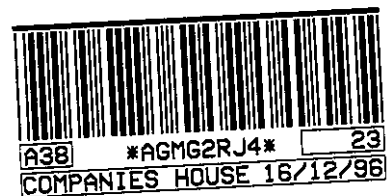


59/60

Moore

INVESTEC HOLDINGS (UK) LIMITED

Annual Report 1996



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Front cover illustration

Henry Moore

Ideas for Metal Sculpture IV

Lithograph 1981

INTRODUCTION

Investec Holdings (UK) Limited

Investec Holdings (UK) Limited is a wholly owned subsidiary of Investec Bank Limited (Investec), an international investment and private banking group based in the Republic of South Africa. Investec Bank Limited is listed on the Johannesburg Stock Exchange and is the fifth largest capitalised bank in sub-Saharan Africa.

Investec Holdings (UK) Limited is incorporated in England and is the holding company for Investec's businesses in the United Kingdom. These are the Allied Trust Bank Limited and the Clive Securities Group Limited and their subsidiaries.

Allied Trust Bank Limited

Allied Trust Bank Limited (ATB) is a well established private banking and commercial bank based in the City of London regulated by the Bank of England. It is a member of The Securities and Futures Authority Limited (SFA).

It offers its private and corporate clients a range of core banking products which are backed by a strong emphasis on customer service. ATB's key focus on relationships ensures familiarity with client requirements and continuity in account management.

In private banking, ATB provides high interest cheque and a range of deposit accounts which are simple to operate and feature consistently attractive rates of interest and the opportunity for free banking. Commercially, ATB offers the high net worth individual and the corporate client a range of flexible financing options, which can be structured to meet their individual cash flow, fiscal and other needs.

ATB is particularly experienced in property investment finance and has specialist expertise in products for the medical and professional markets.

ATB has two operating subsidiaries focusing on the specific areas of property management services (Taylor Rose) and asset based leasing finance (Dynamic Finance PLC).

Taylor Rose

Taylor Rose offers a professional and comprehensive range of property services in the commercial and residential sectors, principally relating to selected quality areas in London.

Dynamic Finance PLC

Dynamic Finance PLC provides innovative capital asset leasing products and services to the blue chip local authority market and to the education and corporate sectors.

The company participates in and manages leases for local authority clients enabling them to enjoy the use of capital assets required for the communities they service, while allowing them to remain within the budgetary constraints under Local Government finance regulations. Additionally the company has expertise in advising and arranging large ticket leases for public and private sector clients on a fee basis.

The company also maintains its own book of small and medium ticket leases with schools, colleges, universities and departments of UK Local Government, and with commercial clients of high credit standing.

Clive Securities Group Limited

Clive Securities Group Limited (CSG) is incorporated in England and was set up for the purpose of acquiring and holding Clive Discount Company Limited and its subsidiaries. Subsequently, Clive Discount Company Limited transferred its subsidiaries to CSG.

INTRODUCTION

(continued)

CSG therefore now wholly owns the main operating subsidiaries, Clive Discount Company Limited (CDC) and Clive Agency Bond Broking Limited (CABB). CDC is one of seven counterparties to the Bank of England in its daily open market operations. CABB acts as an agency broker in the international bond markets.

CSG has provided further capital to CDC for the acquisition and development of the stock borrowing and lending business of Cazenove Money Brokers, formerly owned by Cazenove & Co. The combination of these businesses places CSG in a prominent position in the international securities market primarily operating in London.

Clive Discount Company Limited

Clive Discount Company Limited (CDC) is regulated by the Bank of England and the SFA. It is also a member of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (ISE). CDC's traditional business of trading in short term secured money and money market instruments has been complemented by the stock borrowing and lending business of Cazenove Money Brokers.

The combined business of CDC now comprises:-
Acting as an intermediary between the Bank of England and the commercial banks in the Bank of England's daily open market operations;
Trading in the wholesale markets in London for loans, deposits and debt instruments denominated in sterling, US dollars and other major European currencies;

Market making in eligible sterling acceptances and sterling Treasury bills;

Acting as broker-dealer in certificates of deposit (CDs) issued by all major UK and international banks and building societies and maintaining a presence in the Eurodollar CD market;

Accepting deposits in all major currencies, although its principal emphasis is in sterling, where its secured and unsecured deposit book provide arbitrage opportunities;

Acting as broker-dealer in Forward Rate Agreements (FRAs) for customers and as principal; and

Operating a proprietary futures and options desk for hedging and positioning in sterling, US dollars and Deutsche Mark contracts.

With the introduction of the open gilt repo market in the United Kingdom from 2 January 1996, CDC has become a major participant in that market conducting a significant proportion of the market volume in the repo market for UK Government Bonds. Further, CDC's business in equity stock lending is expected to convert in nature into repo activity in these instruments, with the introduction of the new CREST electronic settlement system for UK equities.

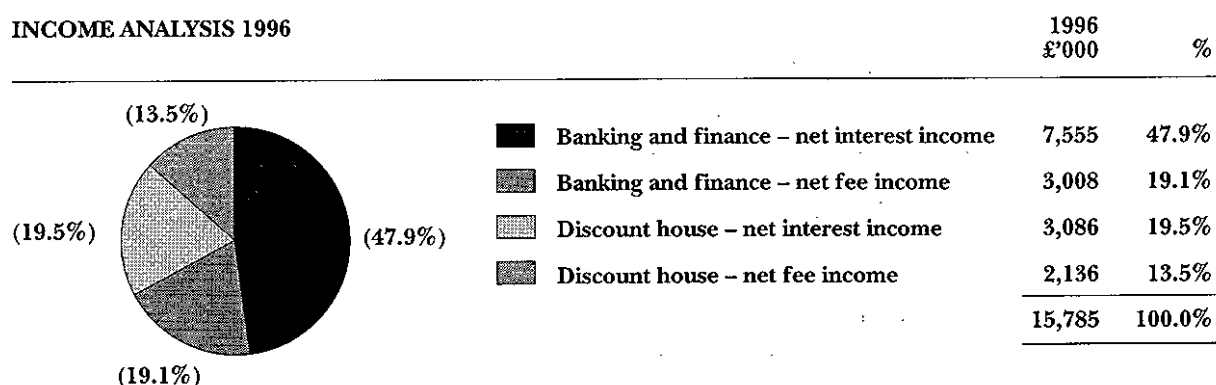
Clive Agency Bond Broking Limited

CABB acts as an agency broker in UK Government securities, Eurosterling and international bonds, in concert with the business of its fellow subsidiary, CDC. It is regulated by the SFA and is a member of the ISE.

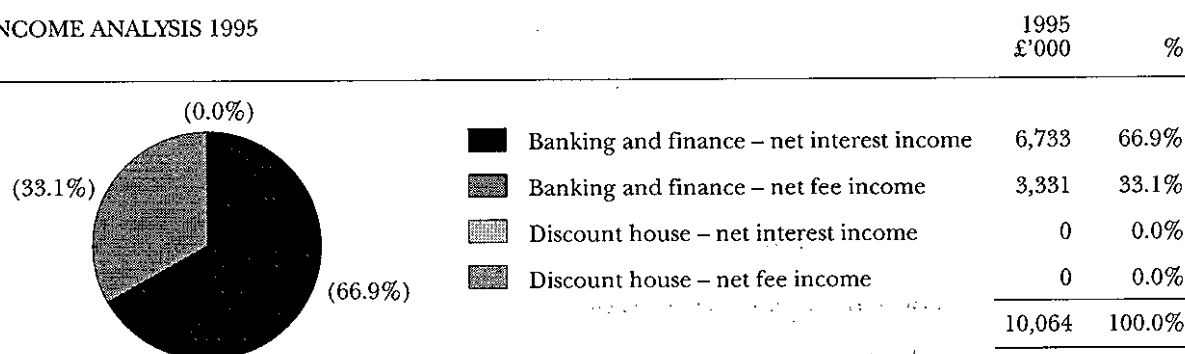
SALIENT FEATURES

RESULTS	1996 £'000	1995 £'000	Increase
Operating income	13,203	8,615	53.3%
Profit on ordinary activities before taxation	2,846	2,233	27.5%
Shareholders' equity	54,449	14,599	273.0%
Capital resources	112,997	37,099	204.6%

INCOME ANALYSIS 1996



INCOME ANALYSIS 1995



See note 1 to the financial statements.

DIRECTORATE AND
CORPORATE INFORMATION

INVESTEC HOLDINGS (UK) LIMITED

BOARD OF DIRECTORS

B Kardol (Chairman) *
H S Herman *
B Kantor *
S Koseff *

SECRETARY

R J Vardy

AUDITORS

Arthur Andersen
Chartered Accountants & Registered Auditors

Registration Number : 2685988 ENGLAND
Registered Office: Cannon Bridge,
25 Dowgate Hill, LONDON, EC4R 2AT

SUBSIDIARY BOARDS

ALLIED TRUST BANK LTD

B Kardol (Chairman) *
B K Kalkhoven (Managing Director)
J Abell *
H S Herman *
A M James
B Kantor *
I R Kantor *
S Koseff *
C Wakelin *

SECRETARY

R J Vardy

CLIVE SECURITIES GROUP LTD

B Kardol (Chairman) *
M Walker (Managing Director)
J Abell *
S J St F Dare
H S Herman *
M A Jameson-Till
B Kantor *
I R Kantor *
S Koseff *
P B Mitford-Slade*
M P Wood

SECRETARY

R J Vardy

DYNAMIC FINANCE PLC

A M James (Chairman) *
P Unsworth (Managing Director)
B K Kalkhoven *
P H D Laurie
A Tapnack *
I R Wohlman*

SECRETARY

I Packer

CLIVE DISCOUNT COMPANY LTD

B Kardol (Chairman) *
M Walker (Managing Director)
S J St F Dare
H S Herman *
Mrs J M Hinchey
C F Hubbard
M A Jameson-Till
B Kantor *
S Koseff *
P B Mitford-Slade*
A J Postlethwaite
M P Wood

SECRETARY

R J Vardy

CLIVE AGENCY BOND BROKING LTD

M Walker (Chairman)
S J St F Dare
M P Wood

SECRETARY

R J Vardy

* Non-Executive

CHAIRMAN'S STATEMENT

Introduction

Investec Holdings (UK) Limited (Inhold UK) is now the holding company of Allied Trust Bank (ATB) and Clive Securities Group (CSG).

The consolidated results of Inhold UK therefore include those of the ATB sub-group for the full financial year and those of the CSG sub-group from 8 August 1995, its date of acquisition.

As noted in the introduction, ATB provides private banking and commercial banking services, offering a range of retail, corporate and private banking products, as well as capital asset leasing and property management services.

These facilities were complemented by the opening, on 1 April 1996, of a new banking subsidiary Investec Bank (Jersey) Limited in Jersey, offering clients international reach and the recognition enjoyed by Investec.

CSG comprises all of Investec's London based securities activities, including Clive Discount Company and the stock borrowing and lending business of the former Cazenove Money Brokers, which was acquired on 31 December 1995 in time for the start of the open gilt repo market on 2 January 1996.

Despite some uncertainty in the UK economy, the collapse of Barings which led to a tightening in attitudes of the community towards smaller banks, and the loosening of the wholesale securities market leading to the start of the open gilt repo market, ATB and CSG performed to expectations, ensuring that Inhold UK was able to deliver a satisfactory return to shareholders.

Operating income rose strongly to £13,203,000 from £8,615,000, with profit before tax up 27.5% to £2,846,000. Shareholders' funds now stand at £54,449,000 (1995 - £14,599,000) and total capital resources at £112,997,000 (1995 - £37,099,000).

Allied Trust Bank

ATB maintained a resolutely sound balance sheet, exhibiting high liquidity and a strong capital:risk asset ratio. ATB's policy of not relying on interbank funding for assets saw it unaffected by the failure of Barings. Significant growth in retail deposits, leading to substantial surplus funds, is especially encouraging as it gives the bank a confident cushion for expansion.

In a year of intensive competition for loan business, ATB preferred quality over volume, concentrating on core markets such as the medical and the international high net worth client sectors, where the bank gained greater penetration and market recognition. High throughput in structured lending and selected lending for residential property development created substantial fee income, and the limited number of higher risk loans improved with close supervision.

Among institutional clients, the treasury operation has built on its specialisation in South African fixed income and currency markets. It now services many of the world's premier investment houses and continues to play its key role in prudently managing the bank's balance sheet.

Dynamic Finance's expansion in a tight leasing market was encouraging and it continues to discover growth opportunities in the local authority and education sectors.

In April 1996, ATB established a subsidiary bank in Jersey bearing the Investec name, Investec Bank (Jersey) Limited with capital resources of £10,000,000. This will provide ATB with the base from which to meet the needs of the international investor, requiring the benefits of offshore banking and strict client confidentiality.

ATB will continue to capitalise on the changes occurring in its markets, using its energy and flexibility to take new opportunities, while maintaining the appropriate focus on its core products and client bases.

CHAIRMAN'S STATEMENT

(continued)

Clive Securities Group

Clive Discount Company and its subsidiaries were acquired by Inhold UK on 8 August 1995, from Prudential Insurance Company of America. This acquisition coincided with impending changes in the financial markets in which CDC traditionally conducted its business. Real Time Gross Settlement, Open Gilt Repo and the European Capital Adequacy Directive were all scheduled for introduction in 1996 and it was obvious that such developments would have a significant impact on CDC's principal trading activities.

Against this background, it was clear that the development of CDC's business in a rapidly changing and competitive environment would be more easily accomplished under a new owner. Having successfully acquired CDC, it and its subsidiaries were then reorganised to form the CSG sub-group, with the financial reporting period being changed from 31 December to 31 March, that of its new parent.

On 31 December 1995 CSG acquired the stock borrowing and lending business of Cazenove & Co. This business is now fully integrated into CDC and has enabled CDC to take part fully and effectively in the new open gilt repo market.

Clive Agency Bond Broking is being repositioned within CSG as part of a new international broking and distribution division. Ultimately all the institutional securities activities of Investec in London will be gathered under one roof, with the consequent benefits of cost savings and much easier communications within the group.

I and my colleagues at Investec are delighted to join the boards of CSG and CDC and look forward to participating in the future development of the business.

Prospects

Investec has made significant advances this year in establishing its presence in the United Kingdom.

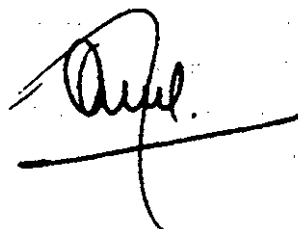
I am confident that the acquisitions and investments will bear much fruit next year, when Inhold UK will be able to report a full year's earnings from CSG and the first contribution from Investec Bank (Jersey).

Management and staff

Allan James has stepped down as Managing Director of ATB and Barry Kalkhoven, who has been responsible for the successful development of our Cape Town office has taken up the position. I wish him every success in growing ATB's business while placing on record my thanks to Allan James for the work he has done in managing ATB since its acquisition by Investec.

I also thank Mike Walker for his efforts in integrating the CDC and Cazenove operations into a unified whole and wish him well in the new markets that are opening up.

Finally, I wish to express my appreciation to my fellow Directors for their invaluable support and assistance during the year, and join them in thanking all our executives and staff for the extent of their achievements this year and their contributions to the continuing success of our businesses.



BAS KARDOL
Chairman

REVIEW OF OPERATIONS

The results of Inhold UK for the year ended 31 March 1996 reflect the significant acquisition and restructuring activity undertaken during the period, with pleasing results as noted by the Chairman.

ALLIED TRUST BANK

ATB sub-group enjoyed a successful year continuing its history of steady growth in earnings and assets. All areas and businesses of the bank performed well, contributing to profit before tax of £3,421,000, 10% ahead of last year. Earnings were represented by a strong mix of annuity revenue from well established businesses, with reliance on deal and trading income being modest.

Retail banking

Despite severe competition in the personal deposits market, ATB increased its postal banking deposits by 38% to £201,000,000 through a consistent advertising message, maintaining competitive savings rates and tailoring new products for the changing market. This source of funding from 16,000 clients provides a sound and reliable platform for the bank's lending. The permanence of this deposit base receives the highest priority in policy making.

In January 1996 the first Tessa accounts opened by ATB in 1991 matured. ATB has maintained its Tessa client base by careful pricing of these longer term funds and through the successful offering of a stepped rate product with a guaranteed rate of return over the next five years.

The bank's high interest cheque account for personal customers and small to medium-sized businesses, remained popular and grew to 4,200 customers who are attracted by its financial benefits and the personalised service which is a key ethos throughout the bank.

Corporate and Private Banking

Demand for credit remained generally subdued in the economy, but ATB's core markets of professional clients and prime London residential property were nevertheless expanded selectively.

The bank established its presence with particular success in the professional medical sector which is undergoing wide rationalisation in the UK. ATB's personal

approach, understanding of the market and flexibility result in it being a preferred choice.

Prime London residential property experienced a surge of interest from domestic and overseas investors who view the market as realistically priced, giving scope for sound lending on high quality assets to investors of good financial standing.

The bank offers structured finance to many international clients, seeking to optimise their cash flow and fiscal requirements. Cash-backed lending forms a growing part of this business, providing low risk lending with no capital weighting requirements. The net growth in loan assets belies the high throughput, many loans having been short term, but generating high levels of fee income during the year.

The bad debt charges remained low at 0.3% of advances outstanding and the few problem loans benefited from close supervision, active management and a general improvement in asset values and clients' cash flows.

Treasury

The bank places substantial surplus funds in the money markets either as direct loans or by purchase of marketable certificates of deposit. Treasury's role in managing the bank's flow of funds is circumscribed by a risk averse approach to counterparty exposure, and to price and maturity mismatches. The maintenance of high liquidity and prime counterparties takes precedence over profit.

In foreign exchange and South African securities, the foundations laid down last year bore fruit. ATB's specialisation in the Rand has gained wide acceptance with leading institutions which are developing a growing interest in South Africa. With strong technical capability and placing power already in place, the goal now is for the group to extend its distribution network to more institutions.

As indicated above, it is expected that ATB's institutional securities business will be relocated to the CSG group during the coming year.

ATB's policy is to place strict limits on proprietary trading or position taking in any market, preferring to derive its income from servicing its clients.

REVIEW OF OPERATIONS

(continued)

Leasing

During its first full year in the group, Dynamic Finance made sound progress against strong competition. Local authority business was significantly expanded, and continued investment in the education sector led to steady growth and good opportunities for future expansion. New businesses and products have been identified within both the public sector and corporate markets.

Jersey

Investec Bank (Jersey) Limited will offer traditional banking products to private and corporate clients with the added offshore advantages of tax planning and strict client confidentiality.

In the coming year ATB will look to add investment funds to Jersey's product range to cater for the asset management needs of private clients. Jersey will be an important part of ATB's future plans in developing low risk business serving the high net worth client and in providing high quality earnings to the group.

Liquidity and funding

The bank maintains a conservative liquidity policy and enjoys the loyalty of a diverse personal customer base as the principal source of funding for loan assets.

Costs

In any growing company a balance must be struck between tight cost control in established business units and the provision of investment for new initiatives. ATB's costs increased by 8% in a year in which heavy investment in people and technology was made in order to support a growing treasury operation. Advertising expenditure for the deposit raising products was also increased considerably.

Capital

Group policy is to remain well capitalised to achieve financial strength and flexibility. During the year under review Investec provided a further £10,000,000 in share capital to capitalise the Jersey operation. At the year end the capital:risk asset ratio stood at 22.1%, giving ample scope for expansion in the coming year.

CLIVE SECURITIES GROUP

The acquisition of Clive Discount Company and its subsidiaries, the subsequent purchase of the stock borrowing and lending business of Cazenove & Co. and their integration into a unified whole as Clive Securities Group was a major step forward for Investec's profile in the International Markets based in London.

The CSG group has been formed to accommodate all of Investec's London based securities activities. As part of an international merchant and banking group with a more focused approach to trading, Inhold UK is now well placed to develop its business further.

Following the change of year end, the results for the CSG sub-group for the fifteen months ended 31 March 1996, showed profit before tax of £4,259,000 (1994 - £2,146,000) of which £1,825,000 is post acquisition and therefore included in the consolidated profit and loss account. Next year's report will see a full contribution from CSG.

Economy and trading

1995 commenced against a background of uncertainty, with world markets still unsettled. In the UK, economic activity continued to accelerate, with the market anticipating the yield curve to steepen to reflect potential significantly higher future levels of interest rates. Notwithstanding an early tightening of policy, such fears ultimately proved to be misplaced and interest rates finished the period only marginally higher than at its start.

REVIEW OF OPERATIONS

(continued)

In February 1995, the collapse of Barings caused concern throughout the financial world, and the subsequent reduction in market activity together with a concentration of risk prompted a decline in market liquidity that was understandable, but regrettable. Despite the many uncertainties, comfortable liquidity conditions in the markets created generous running margins, and the following months proved to be exceptionally profitable. The event also clearly demonstrated the benefit of collateralised transactions and has undoubtedly enhanced CDC's activity in traditional secured short term money markets.

Throughout the year, the UK political environment remained unsettled as the Government contended with a faltering economy, reduced tax revenues, a declining parliamentary majority and a leadership contest precipitated by the Prime Minister, all of which contributed to uncertainty in the market place.

Open gilt repo and other new markets

Against this economic and political background, significant changes were set to occur which would have a major impact on the group's business. With the introduction of open gilt repo and the future development of CREST, an electronic settlement system for equities, it was recognised that a broader involvement in both the bond and equity markets would complement our existing activities. As a consequence, negotiations were started with Cazenove & Co. to acquire its stock borrowing and lending business, together with its staff and systems. This transaction was concluded at the end of December 1995, in time for the start of the open gilt repo market in January 1996.

We are pleased to report that the group has become a major participant in this new market, transacting considerable volumes with a wide range of counterparties. This activity is effectively an extension of our traditional business of trading in short term secured money and we are well placed to participate in the future growth of this market.

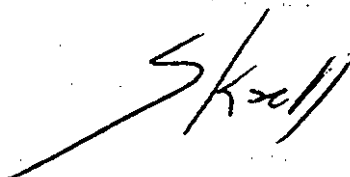
Clive Agency Bond Broking is now being repositioned within the group as part of a new international broking and distribution division, and its traditional activity as a specialist broker in government bonds is complemented by

the addition of an experienced derivatives trading team. Similarly the introduction of South African securities and foreign exchange trading will further enhance the range of its business.

Recently the group has successfully relocated to new premises. In March 1996 all members of staff of CSG were finally brought together in a new purpose built dealing room at Cannon Bridge, after several months of operating from various locations with different computer systems. The majority of Investec's UK operations are now conducted from this location.

PROSPECTS

The prospects for Inhold UK for the coming year directly reflect those of its operating subsidiaries, which we believe are positioned to take advantage of the investments made in them this year and the opportunities arising from their changing markets.



STEPHEN KOSEFF
Director

DIRECTORS' REPORT

for the year ended 31 March 1996

The Directors have pleasure in presenting their annual report together with the audited financial statements of the group for the year ended 31 March 1996.

Activities

The principal businesses of the group are banking and finance, and discount house operations. During the year, the company acquired Clive Discount Company and its subsidiaries and the business of Cazenove Money Brokers.

Review of Developments

On 8 August 1995, the company acquired 100% of the ordinary share capital of Clive Discount Company Limited (CDC) through Clive Securities Group Limited, a company set up for that purpose.

On 16 October 1995, CDC transferred its subsidiaries, including Clive Agency Bond Broking Limited, to its immediate holding company, Clive Securities Group Limited.

On 29 December 1995, CDC acquired the stock borrowing and lending business of Cazenove Money Brokers in anticipation of the introduction of the new open gilt repo market which commenced on 2 January 1996.

In March 1996, the company enabled Allied Trust Bank Limited to raise £10,000,000 from the issue of new ordinary shares. After the year end, a new subsidiary, Investec Bank (Jersey) Limited, was formed and capitalised by the issue of £5,000,000 of ordinary capital and £5,000,000 of subordinated debt paying LIBOR plus 2%. During the year, the company's authorised share capital was increased from 100 ordinary shares of £1 to 50,000,000 ordinary shares of £1 to facilitate these investments (Note 23).

Results and Future Prospects

The financial statements show the results for the period of retained profit of £2,827,000 (1995 - £2,233,000) which has been added to reserves. The directors do not recommend the payment of a dividend for the period (1995 - £nil). The future prospects for the company and the group are outlined in the Review of Operations.

Directors

The Directors who served during the period are listed on page 5. The Directors who held office at 31 March 1996 had no interests in the shares of the group companies

requiring disclosure under schedule 7 of the Companies Act 1985. Directors and officers of the company are covered under the group liability insurance policy.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to authorise the Directors to agree the remuneration of the auditors will be proposed at the annual general meeting. Arthur Andersen have expressed their willingness to continue in office.

Approved by the board of Directors
and signed on behalf of the board



R.J. Vardy
Secretary

30 September 1996



AUDITORS' REPORT

To the shareholders of Investec Holdings (UK) Limited:

We have audited the financial statements on pages 13 to 34 which have been prepared under the historical cost convention and the accounting policies set out on pages 17 and 18.

Respective responsibilities of Directors and Auditors

As described on page 11 the company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

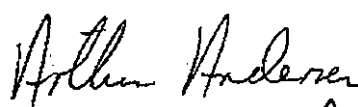
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 March 1996 and of the group's profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ARTHUR ANDERSEN



Chartered Accountants and Registered Auditors.

1 Surrey Street

London

WC2R 2PS

30 September 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March

	Notes	1996 £'000	1995 £'000
Interest receivable		114,698	19,066
Interest payable		(104,057)	(12,333)
Interest expense on subordinated loans		(2,582)	(1,449)
Net interest income		8,059	5,284
Fees and commissions receivable		2,515	2,827
Other operating income		2,629	504
Operating income	1	13,203	8,615
Operating expenses	2 - 4	(9,859)	(6,128)
Provision for bad and doubtful debts	11	(498)	(254)
Profit on ordinary activities before taxation		2,846	2,233
Continuing operations		1,021	1,970
Acquisitions		1,825	263
Tax on profit on ordinary activities	5	(19)	-
Retained profit for the year		2,827	2,233

Movements in the profit and loss account and reserves are shown in note 24.

All recognised gains and losses have been included in the profit and loss account.

The accompanying notes on pages 17 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

at 31 March

	Notes	1996 £'000	1995 £'000
Assets			
Cash and balances at banks	7	56,596	31,628
Treasury bills and other eligible bills	8	585,021	-
Loans and advances to banks	9	555,155	39,864
Loans and advances to customers	10 - 11	2,048,705	156,153
Debt securities	12	1,819,572	67,631
Secured stock lending		1,452,009	-
Other assets	15	176,160	3,392
Tangible fixed assets	16	8,841	1,872
Total assets	6	6,702,059	300,540
Liabilities			
Deposits by banks	17	2,766,775	25,896
Customer accounts	18	2,143,931	231,816
Debt securities	19	3,656	-
Secured stock borrowing		1,452,009	-
Other liabilities	20	222,691	5,729
Provisions for liabilities and charges	21	-	-
Total liabilities		6,589,062	263,441
Capital Resources			
Subordinated loans	22	58,548	22,500
Shareholders' equity	25	54,449	14,599
Called up share capital	23	14,750	-
Share premium account	24	33,683	12,542
Other reserves	24	1,132	-
Profit and loss account	24	4,884	2,057
Total capital resources		112,997	37,099
Total liabilities and capital resources	6	6,702,059	300,540
Memorandum items			
Contingent liabilities and commitments	27	1,742,248	8,713

The financial statements on pages 13 to 34 were approved by the Board of Directors on 30 September 1996 and are signed on its behalf by:



STEPHEN KOSEFF

Director



The accompanying notes on pages 17 to 34 form an integral part of these consolidated financial statements.

BALANCE SHEET

at 31 March

	Notes	1996 £'000	1995 £'000
Assets			
Investment in subordinated loan of group undertaking	13	19,500	-
Shares in group undertakings	14	77,547	25,115
Other assets	15	2,012	-
Total assets		99,059	25,115
Current Liabilities			
Other liabilities	20	3,666	948
Total current liabilities		3,666	948
Total assets, less current liabilities		95,393	24,167
Capital Resources			
Subordinated loans	22	48,548	12,500
Shareholders' equity	25	46,845	11,667
Called up share capital	23	14,750	-
Share premium account	24	33,683	12,542
Profit and loss account		(1,588)	(875)
Total capital resources		95,393	24,167

The financial statements on pages 13 to 34 were approved by the Board of Directors on 30 September 1996 and are signed on its behalf by:



STEPHEN KOSEFF
Director

The accompanying notes on pages 17 to 34 form an integral part of these consolidated financial statements.



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	Notes	1996 £'000	1995 £'000
Net cash outflow from operating activities	26(i)	(227,548)	(27,601)
Returns on investments and servicing of finance			
Interest paid on subordinated loans		(2,582)	(1,449)
Net cash outflow from returns on investments and servicing of finance		(2,582)	(1,449)
Investing activities			
Purchase of tangible fixed assets		(9,158)	(1,380)
Sale of tangible fixed assets		908	4
Purchase of group undertakings	26(ii)	35,129	(1,097)
Net cash inflow (outflow) from investing activities		26,879	(2,473)
Net cash outflow before financing		(203,251)	(31,523)
Financing			
Issue of share capital		35,891	42
Repayment of subordinated loan		(12,500)	—
Issue of subordinated loans		48,548	—
Net cash inflow from financing	26(iii)	71,939	42
Decrease in cash and cash equivalents	26(iv)	(131,312)	(31,481)

The accompanying notes on pages 17 to 34 form an integral part of these consolidated financial statements.

ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Basis of presentation in the 1996 Annual Report

The financial statements have been prepared under the historical cost convention, in compliance with Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 and in accordance with applicable accounting standards.

1. Basis of consolidation

The group financial statements consolidate the accounts of Investec Holdings (UK) Limited and its subsidiary undertakings made up to 31 March 1996. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Capital reserves arising on acquisitions are credited to reserves. Shares in group undertakings are shown at cost less permanent diminution in value.

2. Foreign currencies

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

3. Profit and loss account

Interest receivable and payable is accrued over the period of the related loans and deposits. Interest receivable which is overdue and in the view of management may not be collected is removed from income and suspended. Fees and commissions are credited to income at the time they are received, at which point they are deemed to have been earned. Premiums and discounts arising on foreign exchange swap contracts entered into in connection with loan and deposit transactions are amortised over the swap period and included in interest.

4. Tangible fixed assets

Fixed assets are stated at cost, less depreciation provided on a straight line basis at rates calculated to write off the assets over their anticipated useful lives. Premiums on leases are stated at cost and are amortised over the unexpired period of the lease.

The depreciation rates used are as follows:

Leasehold improvements	10%
Computer hardware and software	10% - 50%
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	25%

5. Debt securities

Investment securities, which are securities held for continuing use in the business, are stated at cost, any premium or discount, representing the difference between cost and redemption proceeds, being amortised over the period to redemption.

Dealing and market making securities are stated at market value. Securities sold subject to commitments to repurchase on predetermined terms are included in the company's balance sheet.

ACCOUNTING POLICIES

(continued)

6. Loans and advances

Commercial loans and advances are stated in the balance sheet after deduction of amounts which, in the opinion of the Directors, are required as specific or general provisions. Specific provisions are made against advances when recovery is doubtful. In addition, general provisions are maintained to cover losses which, although not specifically identified, are known to be present in any portfolio of bank advances.

A number of complex and changing factors are collectively weighed by management in determining the adequacy of the provisions. These factors include management's views of the extent of existing risks in the loan portfolio and of prevailing economic conditions.

The aggregate provisions which are made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating profit. Doubtful debts are written off in part or whole when the extent of the loss incurred has been determined.

7. Taxation

Corporation tax payable is provided on taxable profits at the current rate. Provision is made for deferred taxation to allow for timing differences between the recognition of certain items of income and expense for tax and accounting purposes, using the liability method. Deferred tax assets are not recognised.

8. Pension costs

From 1 December 1992, the Allied Trust Bank sub-group has adopted money purchase schemes selected by employees into which defined contributions are made and charged to profit and loss as they fall due. The amount paid in by the bank is 10% of respective salaries. Prior to that date, pensions were provided to employees through the Allied Trust Bank Limited (1977) Retirement Fund. This scheme was wound up on 30 November 1992.

For the Clive Securities Group sub-group, pension plan costs in respect of members of the defined contributions scheme are charged to profit and loss as they fall due. The capital cost of ex-gratia pensions is recognised in the profit and loss account when granted.

From 1 January 1996, new employees of the Clive Securities Group sub-group have 10% of pensionable salary paid into personal pension plans, similar to those of the Allied Trust Bank sub-group.

9. Off-balance sheet instruments

Financial futures and forward rate agreements are valued at closing market prices ruling at the balance sheet date, except where the position is taken specifically as a hedge against a cash asset, in which case they are valued on the same basis as the underlying asset.

10. Parent company profit and loss account

The company has taken advantage of the exemption in s.230 of the Companies Act 1985 not to present its own profit and loss account. The company's loss for the financial year, determined in accordance with the Act, was £713,000 (1995 - £875,000)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March

	1996 £'000	1995 £'000
1. REVENUE AND SEGMENTAL INFORMATION		
	Group	
Banking and finance operations		
Interest receivable	24,117	19,066
Interest payable	(16,562)	(12,333)
Fees and commissions receivable	2,587	2,827
Other operating income	421	504
	10,563	10,064
Discount house operations		
Interest receivable	90,581	-
Interest payable	(87,495)	-
Fees and commissions receivable	(72)	-
Other operating income	2,208	-
	5,222	-
Operating income before interest expense on subordinated loans	15,785	10,064
Interest expense on subordinated loans	(2,582)	(1,449)
Operating income	13,203	8,615
Profit on ordinary activities before taxation		
Banking and finance operations	3,603	3,682
Discount house operations	1,825	-
Interest expense on subordinated loans	(2,582)	(1,449)
	2,846	2,233
All operations are within the United Kingdom.		
2. OPERATING EXPENSES		
	Group	
Staff costs		
Wages and salaries	4,010	2,716
Social security costs	397	288
Other pension costs	374	195
Auditors' remuneration		
Audit services	123	84
Other services	74	184
Other costs		
Depreciation (Note 16)	406	190
Amortisation of leasehold improvements	83	77
Other operating expenses	4,392	2,394
	9,859	6,128

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
2. OPERATING EXPENSES continued		Group
Average number of employees		
The average number of persons employed by the group during the year was made up as follows:		
Managers and dealers	46	24
Administrative staff	80	52
	<u>126</u>	<u>76</u>

3. EMOLUMENTS OF DIRECTORS

No Director received any emoluments for services to the company or group (1995 - £nil).

4. PENSION COSTS

From 1 December 1992 the Allied Trust Bank sub-group adopted a money purchase scheme into which 10% of the respective salaries of staff members is paid. The pension cost charge represents contributions payable by the company to the funds and amounted to £196,000 (1995 - £172,000). No contributions were payable to the funds at year end (1995 - £nil).

Prior to the change in ownership of the Clive Securities Group sub-group, all eligible employees were members of the Prudential-Bache Group's defined benefit scheme.

On 8 August 1995, a new insured occupational defined contribution scheme was created. All active members at the time were given the option either to leave their preserved benefits in the Prudential-Bache scheme or to transfer the actuarial value of their accrued benefits to the new scheme or an alternative personal pension plan. Under the new scheme employer contribution rates are tiered according to age.

For employees who joined the company after 31 December 1995, the Clive Securities Group sub-group contributes an amount of 10% of pensionable salary into a personal pension plan.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

		Group
Corporation tax at 33% (1995 - 33%)	638	-
Credit for group relief of losses	(282)	-
ACT recoverable	(337)	-
	<u>19</u>	<u>-</u>

The taxable profits of Allied Trust Bank Limited are protected by brought forward tax losses available only to that bank, while those of the Clive Securities Group sub-group are subject to group relief from its holding company and fellow subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
6. SEGMENTAL AND CURRENCY ANALYSIS OF BALANCE SHEET		
Segmental analysis		
Banking and finance operations	386,647	300,540
Discount house operations	6,315,412	-
Balance sheet totals	6,702,059	300,540
Currency analysis		
Denominated in sterling	6,654,541	213,648
Denominated in foreign currencies	47,518	86,892
Total assets	6,702,059	300,540
Denominated in sterling	6,655,240	218,994
Denominated in foreign currencies	46,819	81,546
Total liabilities	6,702,059	300,540

7. CASH AND BALANCES AT BANKS

Cash and balances at banks comprise balances with central and other banks, money at call, and at short notice, including deposits placed with banks with a maturity of less than 8 days from the balance sheet date.

The group is required to maintain balances with the Bank of England which amounted to £914,000 (1995 - £340,000) at the balance sheet date.

8. TREASURY BILLS AND OTHER ELIGIBLE BILLS**Dealing and market making securities**

Treasury bills	12,684	-
Other eligible bills	572,337	-
	585,021	-

The unrealised gain included in the carrying value of the bills amounts to £2,152,000 (1995 - £nil).

9. LOANS AND ADVANCES TO BANKS**Remaining maturity:**

Eight days to three months	555,155	10,806
Three months to one year	-	29,058
	555,155	39,864

Included in loans and advances to banks are secured loans of £484,325,000 (1995 - £nil) of which £482,240,000 (1995 - £nil) have been secured with UK Government securities under sale and repurchase agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
10. LOANS AND ADVANCES TO CUSTOMERS		
Remaining maturity:		
Demand to three months	1,890,441	37,710
Three months to one year	55,383	44,231
One year to five years	59,993	40,610
Over five years	44,756	35,394
Bad debt provision	(1,868)	(1,792)
	2,048,705	156,153

Included in loans and advances to customers are secured loans of £1,881,877,000 (1995 - £nil) of which £1,486,389,000 (1995 - £nil) have been secured with UK Government securities under sale and repurchase agreements.

	Specific 1996 £'000	General 1996 £'000	Total 1996 £'000	Specific 1995 £'000	General 1995 £'000	Total 1995 £'000
11. PROVISION FOR BAD AND DOUBTFUL DEBTS						
At beginning of year	55	1,737	1,792	168	1,396	1,564
Charged against profits	459	39	498	57	197	254
Amounts written off	(693)	-	(693)	(150)	-	(150)
Other movements	774	(503)	271	(20)	144	124
At end of year	595	1,273	1,868	55	1,737	1,792

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
12. DEBT SECURITIES		
Dealing and market making securities		
Issued by public bodies		
UK Government securities	45,252	—
Debt securities listed on a recognised		
UK investment exchange	54,995	—
Issued by other issuer		
Unlisted bank and building society		
certificates of deposit	1,617,939	—
Other unlisted debt securities	10,386	—
	<u>1,728,572</u>	<u>—</u>
Investment securities		
Unlisted bank and building society		
certificates of deposit	91,000	67,631
Total debt securities	<u>1,819,572</u>	<u>67,631</u>
 Maturity analysis, from balance sheet date		
Demand to three months	1,571,280	46,435
Three months to one year	248,292	21,196
	<u>1,819,572</u>	<u>67,631</u>

The unrealised gain in the carrying value of dealing and market making securities amounts to £3,572,000 (1995 – £nil).

13. INVESTMENT IN SUBORDINATED LOAN OF GROUP UNDERTAKING	Company
Subordinated loan	<u>19,500</u> —

During the year, the company has provided to Clive Securities Group Limited (CSG) a subordinated loan to increase the capital resources of Clive Discount Company Limited ("CDC"), following CDC's acquisition of the business of Cazenove Money Brokers. The loan is subject to notice of redemption by the lender of not less than five years and one day. At the balance sheet date, no such notice has been received. Subject to the prior consent of the Bank of England, CSG has an option to redeem the loan, in whole or part, at any time. Interest on the loan is paid quarterly at the rate of 3/16% above the three month London Interbank Offer Rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
14. SHARES IN GROUP UNDERTAKINGS		
	Company	
At beginning of year	25,115	25,073
Movement during the year	52,342	42
At end of year	77,547	25,115
	Nature of business	Interest %
Principal subsidiary undertakings of Investec Holdings (UK) Limited		
Allied Trust Bank Limited	Banking	100
Clive Securities Group Limited	Holding company	100
Principal operating subsidiary undertakings of Allied Trust Bank Limited		
ATB Medical Finance Limited	Leasing	100
Rowanspur Limited (trading as Taylor Rose)	Commercial property agency	100
Dynamic Finance PLC	Leasing	90
ATB (Mortgages) Limited	Mortgage lending	100
Principal operating subsidiary undertakings of Clive Securities Group Limited		
Clive Discount Company Limited	Discount house	100
Clive Agency Bond Broking Limited	Agency broker	100

The principal movements during the year were the acquisition of Clive Discount Company Limited (CDC) and its subsidiaries, (Note 26(ii)), the subsequent reformation of that company and its subsidiaries as a sub-group under Clive Securities Group Limited and the later purchase by CDC of the business of Cazenove Money Brokers.

All the above subsidiary undertakings incorporated in Great Britain have their respective registered offices in England and Wales except ATB (Mortgages) Limited which is registered in Jersey. All the above subsidiary undertakings are included in the consolidated financial statements.

Under the acquisition agreement for Dynamic Finance PLC a payment for the purchase of the remaining 10% of the share capital will be made between 1997 and 2001 dependent on the performance of the subsidiary. The subsidiary has however been consolidated in full and an amount has been provided for the potential liability which has been included within other liabilities in the balance sheet. In the opinion of the directors this is sufficient to ensure an adequate amount is provided before the possible exercise date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000	1996 £'000	1995 £'000
15. OTHER ASSETS				
	Group		Company	
Trade debtors	164,125	-	-	-
Prepayments and accrued income	11,698	3,392	-	-
Dividend receivable from group undertaking	-	-	1,350	-
ACT recoverable	337	-	337	-
Interest receivable on subordinated loan to group undertaking	-	-	325	-
	176,160	3,392	2,012	-
	Operating leases £'000	Leasehold improvements £'000	Furniture fittings and motor vehicles £'000	Computer equipment £'000
				Total £'000
16. TANGIBLE FIXED ASSETS				
	Group			
Cost or valuation				
At beginning of year	-	1,262	1,055	1,172
By transfer or acquisition	4,106	-	578	707
Additions	3,239	1,091	759	549
Disposals	(879)	(453)	(449)	(54)
At end of year	6,466	1,900	1,943	2,374
Depreciation and amortisation				
At beginning of year	-	(89)	(723)	(805)
By transfer or acquisition	(1,153)	-	(187)	(418)
Charge for year	(905)	(83)	(133)	(273)
Disposals	697	-	180	50
At end of year	(1,361)	(172)	(863)	(1,446)
Net book value at end of year	5,105	1,728	1,080	928
Net book value at beginning of year	-	1,173	332	1,872

The depreciation and amortisation disclosed in Note 2 do not include the charge for the year on operating leases, which is included in other operating income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
17. DEPOSITS BY BANKS		
		Group
With agreed maturity dates or periods of notice, by remaining maturity:		
Repayable on demand	103,056	11
Demand to three months	2,630,258	15,023
Three months to one year	33,461	7,862
One year to five years	-	3,000
	2,766,775	25,896
Secured	2,683,462	-
Unsecured	83,313	25,896
	2,766,775	25,896

Secured deposits by banks include forward deposits of £100,000,000 (1995 - £nil) and deposits of £1,324,908,000 (1995 - £nil) secured with UK Government securities under sale and repurchase agreements.

Dealing and market making securities with a value of £1,286,924,000 (1995 - £nil) have been used to secure deposits by banks.

18. CUSTOMER ACCOUNTS		Group
With agreed maturity dates or periods of notice, by remaining maturity:		
Repayable on demand	158,505	56,766
Demand to three months	1,888,098	44,891
Three months to one year	90,600	97,388
One year to five years	6,728	32,771
	2,143,931	231,816
Secured	1,813,855	-
Unsecured	330,076	231,816
	2,143,931	231,816

Secured deposits by customers include deposits of £1,673,413,000 (1995 - £nil) secured with UK Government securities under sale and repurchase agreements.

Dealing and market making securities with a value of £140,988,000 (1995 - £nil) have been used to secure deposits by customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000	1996 £'000	1995 £'000
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19. DEBT SECURITIES**Group****Dealing and market making securities**

Issued by public bodies

UK Government securities

3,656 –

The unrealised gain included in the carrying value of dealing and market making securities amounts to £10,000 (1995 - £nil).

20. OTHER LIABILITIES**Group****Company**

Trade creditors	204,899	–	–	–
Corporation tax	1,191	–	–	–
Amount payable to a subsidiary company	–	–	209	–
Amount payable to an associated company	1,725	948	1,725	948
Amount payable to parent company	1,732	–	1,732	–
Accruals and deferred income	13,144	4,781	–	–
	222,691	5,729	3,666	948

21. PROVISION FOR LIABILITIES AND CHARGES**Group**

Deferred taxation

– –

There is no unprovided deferred tax in the current or the previous year.

22. SUBORDINATED LOANS**Group****Company****Undated variable rate notes**

At beginning of year	22,500	22,500	12,500	12,500
Movements during the year				
Repayment of loan notes	(12,500)	–	(12,500)	–
Issue of loan note	33,798	–	33,798	–
Issue of loan note	9,750	–	9,750	–
Issue of loan note	5,000	–	5,000	–
At end of year	58,548	22,500	48,548	12,500

£48,548,000 of the loan capital is held by Investec Finance S.A., a company wholly owned by the ultimate parent company (1995 - £12,500,000 by Investec N.V., similarly wholly owned). The loans can be terminated by the lender giving five years and two days notice. At the balance sheet date no such notice has been received.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
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22. SUBORDINATED LOANS continued

The other £10,000,000 (1995 - £10,000,000) of the loan capital is held by Investec N.V., a company wholly owned by the ultimate parent company. The loan can be terminated by the lender giving five years and two days notice. At the balance sheet date no such notice has been received.

Claims in respect of the subordinated loan capital are not secured and are subordinate to the claims of other creditors.

23. CALLED UP SHARE CAPITAL**Company****Authorised**

Ordinary shares of £1 each – 50,000,000 (1995 - 100)	50,000	–
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Issued, allotted and fully paid

At beginning of year	–	–
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Issued during year	14,750	–
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At end of year	14,750	–
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The company issued 14,750,086 (1995 – 1) ordinary shares of £1 with a nominal value of £14,750,086 (1995 – £1) and at a premium of £21,141,000 (1995 – £42,000). The shares were acquired by Investec Finance S.A., the company's parent company and issued for the purpose of acquiring group undertakings.

24. RESERVES**Group****Share premium account**

At beginning of year	12,542	12,500
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On share issue in year	21,141	42
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At end of year	33,683	12,542
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Other reserves

At beginning of year	–	–
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Capital reserve arising on acquisition (Note 26(ii))	1,814	–
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Other movements during year	(682)	–
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At end of year	1,132	–
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Other movements during the year comprise goodwill written off arising from the acquisition of subsidiaries in the previous year. As at the prior year end, fair values for their assets had not been established.				
The fair values attributed to the net tangible assets acquired were:				
				£'000
Fixed assets				3,299
Current assets				832
Loans and finance leases				(2,327)
Creditors and provisions				(604)
				<u>1,200</u>
Fair values of consideration including provision for future liability				(1,882)
Goodwill written off against reserves				<u>(682)</u>
Profit and loss account				
At beginning of year			2,057	(176)
Retentions for the year			2,827	2,233
At end of year			<u>4,884</u>	<u>2,057</u>
25. RECONCILIATION OF SHAREHOLDERS' FUNDS				
	Group		Company	
Retained profit (loss) for the year	2,827	2,233	(713)	(875)
Other reserves	1,132	-	-	-
New share capital subscribed	35,891	42	35,891	42
Opening shareholders' funds	14,599	12,324	11,667	12,500
Closing shareholders' funds	<u>54,449</u>	<u>14,599</u>	<u>46,845</u>	<u>11,667</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
26. CONSOLIDATED CASH FLOW STATEMENT		
(i) Reconciliation of profit on ordinary activities before taxation to net cash flow from operating activities.		
Profit on ordinary activities before taxation	2,846	2,233
Interest expense on subordinated loans	2,582	1,449
Provision for bad and doubtful debts	498	254
Depreciation – operating leases	905	–
Depreciation and amortisation – other fixed assets	489	267
(Increase) Decrease in other assets	(96,113)	208
Increase (Decrease) in other liabilities	106,178	(1,136)
Net cash inflow from trading activities	17,385	3,275
Decrease (Increase) in loans and advances to banks	29,058	(29,058)
(Increase) in loans and advances to customers	(40,319)	(63,271)
(Increase) Decrease in debt securities	(223,440)	9,804
Increase in deposits by banks	22,599	57,787
(Decrease) in customer accounts	(32,831)	(6,138)
Net cash outflow from operating activities	(227,548)	(27,601)
	1995 £'000	1994 £'000
(ii) Purchase of group undertakings and net flows of cash and cash equivalents in respect thereof		
Summarised consolidated profit and loss accounts		
Net interest income	4,411	5,749
Other operating income	1,427	414
Operating income	5,838	6,163
Operating and other expenses	(3,404)	(4,017)
Profit on ordinary activities before taxation	2,434	2,146
Taxation	(863)	(697)
Retained profit for the period	1,571	1,449

The figures present the summarised consolidated profit and loss accounts (including total recognised gains and losses) of Clive Discount Company Limited and its subsidiaries for its last financial year ended 31 December 1994 and for the period from 1 January 1995 to 8 August 1995, the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
26. CONSOLIDATED CASH FLOW STATEMENT continued		
(ii) Purchase of group undertakings and net flows of cash and cash equivalents in respect thereof (continued)		Group
Net assets acquired		
Assets		
Cash and balances at banks	749	436
Treasury bills and other eligible bills	397,725	-
Loans and advances to banks	129,986	-
Loans and advances to customers	397,490	-
Debt securities	515,619	-
Other assets	76,655	4,028
Tangible fixed assets	566	-
Liabilities		
Deposits by banks	(1,206,432)	-
Customer accounts	(156,834)	-
Other liabilities	(110,536)	(2,931)
Net assets acquired	44,988	1,533
Capital reserve arising on acquisition	(1,814)	-
Satisfied by cash paid	43,174	1,533
Adjustment for cash and cash equivalents acquired		
Cash and balances at banks	(749)	(436)
Treasury bills and other eligible bills	(397,725)	-
Loans and advances to banks	(129,986)	-
Loans and advances to customers	(397,490)	-
Debt securities	(515,619)	-
Deposits by banks	1,206,432	-
Customer accounts	156,834	-
Net cash (inflow) outflow on purchase of group undertakings	(35,129)	1,097

Subsequent to the acquisition of Clive Discount Company Limited (CDC) and its subsidiaries on 8 August 1995 the secured stock borrowing and lending business of Cazenove & Co. was purchased for £1 and CDC was further capitalised by the issue of £19,500,000 of subordinated loan to continue and develop this business.

Post acquisition, these group undertakings contributed an outflow of £190,493,000 to the group's net operating cash flows, utilised £646,000 for net investing activities and raised finance of £19,500,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	Subordinated loans 1996 £'000	Share capital 1996 £'000	Share premium 1996 £'000	Subordinated loans 1995 £'000	Share capital 1995 £'000	Share premium 1995 £'000
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26. CONSOLIDATED CASH FLOW STATEMENT continued

(iii) Analysis of changes

in financing during year

	Group			Group		
At beginning of year	22,500	-	12,542	22,500	-	12,500
Cash outflow for repayment of financing	(12,500)	-	-	-	-	-
Cash inflow from financing	48,548	14,750	21,141	-	-	42
At end of year	58,548	14,750	33,683	22,500	-	12,542

(iv) Analysis of changes in cash
and cash equivalents during the year

	1996 £'000	1995 £'000	Change in year
	Group		
Cash and balances at central banks	56,596	31,628	24,968
Treasury bills and other eligible bills	585,021	-	585,021
Loans and advances to banks	555,155	10,806	544,349
Loans and advances to customers	1,890,441	37,710	1,852,731
Debt securities	1,571,280	46,435	1,524,845
Deposits by banks	(2,733,314)	(15,034)	(2,718,280)
Customer accounts	(2,046,603)	(101,657)	(1,944,946)
At end of year	(121,424)	9,888	(131,312)

Due to the short term nature of the assets and liabilities of the acquired Clive Securities Group sub-group, the cash flow has been represented and the comparatives amended accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

	1996 £'000	1995 £'000
27. MEMORANDUM ITEMS		Group
Contingent liabilities and commitments		
Acceptances and endorsements	1,733,442	-
Guarantees and assets pledged as collateral security (contract amounts)		
Guarantees and irrevocable letters of credit	8,806	8,426
Assets pledged as collateral security	-	287
	<u>1,742,248</u>	<u>8,713</u>

The amounts shown above for acceptances and endorsements are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business.

28. OTHER OFF-BALANCE SHEET ITEMS		Group
Interest rate contracts		
Contract or underlying principal	685,536	-
Credit risk weighted amount	378	-
Replacement cost	252	-

The contracts outstanding at the balance sheet date were entered into for both hedging and dealing purposes. The credit risk weighted amount represents the replacement cost obtained by marking all contracts with a positive value to market, increased for potential future credit exposure using Bank of England prescribed weightings.

29. GENERAL**Operating lease commitments**

In a prior year the Group entered into a non-cancellable lease for land and buildings. The annual commitment is £450,000 rising to £840,000 from July 1995. The operating lease expires in a period greater than 5 years.

During the current year the Group entered into a further operating lease for land and buildings. On this second lease the annual commitment is £235,000. The term of this lease is less than five years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March (continued)

30. ULTIMATE PARENT COMPANY

The ultimate parent company is Investec Holdings Limited, a company incorporated in the Republic of South Africa and quoted on the Johannesburg Stock Exchange.

The consolidated financial statements of this group are available to the public and may be obtained from Investec Bank Limited's principal place of business: 55 Fox Street, P.O. Box 11177, Johannesburg, South Africa 2001

31. POST BALANCE SHEET EVENT

On 1 April 1996, the Group's new subsidiary, Investec Bank (Jersey) Limited, was formed by Allied Trust Bank Limited and capitalised with resources of £10,000,000 by the issue of £5,000,000 of ordinary capital and £5,000,000 of subordinated loan earning 2% above the three month London Interbank Offer Rate.