	580	31,5	441	1 047
Diluted headline earnings per share (cents)	719,1	31,1	548,5	1300,6
Dividend per share (cents)	310,0	30,5	237,5	620,0
Net tangible asset value per share on a fully diluted basis (R)	61,9	21,4	51,0	56,4
Capital adequacy ratio (%)	13,7		14,1	12,0
Return on average shareholders' funds (%)	25,1		21,4	24,2
Return on average risk weighted assets (%)	2,7		2,8	2,6
Total assets under management (R' billions)	503	34,1	375	477
Total number of ordinary shares in issue (millions)	80,6		80,4	80,6

Interim diluted headline earnings
(cents per share)



Ten-year compound growth in interim diluted headline earnings per share 30,6% per annum.

Interim dividends
(cents per share)



Ten-year compound growth in interim dividends per share 31,5% per annum.

Consolidated Income Statement

(R' Millions)	**6 months to 30 Sept. 2000**	% Increase	6 months to 30 Sept. 1999*	Year to 31 March 2000*
Interest received	5 492	8,5	5 061	9 006
Interest paid	4 765	6,9	4 458	7 608
	727	20,6	603	1 398
Provision for bad and doubtful debts	111	33,7	83	211
Net interest income	616	18,5	520	1 187
Other income	1 844	37,3	1 343	3 230
Total income	2 460	32,0	1 863	4 417
Operating expenses	1 604	31,6	1 219	2 864
Exceptional items	133	35,7	98	165
Income before taxation	723	32,4	546	1 388
Taxation	185	44,5	128	352
Income after taxation	538	28,7	418	1 036
Share of income of associated companies	44	(29,0)	62	106
Net income	582	21,2	480	1 142
Attributable to minority shareholders	12	(14,3)	14	15
	570	22,3	466	1 127
Debenture interest	123	–	123	245
Earnings attributable to ordinary shareholders	447	30,3	343	882
Earnings per share (cents)	554,8	30,1	426,4	1 095,9
Diluted earnings per share (cents)	554,6	30,1	426,2	1 095,7

Calculation of Headline Earnings

(R' Millions)	**6 months to 30 Sept. 2000**	6 months to 30 Sept. 1999*	Year to 31 March 2000*
Headline earnings	580	441	1 047
Exceptional items	(133)	(98)	(165)
Goodwill amortised on subsidiaries	(133)	(98)	(195)
Discount on fair value of acquisitions	–	–	30
Attributable earnings	447	343	882

**Restated for changes to accounting policies*

Statement of Changes in Shareholders' Equity

(R' Millions)	6 months to 30 Sept. 2000	6 months to 30 Sept. 1999*	Year to 31 March 2000*
Balance at beginning of period	7 668	7 107	7 107
Issue of ordinary shares	12	–	12
Issue of preferred ordinary shares	460	–	–
Movement in other reserves	(118)	(361)	166
Transfer from income statement	447	343	882
Dividends declared	(250)	(191)	(499)
Balance at end of period	8 219	6 898	7 668

Consolidated Balance Sheet

(R' Millions)	30 Sept. 2000	30 Sept. 1999*	31 March 2000*
Assets			
Cash and short-term funds	79 446	41 819	73 127
Short-term negotiable securities	54 394	38 984	39 043
Investment and trading securities	9 477	6 261	8 924
Other assets	6 471	4 449	7 297
Advances	33 525	23 926	33 034
Associated companies	463	605	413
Fixed assets	1 198	1 011	1 065
Intangible assets	2 364	2 179	2 443
	187 338	119 234	165 346
Equity and liabilities			
Capital and reserves			
Ordinary share capital	48	48	48
Compulsorily convertible debentures	1 710	1 714	1 710
Preferred ordinary shares	460	–	–
Reserves	6 001	5 136	5 910
	8 219	6 898	7 668
Subordinated debt	1 000	–	–
Interest of minority shareholders in subsidiaries	302	537	291
Total capital resources	9 521	7 435	7 959
Liabilities			
Deposits and other accounts	177 198	111 304	156 718
Taxation	369	304	361
Shareholders for ordinary dividend	250	191	308
	187 338	119 234	165 346
Acceptances, guarantees and letters of credit	6 588	3 478	6 987

**Restated for changes to accounting policies*

Operating Achievements

Investec is pleased to announce that headline earnings for the half-year ended 30 September 2000 increased by 31.5% to R580 million, extending the company's 21 years of uninterrupted growth. Diluted headline earnings per share grew by 31.1% to 719.1 cents, representing a ten-year compound growth of 30.6% per annum.

These six months were characterised by sound performance all-round with particularly notable contributions coming from several of the Group's businesses:

- The UK's corporate finance and institutional broking division, Investec Henderson Crosthwaite, had an exceptional trading period, largely driven by a strong flow of IPO's and secondary fund raisings. In addition, agency commission maintained high levels and the division experienced an initial contribution from its market making activities which it recently introduced on selected equities.
- Corporate Banking and Interest Rate Activities in South Africa continued to penetrate the corporate market and generate solid organic growth off the back of innovative product design with strong performances coming from the equities derivatives and structured finance units.
- The SA Private Bank Boutique improved its contribution to overall earnings, while an impressive performance was also registered from the property trading division, capitalising on improved market conditions in the region.
- Despite weak and volatile conditions in the South African equities markets, the Group's Investment Banking business generated satisfactory returns and its asset management operations produced more than R10 billion of net new business in an environment not typically conducive to strong flows.

Local and Overseas Consolidation Complete

Having completed the integration of the foreign acquisitions made by the Group over the past two years, efforts during the first six months of the current year focused on refreshing and relaunching the Group's corporate brand to better reflect the resultant consolidation of these businesses and enhance Investec's international profile.

In a move to ensure that the integrated operations are managed in a truly global fashion, focusing on the active pursuit of internationalising the Group's four defined business segments, the management of the Group was restructured. This enables the Group to meet the challenges of responding to local market conditions at the same time as facilitating global integration through effective leadership of product and geographic heads.

Aligned to the abovementioned initiatives, foreign currency earnings of the Group now account for 64.7% of the Group's income while 77.8% of its assets reside offshore, all of which serve to reinforce Investec's international stature.

Of its worldwide operations, the Group's UK businesses posted good overall performance, while its Israeli and US performance was reasonable, given the deflated state of the equities markets to which such businesses are highly susceptible.

In South Africa, the Group continued to take advantage of the consolidation within the financial services industry by acquiring McCarthy Bank and the private client portfolio business, Quyn Martin Asset Management (subject to regulatory approval), with the latter acquisition bringing the total private client funds under management in South Africa to in excess of R16.7 billion.

Operating Environment

During the period under review, international equities performed poorly while global growth continued to be buoyant. A strong dollar depressed currencies and the rising oil price threatened inflation forecasts. The environment in South Africa, which also suffered from negative sentiment attached to political activity in Zimbabwe, remained challenging and was unsupportive of equities-linked businesses.

Substantial Increase in Income

Total income grew by 32.0% (R597 million) to R2 460 million, of which 84% was organic representing a period characterised by fewer acquisitions and inherent growth in underlying businesses. Both interest received and interest paid reflected the consequence of South Africa's lower interest rate environment, resulting in a marginally reduced annualised net interest margin (after excluding the effects of short-dated wholesale assets) of 2.1% (1999: 2.4%). Notwithstanding this, net interest income grew by 20.6%, driven by healthy growth in advances of 40.1%, compared to September 1999.

Other income rose by 37.3%, now comprising 73.6% of total income as opposed to 69.8% in the previous year. Further, the annuity component of the Group's total income remains high at 70.0%, reflecting positively on Investec's strategy of participating in a diversified portfolio of businesses which assists in insulating the Group against adverse market conditions.

The annualised bad and doubtful debt charges, as a percentage of total advances reduced to 0.65% due to the improved quality of loan portfolios. A continued approach towards vigilant risk management resulted in the reduction in the percentage of non-performing loans to advances from 2.52% last year to 2.01%.

Balance Sheet provision levels exceed the anticipated Registrar of Bank's requirements, in terms of international regulatory norms. The adequacy of provisions is demonstrated by a 124.9% total provision coverage of gross non-performing loans. The ratio of total balance sheet provisions to gross advances maintained a healthy level and currently stands at 2.51%.

Cost Control

The reclassification of certain tax-related charges into expenses, coupled with the exclusion of the interest rate differential on foreign investments from interest received (refer Changes to Accounting Policies), accounted for the overall hike in the operating expenses to total income, which now stands at 62.4%.

When compared to the restated ratio of the comparative period, however, this ratio represents an improvement from 62.6%. Although this ratio continues to remain high as an aftermath of the international acquisitions, its improvement bears initial testimony to the Group's stated objective of reducing this ratio over time as further critical mass is achieved.

The operating cost to income ratio in respect of the South African businesses has decreased to 51.6%, while that for businesses operating in higher cost jurisdictions is 65.8%, representing reasonable progress towards the attainment of the Group's targets of 45% and 55% for South African and other areas respectively.

Assets under Management

On balance sheet assets recorded strong growth of 13.3% from March 2000, primarily attributable to the increase in short-term money market activities. Third party assets under management increased marginally from R287 billion to R290 billion. Strong institutional and private client fund inflows were largely offset by the tough market conditions which prevailed during the last six months, causing an overall depreciation in fund values.

Capital Resources

Capital resources increased by R1,562 million to R9,521 million due principally to retained earnings, the issue of preferred ordinary shares, to the value of R460 million, and an issue of R1,000 million unsecured subordinated bonds.

The effect of the above relative to the increase in the size of the asset base, with risk weighted assets increasing 7.8% to R43,868 million, resulted in capital adequacy increasing to 13,7%, which remains comfortably above minimum international requirements and within the Group's target ratios.

In line with the Group's policy of enhancing the balance between maintaining surplus reserves and improving the deployment of its capital base, it is pleasing to note that notwithstanding its strengthened capital adequacy, its return on average equity increased to 25.1% from 21.4% last period.

Changes to Accounting Policies

Compliance with new South African standards relating to the disclosure of taxation (AC 102) caused certain tax-related charges to be reclassified into expenses, with no resulting effect on after-tax income.

As at March 2000 associates were disclosed at cost plus equity accounted earnings rather than at market value.

The interest rate differential on foreign investments is no longer taken to income but is included in foreign currency translation reserves, resulting in a R32 million decrease in after-tax earnings for the comparative period.

General bad debt provisions have been excluded from capital resources and deducted from advances. This resulted in a adjustment to advances of R219 million at 30 September 1999.

Prospects for the Remainder of the Year

The directors and management are of the opinion that the Group will continue to achieve strong growth in earnings and dividends.

Wednesday 25 October 2000

On behalf of the board

H S Herman	S Koseff	B Kantor
Chairman	***Chief Executive***	***Managing Director***

Dividend Announcement

It is the company's policy to pay an interim dividend of 50% of the previous year's total dividend.

An interim dividend No. 91 of 310.0 cents (1999: 237.5 cents) per ordinary share has been declared payable to shareholders registered at the close of business on 10 November 2000. Dividend cheques will be posted on or about 23 November 2000.

By order of the board

S Noik
Secretary

25 October 2000

Registered office:
100 Grayston Drive, Sandown, Sandton 2196.

Transfer secretaries:
Mercantile Registrars Limited, 8th Floor, 11 Diagonal Street, Johannesburg 2001.

Investec
Group Limited

Investec Group Limited
("Investec")
(Registration number 1925/002833/06)

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