



DE<ILLION

Annual Report



31 December 2000



Group Profile

Decillion is an independent financial services group whose activities are focused on risk management and specialised financial services. Over the past year, the organisational structure has been refined along three principal lines of business, namely:

Treasury Services, which includes risk management consulting and advisory services, treasury outsourcing, financial structuring and debt origination;

Funds Management, comprising the development and management of alternative investment products; and

Broking Services, representing the group's inter-dealer agency services in the fixed income, equities and bond markets.

Decillion's different lines of business are united by a common focus on risk management and by a shared set of values:

We thrive on service, developing an understanding of our clients' needs in order to surpass their expectations consistently.

We reward, recognise and celebrate team achievements, believing that no individual deserves greater credit than the combined group.

We strive to gain superior returns on capital and get results through a passion to succeed and a determination to evaluate every opportunity in terms of our goals.

We nurture an organisational culture in which entrepreneurial flair, ownership and accountability are encouraged.

We pride ourselves on our innovation, openness and transparency, endeavouring to conduct all our business practices with honesty and integrity.

We are diligent in all our activities, adopting a positive can-do attitude and persevering irrespective of the obstacles.

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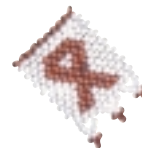
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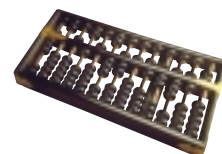


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Alwyn Smit



Trevor Davis



Uys Meyer



Preba Moodley



MG Kotze



Graham Smale



Francois Marais



Francois Spruyt



Paul Nkuna

Directorate

Executive Directors

Alwyn Jacobus Nicolaas Smit (40)+/*	Managing Director
Trevor James Davis (35)+	Financial Director
Uys Meyer (42)@	Funds Management
Prebagaren Moodley (36)@	Treasury Services
MG Kotze (41)	Broking Services
Graham Smale (42)	Technology and Quantitative Support

Non-Executive Directors

Francois Marais (46) +/*
 Francois Spruyt (49) *
 Paul Nkuna (49) @/+

+ Audit Committee
 * Remuneration Committee
 @ Transformation Committee

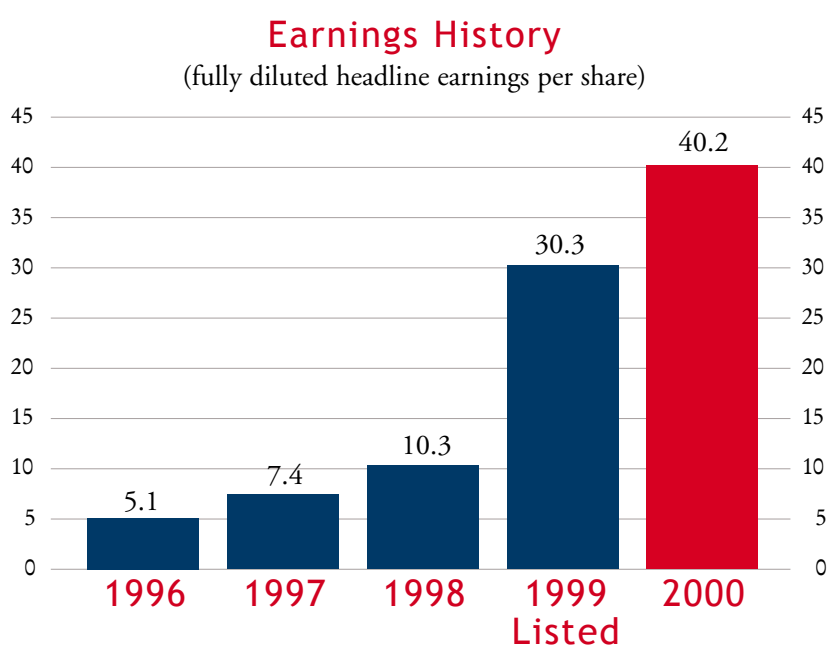
Note:

The above represents the Board of Directors as at the date of approval of these financial statements. Further details as to the constitution of the Board and changes during the period under review are set out on page 39 of this report.

Financial Highlights

	2000 R000's	1999 R000's	1998 R000's (*)	1997 R000's (*)	1996 R000's (*)
Gross revenue	456,206	383,665	37,262	35,268	19,829
Total operating income	80,885	57,653	18,037	10,321	8,090
Net income before tax	98,290	70,053	19,800	12,913	8,177
Attributable earnings after tax	72,368	50,760	11,899	8,393	5,824
Operating margin	21.5%	18.3%	53.1%	36.6%	41.2%
Fully diluted headline earnings per share (cents)	40.2	30.3	10.3	7.4	5.1
Annual growth in EPS	32.7%	194.2%	39.2%	45.1%	-
Compound growth rate	67.6%	81.2%	42.1%	45.1%	-
Dividends per share (cents)	8.0	-	-	-	-
Total Assets	574,764	333,424	133,793	23,145	12,824
Total Shareholders' Funds	304,275	180,020	64,848	10,071	9,412
Net asset value per share (cents)	170.4	114.3	51.4	8.7	8.3
Return on average capital	35%	38%	62%	50%	83%
Number of employees at year end	223	226	58	31	12

* Proforma measurement pre-listing



The Year in Brief

Decillion continued to deliver solid earnings growth and a 35% return on capital.

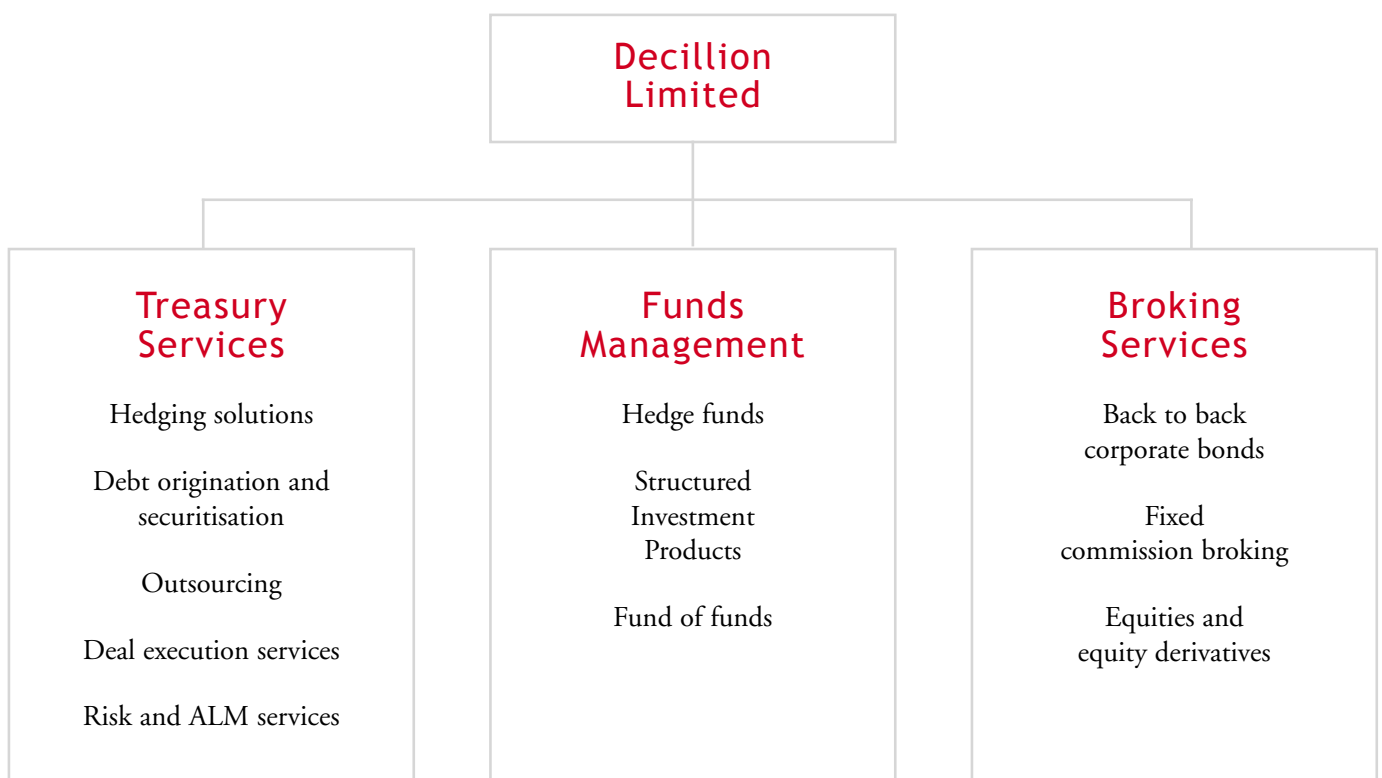
Good progress was made in Decillion's international expansion strategy, achieved through the relocation of management and the formation of international alliances in the broking and funds management businesses.

The Cedef acquisition was successfully integrated into the group, loss-making operations were discontinued, and the cost base streamlined.

A team of professionals was recruited to establish a presence in the alternative investment and structured products arena.

The management of the Treasury Services division was flattened to improve client service and cross-selling opportunities.

Operational Structure

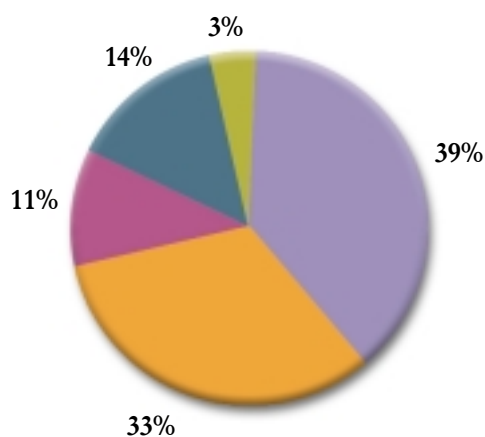


Segmental Overview

Divisional analysis

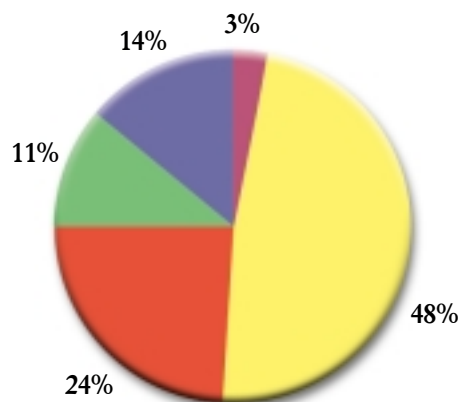
	Internal Risk Capital	Revenue	Net income before tax	Operating Margin
Treasury Services	44,361	130,497	45,897	35.2%
Funds Management	99,258	35,736	23,993	67.1%
Broking Services	37,616	289,973	10,994	3.8%
Interest	123,040	–	14,031	n/a
Discontinued Operation	–	–	3,375	n/a
	304,275	456,206	98,290	21.5%

Contribution by
nature of revenues



	2000 R000's	1999 R000's
Market neutral returns	37,950	22,087
Fees	31,940	27,521
Brokerage	10,994	8,045
Interest	14,031	12,400
Discontinued operation	3,375	–
	98,290	70,053

Contribution by
division



	2000 R000's	1999 R000's
Treasury Services	45,897	30,639
Funds Management	23,993	18,969
Broking Services	10,994	8,045
Interest	14,031	12,400
Discontinued operation	3,375	–
	98,290	70,053



Managing Director's Statement

Introduction

The past year bore witness to fundamental changes in the investment paradigm. In the US, believers in the new economy pushed equity markets, and in particular the IT sector, to new heights on the basis of revenue multiples and turnover statistics. The onset of global economic uncertainty in the last quarter saw a healthy dose of realism return to the markets, with the fall in the Nasdaq and the return to favour of so-called "value stocks" underlining a renewed focus on quality earnings and asset values.

The financial markets in South Africa have been subjected to the same scrutiny. The financial services sector in particular has come under intense pressure as investors have chosen to ignore intellectual capital and growth strategies in favour of sustainable earnings and modest price to book ratios. This has resulted in a major rerating of price earnings ratios and share prices throughout the sector.

Against this background, Decillion's strategy of remaining efficiently capitalised and continuing to deliver solid earnings performance has again yielded sound results. A 35% return on average shareholders funds represents an exceptional performance for the year. This strategy furthermore led to the disposal of certain non-core software development businesses during the current year. It also underpinned the further integration of our management teams in a quest to improve client service and market penetration. We remain committed to maintaining our returns to shareholders and will continue to evaluate new businesses on this basis.

Financial highlights

We are particularly pleased with the 33% growth in fully diluted headline earnings per share achieved in difficult market conditions. Decillion has remained focused on risk management services – a niche that provides a rich diversity of clients (we dealt with 144 different clients in the treasury service business during the review period) and revenue types (including advisory fees, commissions,

fund management fees and market neutral portfolio returns). Operating profit grew 40% to R80,9 million (1999: R57,7 million)

The maiden dividend of 8,0 cents per share has been recommended to reward shareholders for their loyalty and commitment during the year under review.

Strategic initiatives

Integrating Decillion's various risk management services into a single cohesive Treasury Services unit was a significant achievement during the year. The new structure has given management the freedom to concentrate on new business development and to co-ordinate the group's marketing efforts.

The continued success of the team managing the Big Rock Fund has produced an enviable 24-month track record, and has also provided the knowledge base for establishing new funds. Funds management complements the transaction-orientated earnings in the Treasury Services and Broking Divisions; and also provides an efficient avenue for raising investor capital in a market reluctant to inject further equity into the financial services sector.

We believe that international expansion is vital for growing earnings without diverting focus from our niche area of financial markets and risk management. It is also an important factor in attracting both local intellectual capital and foreign skills. Moreover, the 23.9% depreciation of the rand against the dollar over the review period was a stark reminder of the need for and benefits of a foreign earnings stream.

Operating effectively in foreign markets can only be accomplished with total commitment from the entire management team and staff force. Consequently, three of Decillion's executive directors are now based offshore. 105 of the 223 employees of the group are stationed in Europe, the UK and Singapore. Total capital employed offshore now stands at R99 million, equating to 32% of the total capital base. Our commitment to building an international business is unique in the South African financial services sector.

We believe that these softer achievements, rather than the numbers themselves, will ultimately lead us to success in years to come.

Our people

Decillion's expansion in both local activities and geographic extent would not have been possible without the support of a broad and committed executive team. During the year an Executive Committee of 13 people was established, with collective responsibility for group strategy and direction. The committee meets monthly and provides a good

We are particularly pleased with the 33% growth in earnings per share achieved in difficult market conditions.



Managing Director's Statement

Decillion has been fortunate to retain the services of all key staff members during the year.

forum for communication to our employees. We have simultaneously driven the principle of separately evaluating business units and rewarding teams directly, thereby nurturing the entrepreneurial spirit on which the company was founded.

Decillion has been fortunate to retain the services of all key staff members during the year while at the same time attracting the services of highly skilled teams in the structured products, agricultural services and treasury outsourcing areas. Difficult markets are impacting share-based incentive packages and we are mindful of the challenge to incentivise staff without prejudicing shareholders. A flat reporting structure, good communication channels, international opportunities and performance-based bonus schemes remain the most compelling reasons for our people to continue working for Decillion. Added to this is the Decillion brand, which stands for independence, professionalism and expertise. Our people aspire to and reinforce these attributes.

Strategic alliances

Strategic alliances are of particular importance in periods where raising capital is either difficult or very expensive. Decillion has established some extremely valuable associations that provide key ingredients for growing the business.

- The Group of 31 Limited, the risk management consulting and advisory practice which we operate with KPMG, extended its client base to include certain Israeli and European banks.
- During the year the Mineworkers Investment Company ("MIC") elected to convert its shareholding in Decillion Capital into additional Decillion shares and now holds 9% of the issued share capital of the group. As a business partner, MIC plays an important role both strategically and on a number of operational fronts.
- Harcourt Investment Consulting AG is a Zurich-based fund of hedge funds manager that provides specialised advice to institutional clients and banks on alternative investments. Decillion has entered into a joint venture with Harcourt to provide alternative investment products to asset managers and institutions.
- Prebon Marshall Yamane is our joint venture partner for fixed commission broking activities in the fixed income market. Prebon has 2 000 professionals in 29 leading financial centres and has extensive global resources. An investment in an e-commerce platform, Kinetic, and a strong presence in emerging market bonds, complement our fixed income derivatives activities.
- Decillion Solutions (Singapore) is the SWIFT agent for South East Asia. SWIFT remains the market standard in the world of international funds transfer and we are proud of our association.



Transformation

Decillion recognises that it has a role to play in the greater transformation process in South Africa today. Our broader transformation policy includes:

- Ensuring that the business is representative in its shareholding, staff force and executive committees;
- Providing for grassroots upliftment which will support future generations rather than concentrating wealth creation in a few hands;
- Importing foreign skills and technologies to South Africa; and
- Exporting capital with a view to earning foreign revenues for South Africa.

We have successfully founded and seeded two Foundations, namely the Decillion Financial Education Foundation for advancement of training including financial markets education, and the Decillion Development Foundation, which focuses on AIDS awareness.

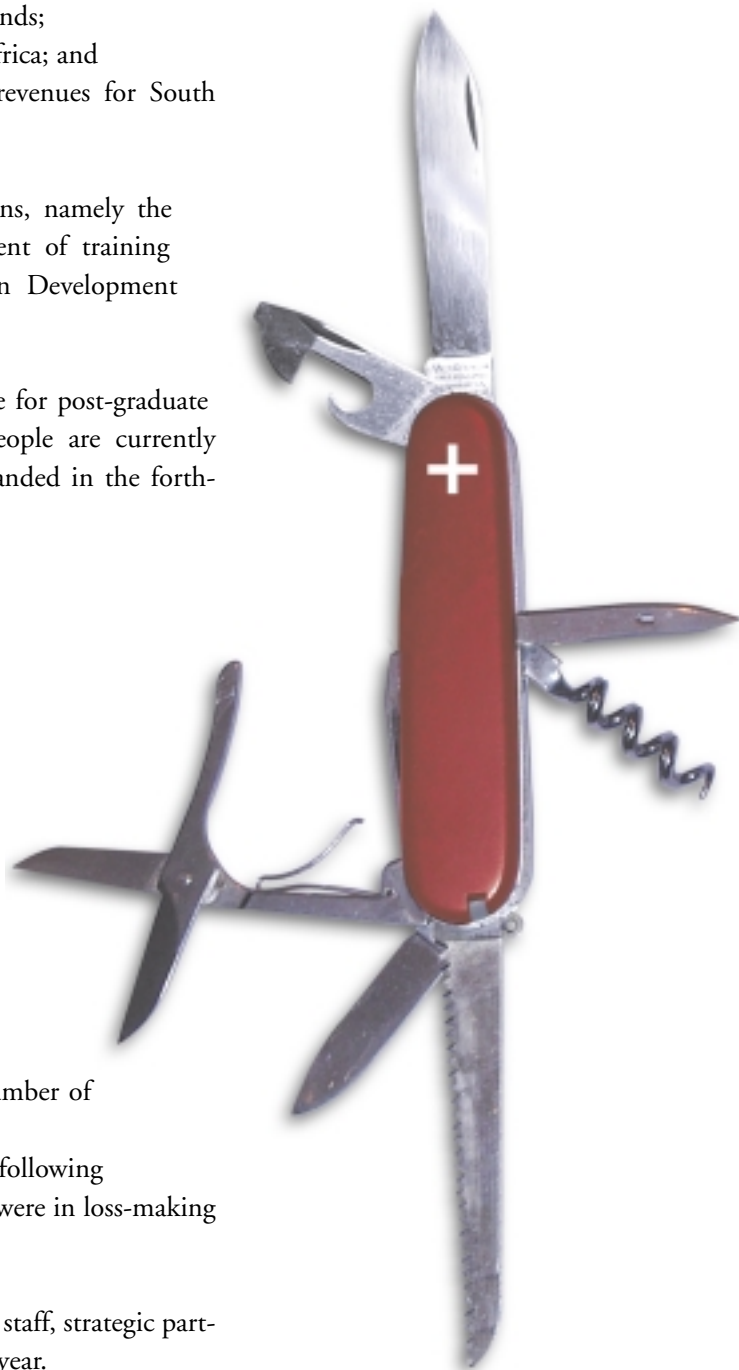
The group has also implemented an internship programme for post-graduate education of previously disenfranchised persons. Four people are currently employed in terms of this programme, which will be expanded in the forthcoming year.

Prospects

We expect the coming year to be one of consolidation - both for the South African financial services industry and for ourselves. The key areas for growth in the year ahead are

- Continued performance of the treasury services business under its co-ordinated management structure;
- Expansion of treasury services into Europe;
- The new hedge funds that will be seeded during the course of the year, as well as the roll out of a number of new investment products; and
- An improved contribution from the offshore entities, following the closure of two offshore branches of Cedef which were in loss-making positions.

I wish to thank our stakeholders, my executive directors and staff, strategic partners and clients for their support of Decillion over the past year.





Review of Operations

The group achieved a highly satisfactory performance across all divisions, yielding an increase in profits over the prior year. Operating income grew by 40% with operating margin retained at 35% in the Treasury Services division, 67% for Funds Management and 4% in the Broking business. The contribution of each division to the group's net income before tax of R98.2 million was as follows:

Treasury Services

The division remains strongly differentiated from our competitors. Decillion provides a total risk management solution to corporate, banking and public sector entities, combining risk management and treasury advisory services, deal execution and outsourcing, derivative structuring and debt origination into a single value chain. This approach provides a platform to maintain revenues when the financial environment is less buoyant. Decillion continues to expand its risk management activities across a range of revenue streams, creating a healthy diversity both geographically and by market segment.

The current year's performance highlights the success of the value chain concept, with the division contributing a very satisfactory 48% or R45.9 million of the group's total net income before tax (1999: 44% or R30,6 million). The division was involved in transactions with a total nominal value of R11 billion (1999: R9.4 billion). Repeat clients contributed 71.5% of total volumes. It is particularly pleasing that this performance was underpinned by organic growth in the existing businesses. Further potential will be realised once new initiatives come on line.

The division's management was integrated into a single cohesive team during the review period and incentive arrangements have been pooled to promote unity of interest between the business units within the division. Efforts have also been focused on ensuring consistent branding of the operating business units, adopting the Decillion name for this purpose. We are excited at the potential for enhanced returns through cross-selling and cross-referrals which should emanate from this restructuring.

Derivative Structuring

This business unit focuses on providing structured derivative solutions to manage balance sheet exposures in the corporate, banking and public sector markets.



A strong performance was achieved during the year under review, attributable both to a number of high profile transactions with new clients as well as continued business from our existing client base. It is particularly pleasing that this division's revenues have remained strong despite the general slowdown in financial markets. We are especially encouraged at the number of clients who continue to make use of our structuring capabilities, notwithstanding competition from the traditional banking sector. The business unit structured deals with a total nominal value of R8.7 billion (1999: R7.6 billion).

Decillion has begun to target growth in this area through a more focused approach to the agricultural sector in South Africa, as well as by exploring a number of cross-border opportunities in Europe. The agricultural sector initiative has been spearheaded by employing a team of experienced professionals to provide a complete service, encompassing commodity price risk management, structured financial solutions, and balance sheet management.

Structured Finance

The structured finance unit improved its contribution as a direct consequence of winning a number of prestigious contracts to provide structured financial solutions to corporate companies. The team was involved in total deals with a nominal value of R2.2 billion (1999: R1.9 billion), and has established itself as a key contributor to group revenues.

The team has been strengthened by the addition of several professionals to look for opportunities in the areas of debt origination and securitisation. A major focus area over the past year has been to grow revenues by focusing on cross-border transactions, leading to a presence being established in London. We are pleased to report that the division has a full pipeline, providing us with an optimistic outlook for the coming year.

Advisory Services

This business comprises The Group of 31 Limited, the risk management consulting practice operated jointly by Decillion and KPMG, as well as the outsourcing business of Decillion Treasury Services. The advisory, transaction execution and outsourcing services provided to clients add real value and enhance our position as a business partner to our clients.

Decillion
continues to
expand risk
management
across a range of
revenue streams,
creating a healthy
diversity.



Review of Operations

During the year the services team was fully integrated into the sales force of the structuring and financial products area. This liberated management and provided the client service team with a more market-driven focus. Clients making use of at least one advisory service contributed 74% to the revenue of the combined Treasury Services division. Decillion has been awarded certain prominent outsourcing contracts in the year ahead, and we expect this growth to continue as the sector repositions itself.

The Group of 31 had a successful year in its niche areas of risk management, treasury and asset liability management (ALM) consulting. The business has expanded its client base locally and was awarded contracts to provide ALM consulting services in Israel and Africa. This focus on hard currency earnings recognises the potential slowdown in revenues from our banking clients, where consolidation has already had an impact.

The internet continues to play a significant role in the provision of our execution and outsourcing services. This highly scalable solution to growing our services business to critical mass will be expanded to include other services in the future.


Treasury and Trading

The trading team had a very successful year and made a significant contribution to the net income of the group. Our ability to effectively price and warehouse risk for optimal client solutions provides Decillion with an advantage over our competitors. This approach enables us to extract maximum value from the transactions concluded by the group. Residual risks are hedged in the money, capital and forward foreign exchange markets. Relative value transactions, where anomalies in yields are arbitrated through long/short strategies, have also contributed to the market neutral returns reported for the period. Value at risk limits have remained nominally small and risk is well managed by a team of experienced professionals.



Funds Management

The funds management division was established during the early part of 1999 and has come of age during the review period. Focusing primarily on alternative investment management over more traditional asset management activities, this division manages an absolute return hedge fund, develops passive investment strategies and provides structured investment products to the investment community. The division made a substantial contribution to bottom line profitability, generating pretax income of R24.0 million, 24% of the group total (1999: 27%).



The premier product offering remains the Big Rock hedge fund. This long/short equities fund has achieved an enviable two-year track record, consistently outperforming the returns of the All Share Index and the money market over the same period. Importantly, these returns have been generated in a low-risk manner, as evidenced by the fund's risk data – including a low correlation to market indices, few drawdowns and a high win/loss ratio. Since inception the fund has recorded only two months of negative return. We are particularly pleased that, in a year characterised by negative market returns, extremely high volatility and numerous specific company shocks, Decillion's process and methodology withstood these market hazards and delivered excellent returns for investors. Strong demand for the Big Rock product has resulted in the controlled growth of assets under management to R200 million at year-end. With strong investor demand we expect a further increase in funds under management during the year ahead.

During the past twelve months considerable time and energy has been spent in exploring opportunities for new absolute return hedge fund products. Although current returns are dominated by the Big Rock Fund, the body of knowledge, investment processes and risk management methodologies developed while establishing and managing the Big Rock Fund will enable us to launch new funds and to attract third party investment into funds managed by the group. The Decillion Convertible Arbitrage Fund will be launched on the Irish Stock Exchange on 1 May 2001. Decillion has seeded the fund with USD 5 million and has secured the services of Morgan Stanley Dean Witter as prime broker. A second, long/short European equities fund will be launched in the third quarter of 2001 once IMRO regulatory approval has been finalised.

Our ability to effectively price and warehouse risk provides Decillion with an advantage over our competitors.

Review of Operations

Management efforts have been focused on improving the cost to income ratio.

Decillion's private equity initiatives comprise an R8,8 million investment in a closed fund established jointly with the Mineworkers Investment Company and a R7 million commitment to Treacle Venture Partners, a private equity manager focusing on Telecommunications, Media and Technology opportunities. The potential returns from these investments are exciting.

The addition of a structured investment products team during 2000 has strengthened our funds management initiative, as well as complementing the structuring skills of the Treasury Services division. The team will profile Decillion in the growing field of passive investment management, complementing our capabilities in the hedge funds management arena. The move has placed Decillion in a strong position to manage a broad spread of investment mandates, and to benefit from the anticipated long-term growth in the alternative investment management industry.

Decillion has entered into a joint venture with Harcourt, known as Decillion Partners SA. Harcourt is a Zurich-based investment firm specialising in providing hedge fund-related advisory and portfolio management services to institutional investors. Decillion has partnered with Harcourt in order to develop its own multi-manager capabilities in the alternative investment arena. Harcourt has a team of 15 professionals with full capabilities in manager selection research as well as taxation and regulatory issues; and has assets under mandate of USD500m. Among the products and services offered by the joint venture will be customised portfolios, a multi-strategy fund of funds and principle guaranteed notes. Decillion Partners SA will target institutional investors and financial intermediaries, initially in Switzerland and subsequently also in Germany, Italy and France.

We are extremely upbeat about the prospects for the alternative investment product market, believing that Decillion is well placed to benefit substantially from the anticipated long-term growth in specialist funds management activities.

Broking Services

Decillion's broking operations are divided into three distinct businesses

- Back-to-back trading as principal;
- Fixed commissions broking; and
- Exchange-traded securities.

Back-to-back trading in corporate bonds, asset swaps, convertibles, and other debt securities is now managed as an extension of the Treasury Services division. Execution and portfolio advisory services are extended to banks and asset managers. Decillion enjoys a particularly good profile with trading banks in London and Switzerland, as well as with end-users in Germany, Italy and France. A con-



certed marketing drive in Europe has broadened our services to include the structuring and deal origination advice previously offered only to the South African client base.

Fixed commissions earned from broking interest rate swaps, FRA's and forward contracts were dominated by emerging markets such as South Africa and Eastern Europe (Poland, Hungary and the Czech Republic) and from retail clients in Europe. The Scandinavian countries also form a strategic niche for broking services.

Cedef received high acclaim in international ratings by traders subscribing to Risk Magazine, including being rated as the "Leading fixed income broker" in the South African market. Management efforts have been focused on improving the cost to income ratio while seeking out partners with whom to share technology platforms and clients. A strategic joint venture has been entered into with Prebon Marshall Yamane (Prebon) that will reinforce Cedef's leading position in emerging markets and will facilitate the further expansion of our international broking operations. Prebon has an excellent presence in short-term derivatives and bond markets in the countries where Cedef is a leading broker in longer-term instruments such as swaps. The merger will therefore provide clients with a dominant provider of fixed income products in these markets.

Through membership of Safex and the JSE, together with access to London market makers, Decillion has established a well-respected presence in broking derivative and physical equity products. The increased broking revenue, together with a number of successful advisory mandates, resulted in this division making a substantial contribution to earnings. The securities group is expected to work closely with the structured investment product team in the year ahead, providing an added dimension to the hedge execution services offered by the group.





Risk Management

Decillion's success has historically been attributed to a superior capacity to price and manage risk. The various disciplines of effective risk management are an integral part of our business. The group embraces the principles laid out in the Group of Thirty Report – Derivatives: Practices and Principles; and is committed to ensuring best practice in risk management. In the course of its activities, Decillion is exposed to market risk, credit risk, liquidity risk, operational risk and reputational risk. The group is also acutely aware of the risk to its reputation should the business fail to meet the expectations of customers, or act contrary to the principles of sound corporate governance.

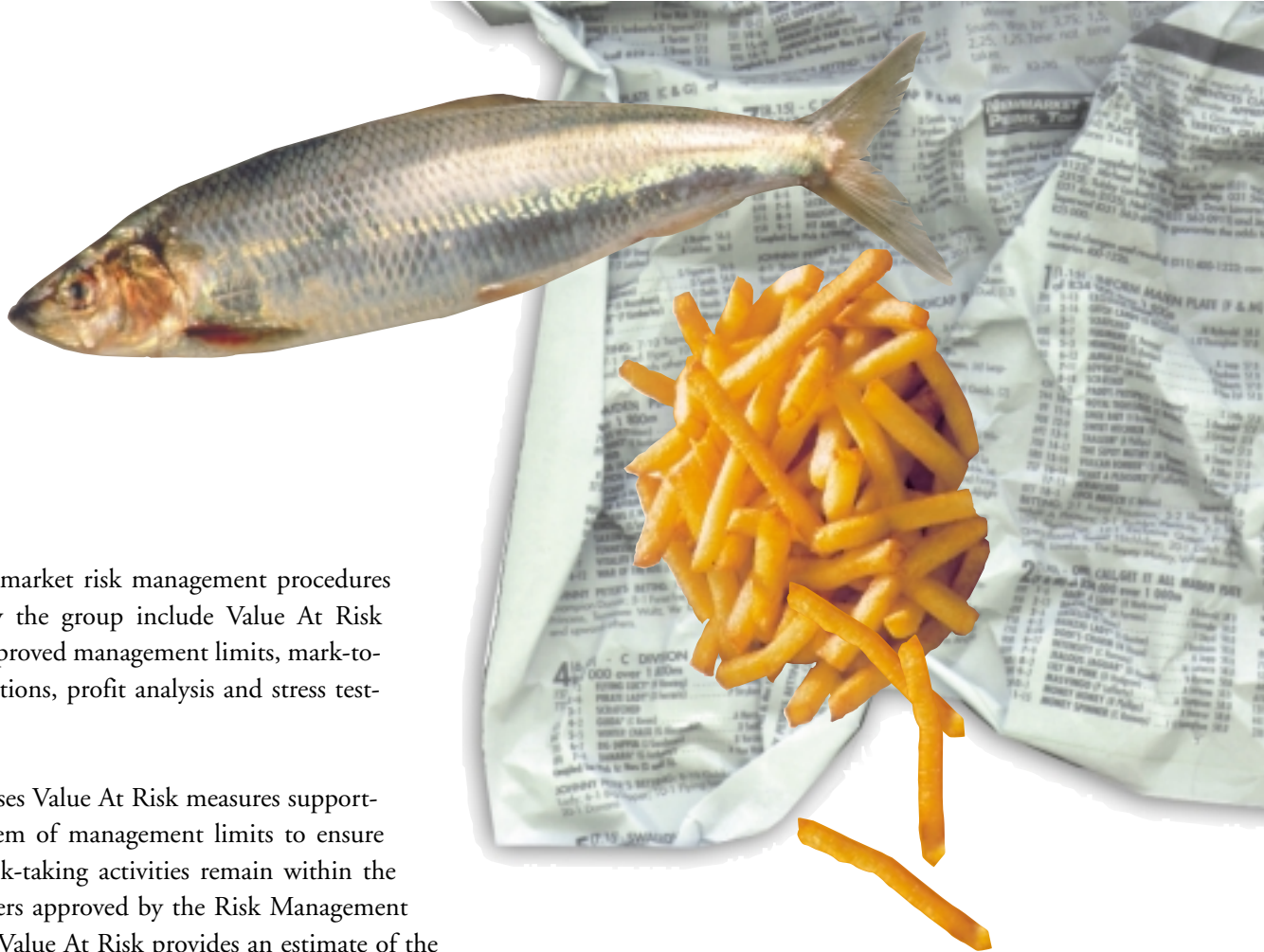
Decillion trades only in markets and products that have been subjected to a complete risk assessment. These assessments are set out in documented Risk Management Frameworks that identify the skills, infrastructure, systems and risk management processes needed to effectively manage the risks attendant on entry to that market or product. These Risk Management Frameworks are reviewed and approved by the Risk Management Committee prior to any trading, and form the cornerstone of Decillion's risk management process. Decillion's response to the risk elements of market risk, credit risk, legal and operational risk, and reputation risk, is detailed below.

Market risk

Market risk is defined as potential change in the value of a financial or derivative instrument due to changes in market variables such as interest and exchange rates, equity and bond prices, and volatilities. Market risk exposures arise from the group's trading activities in the fixed income, equity and commodity markets. Managing this risk requires the group to have a proper framework governing the scope and size of permitted risk-taking activities; access to quantitatively advanced and reliable trading and risk management systems; and an effective system of operating and accounting procedures.

As a basic philosophy, our risk taking activities are strictly focused on strategies that are relative-value driven and market neutral. The risk limits are nominally small and are designed to restrict mismatches to minimum practical levels. We believe our trading technologies for shorting overvalued securities relative to undervalued positions are a key feature behind the stability of our returns in these portfolios.

Decillion trades only in markets and products that have been subjected to a complete risk assessment.



The various market risk management procedures employed by the group include Value At Risk measures, approved management limits, mark-to-market valuations, profit analysis and stress testing.

The group uses Value At Risk measures supported by a system of management limits to ensure that daily risk-taking activities remain within the risk parameters approved by the Risk Management Committee. Value At Risk provides an estimate of the maximum expected loss on the group's trading positions over a defined period of time. Decillion calculates Value At Risk using a 99% confidence interval and a holding period of one day. The latter recognises that the group deals in markets where risk can be readily neutralised by trading highly liquid and marketable instruments. The methodology adopted by the group is based on the delta normal methodology of Riskmetrics™, using a variance/covariance matrix to estimate potential losses. The Value At Risk process is validated on a regular basis by rigorous back-testing, comparing actual profit and loss swings to those predicted by the model in order to ensure that the risk model correctly predicts potential losses during normal market conditions.

In addition, the group conducts historical simulations and stress testing to identify the effect that abnormal market conditions could have on the group's profitability. The group's detailed profit attribution model is designed to identify the source and nature of profits; and to investigate unexpected fluctuations in profitability on a daily basis.



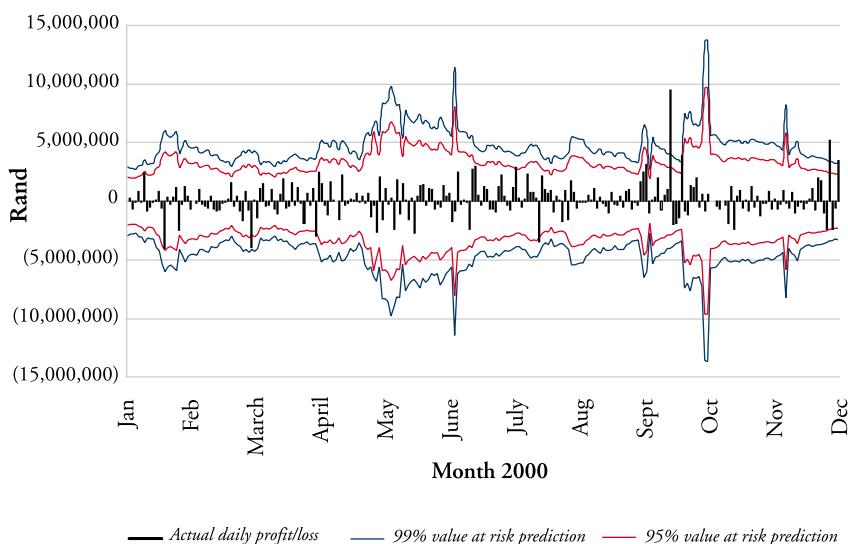
Risk Management

The group has a conservative philosophy regarding credit risk.



Value at risk (VAR) backtesting

Comparison of daily profit/loss to VAR prediction



All trading positions within the group are recorded on advanced and reliable trading and risk management systems and are marked-to-market on a daily basis. Market rates and prices used to revalue the trading book are subject to independent verification daily, while the models and assumptions underlying the revaluation process are reviewed on an ongoing basis by the group's risk management department.

Credit and counterparty risk

Credit risk is the probability of loss due to the inability of counterparties to meet their financial obligations. Decillion is exposed to credit risk through the placement of surplus cash with banks; and to counter-party and settlement risk through its trading activities in the fixed income and derivatives market.

The management of credit risk is clearly set out in the group's credit policy, which is reviewed and updated as required. The group has a conservative philosophy regarding credit risk. Exposures have historically been restricted to banking institutions where the group possesses the skills to analyse and assess the risk associated with that counter-party. Moreover credit exposures have traditionally been fully secured either through collateral or through security in the form of the underlying instruments. All counter-parties are approved by the Risk Management Committee before any dealings are effected.

Credit risk within Decillion is managed at group level. The Risk Management Committee approves limits for each counter-party and monitors exposure



against these limits. The following factors are taken into consideration in establishing limits:

- Decillion's own risk appetite relative to the group's capital base;
- The exposure in relation to the client's financial position and prospects;
- The risk associated with concentration of exposures;
- The nature and type of products dealt with that counter-party; and
- Any credit enhancement available in relation to that counter-party.

Counter-party and settlement risk are addressed by limiting exposures to a number of local banks, thus avoiding direct exposures to corporates. This has been achieved by clearing deals through a select group of clearing banks so as to combine the pricing and hedging capabilities of Decillion with the balance sheet and credit standing of a premier banking institution. In consequence, Decillion's risk exposures are limited to the banking counter-party clearing the trade. This exposure is managed between the parties in terms of credit enhancement arrangements mutually acceptable to both Decillion and its clearing counter-party.

Cedef's back-to-back bond trading operations also expose the group to a t+3 counterparty risk. Settlement risk in this area is restricted due to the use of clearing banks and delivery-for-payment settlement processes. Counterparty risk is limited by a restrictive policy which ensures that counterparties are regulated and are acceptable risks for bank clearing.

Analysis of counterparty exposures as at 31 December 2000

Short Term Rating (*)	Money market Placements R000's	Trading (net of collateral) R000's	Total Credit Exposure R000's	Percentage (%)
A1	167,734	22,411	190,145	93.2%
A2	9,571	2,440	12,011	5.9%
Other	591	—	591	0.3%
Unrated	-	1,189	1,189	0.6%
	<u>177,896</u>	<u>26,040</u>	<u>203,936</u>	<u>100.0%</u>

* *The rating is based on Fitch IBCA's short term debt ratings or equivalent ratings by another rating agency.*

Risk Management

It is the group's policy that derivative transactions concluded by Decillion are governed in terms of ISDA Agreements and other standard industry master agreements negotiated with individual counter-parties. These agreements provide for netting of off-setting exposures with a counter-party, thereby enabling counter-party risk to be viewed on a fully-netted basis. Furthermore, the majority of these relationships are subject to reciprocal margining arrangements whereby the group receives cash from, or pays cash to, its clearing partner in order to collateralise any mark-to-market profits (or losses).

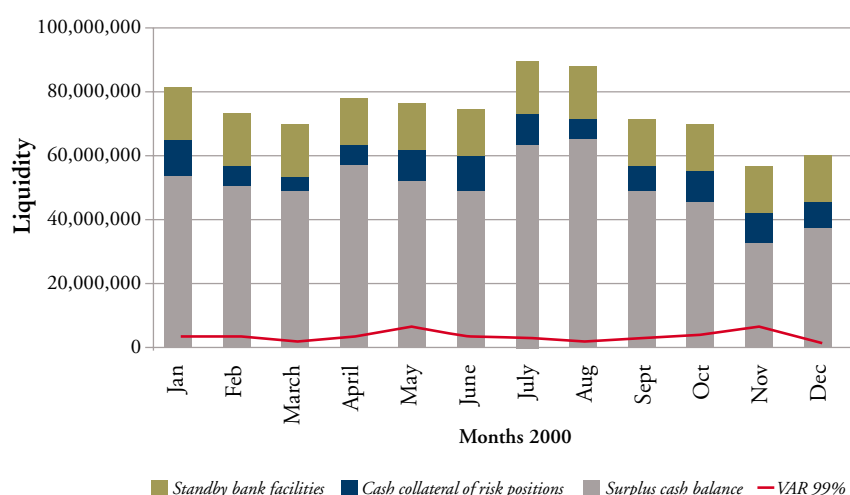
Liquidity risk

Liquidity risk relates to the risk that Decillion will be unable to meet its commitments as they fall due, or that the group will be forced to liquidate its positions under potentially adverse circumstances in order to meet these commitments. As the group is not a bank and does not engage in lending or deposit activities, the group is not exposed to either interest rate or liquidity risk arising from mismatches in its asset and deposit portfolios. The major instance of liquidity risk within the group arises from its trading activities, where the process of margining and cash collateralisation results in profits and losses being reflected immediately in the in-flow or out-flow of cash from the business.

Liquidity risk is managed primarily by ensuring that the group deals only in products and instruments that are readily marketable, as well as by maintaining sufficient surplus cash balances and unutilised facilities with banks. The bulk of Decillion's funds are held on call, and are thus instantly available, while the remainder is available within a week's notice period.

Liquidity Analysis

Interest rate portfolio
Comparison of cash holdings to risk of trading activities (VAR)



Reflecting the crucial importance of cash in our business, the group stress tests its trading portfolios on a daily basis to identify the potential cash outflows arising under worst-case scenarios. This approach enables the group to retain extremely conservative cash balances at all times, thus ensuring that sufficient cash is available to meet even the most unlikely of circumstances. Responsibility for liquidity risk lies with the Risk Management Committee, which approves limits for the required minimum available cash balances relative to the size of trading activity undertaken by the group.

Solvency risk

Solvency risk is the risk that the group will not have sufficient capital in relation to potential losses arising from its risk-taking activities. Certain entities within the Decillion group are subject to a review of solvency in the form of the capital adequacy regulations imposed by various regulators (the Financial Services Board (FSB) and the SFA). Consolidated capital adequacy at group level remains the concern only of the board of directors and Risk Management Committee.

To this end, Decillion is acutely aware of the need to balance superior returns on capital with prudent risk management so as to ensure the long-term survival of the business. This process is made particularly challenging by the need to balance the requirements of different regulatory jurisdictions, foreign exchange environments and risk taking markets.

Decillion manages the group's solvency using a process of consolidated capital adequacy monitoring across all risk-taking divisions. Although the requirements of consolidated capital adequacy are still being developed internationally, Decillion has consulted with its lead regulator (the FSB) in developing an applicable capital adequacy framework. We believe Decillion is at the forefront of the South African market in implementing this process.

Operational risk

Operational risk is the risk of loss or inefficiencies arising from a breakdown in the group's established information, communication, settlement or transaction processing systems, and the controls surrounding these. The size and complexity of transactions in the financial markets requires that Decillion maintains comprehensive systems of internal control as well as sound policies in the areas of information technology, human resources, physical security and insurance coverage.

Proper segregation of duties, the implementation of appropriate checks and balances and centralised accounting reconciliation control ensure the safeguarding of group assets and maintain the integrity and reliability of Decillion's accounting records. The group makes use of leading-edge systems in its transaction pro-

Reflecting the crucial importance of cash in our business, the group stress tests its trading portfolios on a daily basis.

Risk Management

Responsibility for managing reputational risk rests with every person within Decillion.

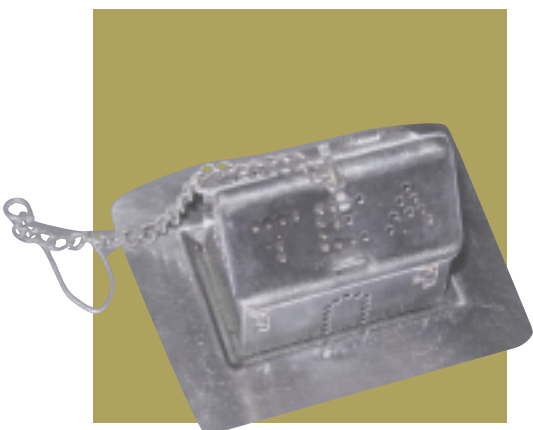
cessing and risk management activities; and upgraded its general ledger and management information systems during the year. The group has a disaster recovery procedure that is intended to ensure that essential business activities can be resumed within a reasonable period following a disruption. The group recognises that effective management of operational risk depends ultimately on the calibre of its people, and great emphasis is therefore placed on the recruitment and development of staff with the necessary skills and experience.

The Financial Manager, Head of Operations and Group Risk Manager are responsible for ensuring compliance with Decillion's established policies and procedures (see Corporate Governance on page 24). These individuals are represented on the Risk Management Committee and have access to the Audit Committee to report any material exceptions or breakdowns in controls and systems.

Reputational risk

Decillion is fully aware of the fact that a sound reputation is a fragile resource, which can be irreparably damaged by a single failure in any of its dealings with customers, shareholders, employees, suppliers and others. The group strives to protect and enhance its reputation by continuously meeting and exceeding the expectations of these stakeholders in every facet of its business. Decillion is furthermore committed to ensuring that it complies with both the letter and spirit of sound business practices. Responsibility for managing reputational risk rests with every person within Decillion.

Recent developments in money laundering legislation locally and abroad have highlighted the potential reputational risks. In Switzerland, new money laundering regulations require standards for the detection and prevention of money laundering which are required to be audited annually. Decillion has successfully undergone an audit of its response, and will continue to monitor the impact of money laundering on its business.



Other

Our insurance cover is designed to ensure that profitability is not significantly impaired by unforeseen events arising outside of the areas of business within the group's control. In addition to short-term insurance cover, the group has obtained comprehensive insurance in the form of fidelity cover, professional indemnity cover and computer crime cover. The limits of indemnity available to the group are R50 million. The group has also established an insurance cell captive for self-insurance of certain identified risks (including trading losses) which are not commercially insurable. This ensures more efficient utilisation of capital and reduces earnings volatility at the level of operating subsidiaries.





Corporate Governance

PRINCIPLES OF CORPORATE GOVERNANCE

Decillion strives to achieve openness, integrity and accountability in all its dealings with stakeholders, and encourages an uncompromisingly high level of business conduct. To this end, the group subscribes to the Code of Corporate Practices and Conduct as issued by the King Committee. In recognition of the fact that governance is a developing discipline, Decillion reviews compliance on an ongoing basis so as to ensure that governance structures are current and in line with best practice.

This commitment to continual improvement in self-governance is evident in our voluntary adherence to many of the regulations applicable to banks and other regulated entities, notwithstanding the fact that the group is not obliged to adhere to these requirements. This has led, inter alia, to the establishment of a group compliance function during the course of the year and to the implementation of consolidated capital adequacy for the Decillion group.

Responsibility for Corporate Governance

The board of Decillion is ultimately responsible for all aspects of corporate governance within the group. This demands a keen sense of balancing profit objectives against the requirements for effective risk management and good corporate citizenship. The board fulfils this role by establishing and refining philosophies, policies and objectives that provide the framework within which the group operates.

Management within each of the group's subsidiaries is responsible for ensuring the implementation of effective risk management and systems of control to ensure that these philosophies, policies and objectives are properly implemented and adhered to. While acknowledging the key role played by management in this area, the board remains ultimately responsible and relies on its risk managers and compliance officers, as well as reports from the external auditors, to highlight any weaknesses in the system of internal controls identified during their activities.

Risk Management and Internal Control

The management of risk in Decillion is the responsibility of the Risk Management Committee, which comprises the Group Risk Manager, Managing Director, Financial Director, Chief

Financial Officer and Risk Director. Representatives from all risk-taking and support activities attend the monthly meetings. The Risk Management Committee is responsible for the development of risk management frameworks in accordance with the Board's risk appetite and mandate, as well as the monitoring of risk exposures against these frameworks.

Risk management is a prominent feature of Decillion's business. Throughout the group, Decillion's people hold a high level of risk management skills and experience. The substantial stake which employees have in the business further encourages an uncompromising commitment to risk management. The group's risk management framework is described more fully on pages 16 to 23.

Decillion has an established system of internal controls, which ensure that the group is managed prudently and in accordance with the mandate provided by the board. The board relies on reports from its risk management and compliance officers, as well as its external auditors, to ensure that any internal control weaknesses are identified timeously. These reports are augmented by regular presentations by executive directors on their areas of responsibility. The internal control systems are applied by individuals possessing the necessary degree of expertise, and with proper segregation of duties, so as to ensure:

- Timeous provision of adequate information for effective business management;
- Communication of, and adherence to, minimum standards of business conduct;
- The reliability and integrity of accounting records;
- Compliance with applicable laws and regulations;
- Effectiveness and efficiency of operations; and
- Safeguarding of group assets.

Decillion strives
to achieve
openness,
integrity and
accountability in
all its dealings.



Corporate Governance

The group retains a strong South African identity and recognises its roots as a South African company.

Employee Empowerment

Decillion is committed to the empowerment of its management and staff. The group fosters entrepreneurial spirit and enterprise amongst its staff and places great emphasis on continual skills development and training. Staff members are kept abreast with group developments through regular presentations.

People at Decillion are rewarded for performance with a stake in equity, awarded in terms of the employee share incentive scheme. Full details of the incentive scheme are dealt with in more detail elsewhere in this report.

Social Commitment

Notwithstanding its international aspirations, the group retains a strong South African identity and recognises its roots as a South African company. Decillion is committed to principles of equal opportunity while acknowledging the role of affirmative employment and development in addressing past inequities. The group is committed to transformation within South African society, and has a keen sense of social commitment. Full details of the group's social commitment and transformation programme are set out on pages 30 and 31.

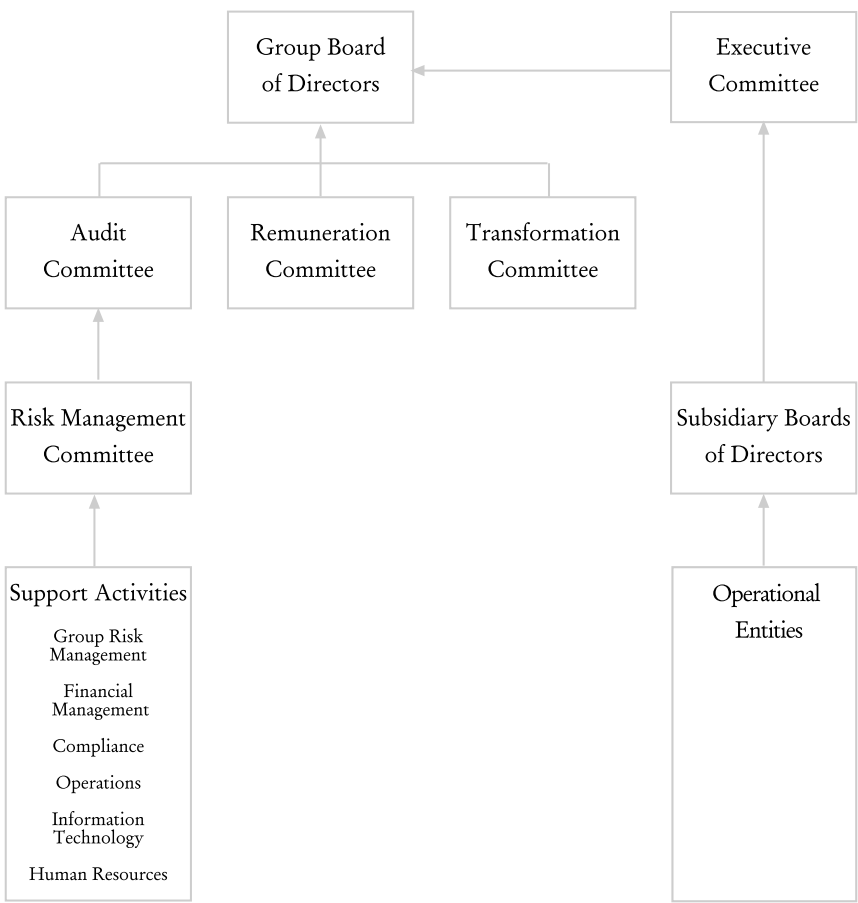
Code of Business Ethics



Decillion's reputation is regarded as the group's most valuable resource. At the same time we are fully aware of the fragility of one's reputation in a competitive environment. The group and its people therefore aspire to the highest standards of ethical behaviour in all dealings with stakeholders, including shareholders, customers, counter-parties, employees and suppliers.

The Decillion Code of Conduct addresses, inter alia, conflicts of interest; minimum standards of personal and business conduct; and best practice in business dealings. Any person acting in breach of the principles, ethics and standards contained in the Code are subject to the group's disciplinary process. Moreover, Decillion continually strives to instill in its people a total commitment to the principles of openness, honesty and responsibility.

CORPORATE GOVERNANCE STRUCTURES



The Board of Directors

Decillion's board of directors includes six executive directors and three non-executive directors. The appointment of the group's non-executive directors is a responsibility of the full board and is ratified by the group's shareholders in general meeting. Directors stand down for re-election on a rotation basis every three years. The services of executive directors are subject to service contracts, none of which exceed five years. the managing director fills the role of both chairman and CEO of the group. His influence is balanced by a strong and assertive team of executive and non-executive directors. The board is aware of the importance of splitting the executive and oversight responsibilities through an independent chairman to balance the role of the managing director, and is currently exploring avenues to address this. The board of directors meets at least quarterly, or more often as required.



Corporate Governance

The boards of the group's subsidiary companies also include both executive and non-executive directors, although the number of non-executive directors varies. The number and frequency of the board meetings of the group's subsidiaries varies depending on the business requirements of each company. The group's board of directors is keenly aware of the need to provide leadership and direction to these subsidiary boards, and endeavours to achieve this through the active involvement of the subsidiary company's directors in the group decision-making process.

Group Executive Committee

Decillion's increasingly successful international and local expansion necessitated the implementation of a formal group communication structure. A Group Executive Committee (Group Exco), which is the highest executive function in the group outside of the board, has therefore been established to facilitate group reporting and communication with staff, customers and investors. The Group Exco acts as the operating board and reports directly to the main board. The responsibilities of the Group Exco include:

- distilling group strategy;
- investor communications;
- approving acquisitions and strategic initiatives;
- allocating capital;
- communicating to their executive committees; and
- reporting back on the progress towards group goals.

The Group Exco is involved in the day-to-day activities of the business and is highly visible and accessible to all persons in the group

Remuneration Committee

A Remuneration Committee, chaired by a non-executive director and including the Managing Director, has been established to oversee and approve remuneration of Decillion's six executive directors, three non-executive directors, as well as to provide input on the group's overall remuneration strategy. The function and role of the Remuneration Committee is set out in a written mandate.



Audit Committee

The Audit Committee is responsible for reporting to the board on the adequacy of the risk management process, systems of internal control and stakeholder reporting implemented by management, and assists the board in the discharge of its duties in these areas. The function and role of the Audit Committee is set out in a written mandate. It is chaired by a non-executive director and includes the Managing Director and Financial Director.

The group does not have an internal audit function. It relies on the company secretary, compliance officers and risk manager to ensure that the business of the group has been properly conducted. These parties have direct access to the Audit Committee and are responsible for evaluating the adequacy and effectiveness of the group's policies, systems and procedures; as well as reporting to the committee on any material weaknesses in internal control or breakdowns in controls identified. Furthermore the Audit Committee receives reports from the external auditors on their findings and on any material weaknesses identified during the course of their audit. The Audit Committee met to consider the contents of this annual report.

The group's board of directors is keenly aware of the need to provide leadership and direction to these subsidiary boards.

Transformation

Decillion is committed to the principles of equal opportunity and recognises the role of affirmative employment. To this end, structures and forums have been established which identify, address and implement employment equity in the workplace, with an overall ambition to enhance business competitiveness. Emphasis is placed on equal opportunities for all employees regardless of race, ethnic origin or gender; as well as on the training, development and promotion of employees. The group is equally committed to the transformation of South African society, and aims to support development initiatives designed to redress the socio-economic imbalances created by the past.

A dedicated vehicle has been created for this purpose. Known as The Decillion Financial Education Foundation, this section 21 company (i.e. not for gain) is committed to improving the quality of education amongst black individuals. Emphasis is placed on financial education in the most impoverished areas of South Africa in order to help alleviate the financial skills shortage facing this country.

Programmes

There are currently three active programmes operating under the banner of this Foundation:

- The Graduate Internship Programme - A selected group of graduates undergo practical on-the-job training for up to a year at Decillion, in all aspects of the financial markets. Five graduates are currently in training and two of the previous participants have already been employed at Decillion.
- The Emerging Farmers Programme - The aim of this programme is to educate black farmers regarding risk and cash flow management and to equip them with the relevant skills. The University of Potchefstroom and Decillion have formulated this agricultural sector programme jointly and the first intern is currently on the programme.
- The "Adopt-a-School" Programme - This programme is a partnership between the National Department of Education, rural communities and the Decillion Financial Education Foundation. It aims to empower these communities to build and equip schools in those rural areas not on the department list for building, renovation or remodelling. It also creates opportunities for skills training (brick-making, brick-laying, plastering, roofing and painting) and creates employment.

The Decillion Financial Education Foundation adopted the programme's first school in Idutywa on 5 October 2000, to providing the capital to build three classrooms, three toilets and a water tank.

Social Commitment

Ever aware of the group's role in the communities in which it operates, Decillion supports projects which aim to improve the quality of life of less privileged South Africans.

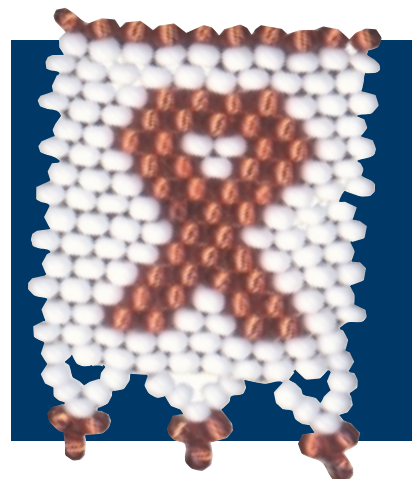
As with the group's transformation initiatives, a dedicated section 21 company (i.e. not for gain) has been created to fulfil this commitment. Known as The Decillion Development Foundation, the company is committed to providing counselling, awareness and education to the families of HIV/AIDS victims in rural areas. It also supports programmes that equip these people with the skills to cope with the inevitable stigma and financial stresses which accompany the loss of a family member to the disease. Support is also provided to HIV/AIDS education campaigns that aim to curb the epidemic and in so doing alleviate the financial and manpower pressures on the South African economy.

Maximised impact

Determined to maximise its impact, the Development Foundation has formed partnerships with government, Non-Governmental Organisations and organisations in the private sector offering expert knowledge and expertise in teaching HIV/AIDS coping skills to communities. The Development Foundation's partners include, amongst others, Masimanyane Women's Support Centre, Empilisweni Aids Support Centre and Avis Fleet Management Services.

During the year the group also donated funds to the Nelson Mandela Children's fund, sponsored the Princess Alice Adoption Home's golf day and donated a vehicle to Tateni Home Care Services. This is a community-based nursing facility serving the Mamelodi area which aims to enhance the quality of life among chronically and terminally ill patients, allowing them to end their days in dignity.

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Employee Share Incentive Scheme

Decillion's philosophy is to develop and to expand its business operations by employing and retaining highly-skilled and dynamic staff, who are incentivised to produce above average returns on capital employed. The group's major assets are its people and the intellectual capital they embody. Decillion's share incentive scheme was established in order to incentivise employees to increase shareholder value and to promote unity of interest between employees and directors on the one hand, and the ordinary shareholders of the company on the other.

The aggregate number of shares that may be issued in terms of the share incentive scheme may not exceed 15% of the issued share capital of Decillion, or 26,778,376 shares. Share options exercised by employees will be settled by the issue of shares in the company at the strike price at which the option was granted or by shares acquired by the share purchase trust on the open market. The potential dilution in earnings per share caused by employee share options is disclosed in note 5 of the annual financial statements. The allocation of share options is at the discretion of the board of directors in consultation with the Remuneration Committee.

A reconciliation of movements in the number of options granted in terms of the share incentive scheme is provided below:

	Number of Shares
Options allocated at the beginning of the year	20 950 120
Options allocated during the year	3 293 465
Options cancelled during the year	(1 922 200)
Options exercised	—
Options allocated at the end of the year	22 321 385
Options available for future allocations	4 456 991
Total options available in terms of scheme	26 778 376



Share Analysis

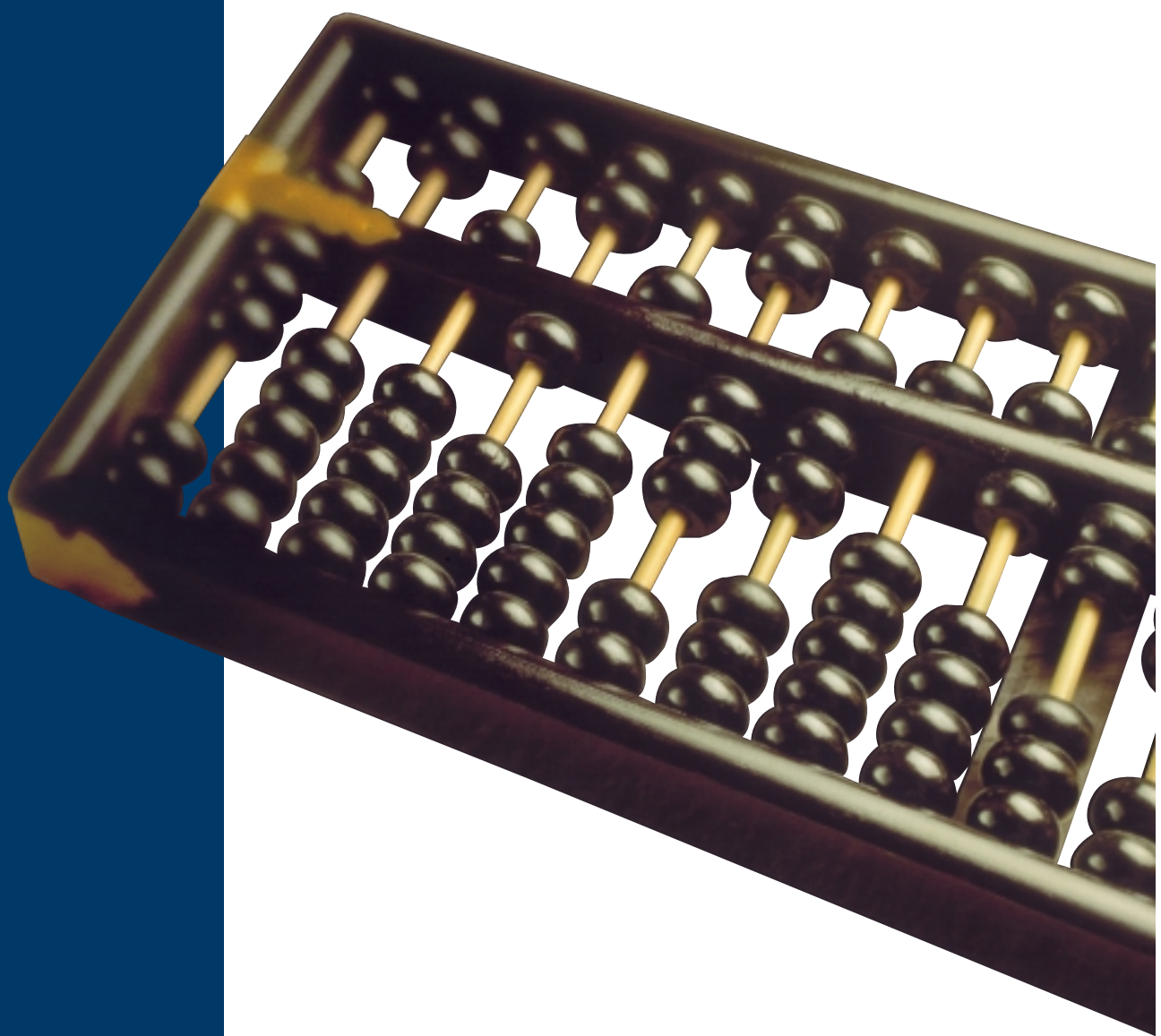
Type of holder	Number of shares	Number of holders	Number of individuals
Nominee companies	88,363,761	46	369
Companies	63,839,432	10	10
Individuals	13,088,030	208	208
Other corporate bodies	13,231,285	19	19
	178,522,508	283	606

Analysis of shareholders' holdings

	Number of shares	Percentage shareholding
Decillion Management (Pty) Ltd, staff and associates	78,307,709	43.86%
Old Mutual Plc and funds managed by them	36,260,466	20.31%
Mineworkers Investment Company	16,284,400	9.12%
Unit trusts/assurance companies/pension and provident funds	25,874,009	14.49%
Other	21,795,924	12.22%
	178,522,508	100.00%

Analysis of public/non-public shareholding

	Number of Shares	Percentage shareholding	Number of Shareholders
Public	104,273,538	58.41%	591
Non-Public	74,248,970	41.59%	15
	178,522,508	100.00%	606



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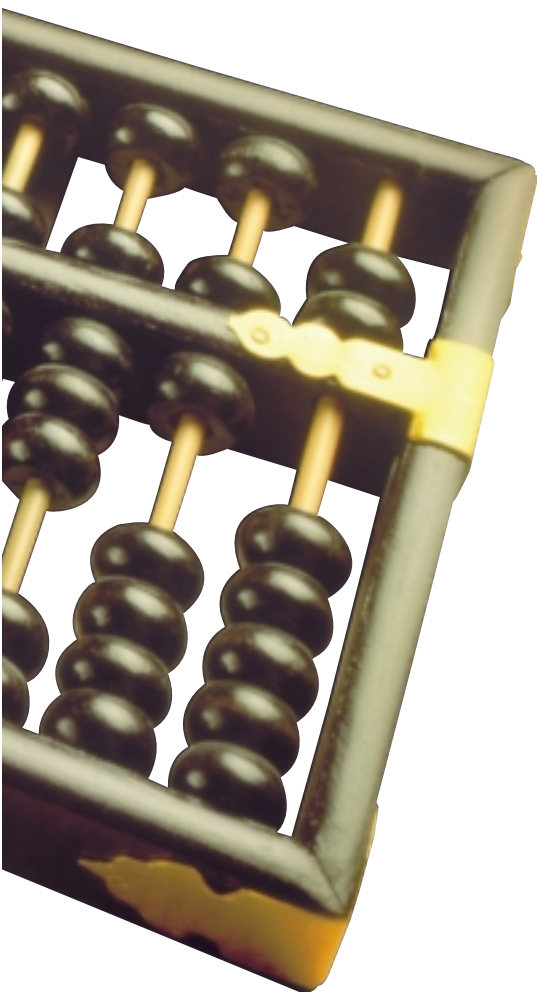
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Directors' Responsibility for Financial Reporting

The directors of the group are responsible for the preparation, integrity and objectivity of the annual financial statements and to ensure that these financial statements fairly present, in accordance with South African Statements of Generally Accepted Accounting Practice, the financial position of the group and the results for the year under review.

In fulfilling this responsibility, the board of directors relies on management to implement proper systems of internal control to provide reasonable, but not absolute assurance, as to the integrity and reliability of the financial statements and to adequately safeguard the group's assets. The manner in which the board of directors ensures that this responsibility is effectively discharged is set out above. The external auditors are responsible for expressing an opinion on the financial statements.

To the best of its knowledge and belief, the board of directors is satisfied that the system of internal controls may be relied on for preparing the group's financial statements and safeguarding its assets; and that no material breakdown has occurred during the period under review. The financial

statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate reasonable disclosures of all material facts. The accounting policies applied in the preparation of the financial statements are consistent, unless otherwise indicated, with those of the prior year and are appropriate for the nature of the business.

The directors of the group, having knowledge of the affairs of the group and its financial position, are of the opinion that the group and its individual companies are going concerns and have prepared the financial statements on this basis.

AJN Smit
Managing Director
5 March 2001

TJ Davis
Financial Director
5 March 2001

Certification by the Company Secretary

In terms of Section 268G(d) of the Companies Act (1973), as amended, I certify that the company has lodged with the Registrar of Companies all such returns as are required by the Companies Act.

P J E Lapham
Group Company Secretary
5 March 2001



DECILLION

Report of the Independent Auditors

Introduction

We have audited the annual financial statements and group annual financial statements of Decillion Limited set out on pages 38 to 64 for the year ended 31 December 2000. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

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

Opinion

In our opinion these annual financial statements fairly present in all material respects, the financial position of the company and of the group at 31 December 2000 and the results of their operations and cash flows for the year then ended in conformity with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

Deloitte & Touche

Registered Accountants and Auditors

Chartered Accountants (SA)

Johannesburg

5 March 2001



DECILLION

Directors' report

Nature of Business

Decillion is a financial services group operating principally from Johannesburg, Cape Town, London and Nyon (Switzerland). The group's activities are focused on risk management and financial markets, and are organised along the following lines of business: Treasury Services, Funds Management and Broking Services. A more complete description of the nature of business and group structure can be found on pages 4 and 71 of this report.

Group Financial Results

Net income attributable to ordinary shareholders of the group amounted to R72,368 million (1999: R50,760 million), after deducting tax of R22,542 million (1999: R16,978 million) and outside shareholders of R 3,380 million (1999: R2,315 million). Detailed financial information by segment is provided in note 16 to the annual financial statements.

Dividend

The company has declared a capitalisation award to ordinary shareholders registered on Friday 6 April 2001. In terms of the award, shareholders will receive new shares equivalent to the ratio that 8,0 cents per ordinary share bears to the weighted average share price during the five business days ending on Thursday 26 April 2001. Alternatively, shareholders may elect to receive cash of 8,0 cents per share. Full details of the dividend are contained in a circular sent to shareholders on 12 April 2001.

Share Capital and Special Resolutions

During the current year, the group passed two special resolutions at the time of its last general meeting. These res-

olutions authorised the company or its subsidiaries to acquire shares of the company on terms and conditions that would not prejudice existing shareholders, and also placed the unissued but authorised shares of the company under the control of directors.

Acquisitions and Disposals

Major transactions concluded by the group during the year under review included

- Restructuring of the Cedef acquisition, in terms of which loans to the value of R35.1 million to the vendors were capitalised as an adjustment to the cost of acquisition in the previous financial year.
- The recruitment of a team of individuals to build the alternative investment and structured product business unit. The team is incentivised on an earn-out basis, with the number of shares to be issued determined on the basis of 75% of their contribution to net earnings after tax over the three years ending 31 December 2003.
- Disposal of the group's software development businesses, including Riskflow Technologies (Pty) Ltd which developed treasury and ALM software for primarily the banking sector, as well as the disposal of TMS (Pty) Ltd, the group's internet based treasury outsourcing software development company.
- The group increased its stake in Decillion Capital, the South African funds management business, from 67% to 100%. Minority shareholders took up shares in Decillion in settlement of the purchase consideration.

Holding Company

Decillion is a public company and has no immediate holding company.



Subsidiary Companies

Full details of the company's subsidiary companies are contained in pages 63 and 64 of the financial statements.

Directors

During the year under review and up to the date of this report, the following changes took place to the group's directorate:

MG Kotze	Appointed	23 January 2000
François Spruyt	Appointed	5 March 2001
Paul Nkuna	Appointed	5 March 2001

Full details of the current board of directors are set out on page 2 of this report.

Post Balance Sheet Events

The directors are not aware of any material facts or circumstances that could have impacted on the company or the group subsequent to the financial year-end of 31 December 2000.

Directors' Interests

The directors of the group are beneficially interested (directly and indirectly) in 46.95 million shares, 26.3% of the issued share capital of the group, as follows:

	Total direct and indirect
Alwyn Smit	15.9%
Trevor Davis	2.5%
Uys Meyer	1.6%
Prebagaren Moodley	2.6%
Graham Smale	3.7%
Total	<u>26.3%</u>

In addition, the directors are the beneficial holders of options on 4,600,000 Decillion Shares as follows:

	Strike price	Date granted	Number of options granted
<i>Executive Directors</i>			
1st Tranche	2.25	1 March 1999	2 200 000
2nd Tranche	3.20	7 March 2000	2 000 000
<i>Non-Executive Directors</i>			
2nd Tranche	3.20	7 March 2000	400 000
			<u>4 600 000</u>

During the year no contracts were entered into in which the directors of the group had a material interest or which may otherwise have given rise to a conflict of interest. The directors of the group are likewise not involved, as directors, shareholders or otherwise, in any other companies with which the group transacts.

Share Incentive Scheme

The total shares available to employees in terms of the share incentive scheme amounted to 26 778 376 as at 31 December 2000, of which 22 321 385 shares had been allocated. Details of movements in the number of shares issued and available in terms of the employee share incentive scheme are set out on page 32.



Basis of Presentation and Accounting Policies

1. Basis of Presentation

The annual financial statements have been prepared on the historic cost basis modified by the revaluation of certain financial instruments to fair value in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies adopted and applied are set out below and are consistent, unless otherwise indicated, with those adopted in the prior financial year.

2. Principles of Consolidation

2.1 Consolidation

The group financial statements represent the consolidated financial position, operating results and cash flow information of the company and its subsidiary undertakings. Subsidiary undertakings are those companies over which the group has the ability to exercise control. The results of subsidiaries are included from the effective date of acquisition (when control is acquired) until the effective date of disposal. Minority interests are accounted for and disclosed separately to those of the company. Inter-company transactions and group balances are eliminated on consolidation.

2.2 Joint Ventures

Joint ventures are those entities in respect of which a contractual arrangement exists whereby the group and one or more other venturers undertake an economic activity, which is subject to joint control. Joint ventures are accounted for by means of the proportionate consolidation method.

2.3 Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, businesses and other investments is recognised in the consolidated balance sheet and amortised over its estimated useful life, over periods not exceeding 10 years. In prior years goodwill arising was written off against the share premium account.

3. Investments

3.1 Tradeable Securities

Tradeable securities comprise interest rate and equity securities, including associated derivative financial instruments, which are held for trading purposes. Tradeable securities are measured and reported in the balance sheet at their fair value, and any gains and losses are included in income in the period in which they occur. Fair value includes a provision for the costs of neutralising the risk in a position where the bid/offer spreads in products or term structures are considered to be significant.

3.2 Investments

Securities and endowment policies acquired by the group for long-term investment purposes are stated at cost less any provision for either temporary or permanent diminution in value. Realised gains and losses are recognised in income during the period in which they occur.

3.3 Private Equity Interests

Investments in private debt or equity instruments are stated at fair values as determined by the board of directors at balance sheet date. Changes in fair value are recognised in income during the period in which they occur.

4. Revenue Recognition

Trading income is recognised in accordance with the accounting policies above relating to investments. Interest income is recognised on the effective yield basis. Fee income is recognised when all significant acts relating to services have been fulfilled.



5. Intangibles

Intangible assets acquired by the group, other than goodwill, are amortised on a straight-line basis over the lesser of 10 years or the expected period of the economic benefit represented by the intangible asset.

Intangible assets representing intellectual property - consisting of software developed in-house for sale to third parties or use in the group's business - is recognised to the extent of costs directly incurred in development provided certain qualifying criteria are met. These costs are amortised over a period of three years from the date of implementation.

Intangibles are assessed for impairments annually. Impairments are recognised in income in the year in which it occurred.

6. Foreign Currency Translations

The assets and liabilities of foreign subsidiary companies, which are all regarded as foreign entities, are expressed in South African Rand at the rates of exchange ruling at year-end. Income and expense items are translated at average exchange rates during the year. Exchange gains and losses arising on the translation of the financial statements of foreign entities are taken directly to non-distributable reserves.

7. Deferred Taxation

Deferred taxation is provided on the comprehensive basis using the liability method. In terms of the comprehensive basis, the tax effects of all temporary differences are accounted for at the prevailing tax rates in the jurisdiction in which the company operates. Deferred tax assets are raised only to the extent that their recoverability is probable.

8. Fixed Assets

Fixed assets comprise computer hardware and software, office equipment, furniture and fittings as well as motor vehicles. Fixed assets are stated at cost and depreciated using the straight-line method over their expected useful lives. The rates of depreciation applied are consistent with those applied in the prior year, and are as follows:

Office equipment	20.0%
Motor Vehicles	20.0%
Computer Hardware	33.3%
Computer Software	33.3%
Furniture and Fittings	16.7%

9. Related Party Transactions

All related party transactions are, unless otherwise disclosed, at arm's length and in the normal course of business.

10. Retirement Benefits

The group pension scheme is a defined contribution scheme. The assets of the scheme are held in separate trustee-administered funds on behalf of scheme beneficiaries. The group scheme is fully funded by employer contributions. The group's liability for retirement benefits is limited to current contributions, which are charged to income as incurred.



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Income Statements for the year ended 31 December 2000

	Notes	Group		Company	
		2000 R000's	1999 R000's	2000 R000's	1999 R000's
Revenue	1	456,206	383,665	20,051	1,331
Operating expenses	1	(375,321)	(326,012)	(11,629)	(5,281)
Operating income	1	80,885	57,653	8,422	(3,950)
Interest received		25,272	14,545	6,235	6,300
Interest paid		(11,242)	(2,145)	–	(366)
Net income before discontinued operations		94,915	70,053	14,657	1,984
Discontinued operations and disposals	3	3,375	–	3,900	–
Net income before tax		98,290	70,053	18,557	1,984
Taxation	4	(22,542)	(16,978)	(1,193)	(656)
Net income after tax		75,748	53,075	17,364	1,328
Attributable to outside shareholders		(3,380)	(2,315)	–	–
Attributable income		72,368	50,760	17,364	1,328
Weighted number of shares in issue	5	170,682	152,541		
Basic earnings per share (cents)	5	42.4	33.3		
Fully diluted weighted number of shares	5	185,328	167,525		
Diluted earnings per share (cents)	5	39.0	30.0		
Fully diluted headline earnings per share (cents)	5	40.2	30.3		



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Balance Sheets as at 31 December 2000

		Group		Company	
	Notes	2000 R000's	1999 R000's	2000 R000's	1999 R000's
ASSETS					
Non-current assets		286,581	164,064	152,990	102,160
Investments	7	202,810	134,712	74,271	48,802
Investments in subsidiaries	8	–	–	77,594	51,958
Fixed assets	9	15,678	9,915	–	–
Intangible assets	10	68,093	19,437	1,125	1,400
Current assets		288,183	169,360	225,259	105,681
Cash		123,375	55,343	42,594	1,096
Tradeable securities	11	59,081	35,732	–	–
Loans to group companies	8	–	–	174,512	103,918
Accounts receivable	12	105,727	78,285	8,153	667
		<u>574,764</u>	<u>333,424</u>	<u>378,249</u>	<u>207,841</u>
LIABILITIES AND EQUITY					
Non-current liabilities		53,606	9,661	–	–
Long-term liability	13	46,396	–	–	–
Deferred taxation	14	7,210	9,661	–	–
Current liabilities		216,883	119,461	178,204	77,335
Accounts payable		123,005	80,921	5,872	1,673
Tradeable securities	11	68,069	24,441	–	–
Accounts payable to group companies	8	–	–	170,482	75,006
Taxation		25,809	14,099	1,850	656
		<u>270,489</u>	<u>129,122</u>	<u>178,204</u>	<u>77,335</u>
Capital and reserves					
Share capital	15	1,785	1,575	1,785	1,575
Share premium	15	180,539	120,789	180,539	120,789
Non-distributable reserves		(3,058)	(2,770)	–	–
Distributable reserves		125,009	52,641	17,721	357
Vendors for shares		–	7,785	–	7,785
Total shareholders funds		304,275	180,020	200,045	130,506
Outside shareholders' interests		–	24,282	–	–
		<u>304,275</u>	<u>204,302</u>	<u>200,045</u>	<u>130,506</u>
		<u>574,764</u>	<u>333,424</u>	<u>378,249</u>	<u>207,841</u>
Actual number of shares		178,523	157,492		
Net asset value per share		170.4	114.3		
Fully diluted number of shares in issue		193,169	174,011		
Fully diluted net asset value per share		157.5	103.5		



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Statements of Changes in Equity for the year ended 31 December 2000

Group (R000's)	Share capital	Share premium	Non distributable reserves	Distributable reserves	Vendors for shares	Total
Opening balance	1,263	251,948	196	1,881	–	255,288
Less: formation goodwill written off	–	(190,440)	–	–	–	(190,440)
Balance as at 1 January 1999	1,263	61,508	196	1,881	–	64,848
Shares issued net of expenses	312	75,608	–	–	–	75,920
Goodwill written off	–	(16,327)	–	–	–	(16,327)
Shares to be issued for Cedef acquisition	–	–	–	–	7,785	7,785
Currency translation differences	–	–	(2,966)	–	–	(2,966)
Attributable income for the year	–	–	–	50,760	–	50,760
Balance as at 31 December 1999	1,575	120,789	(2,770)	52,641	7,785	180,020
Shares issued net of expenses	210	59,750	–	–	–	59,960
Reduction in shares after restructuring of Cedef acquisition	–	–	–	–	(7,785)	(7,785)
Currency translation differences	–	–	(288)	–	–	(288)
Attributable income for the year	–	–	–	72,368	–	72,368
Balance as at 31 December 2000	1,785	180,539	(3,058)	125,009	–	304,275

Company (R000's)	Share capital	Share premium	Non distributable reserves	Distributable reserves	Vendors for shares	Total
Opening balance	1,263	251,948	–	(971)	–	252,240
Less: formation goodwill written off	–	(190,440)	–	–	–	(190,440)
Balance as at 1 January 1999	1,263	61,508	–	(971)	–	61,800
Shares issued net of expenses	312	75,608	–	–	–	75,920
Goodwill written off	–	(16,327)	–	–	–	(16,327)
Shares to be issued for Cedef acquisition	–	–	–	–	7,785	7,785
Attributable income for the year	–	–	–	1,328	–	1,328
Balance as at 31 December 1999	1,575	120,789	–	357	7,785	130,506
Shares issued net of expenses	210	59,750	–	–	–	59,960
Reduction in shares after restructuring of Cedef acquisition	–	–	–	–	(7,785)	(7,785)
Attributable income for the year	–	–	–	17,364	–	17,364
Balance as at 31 December 2000	1,785	180,539	–	17,721	–	200,045



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Cashflow Statements for the year ended 31 December 2000

		Group		Company	
	Notes	2000 R000's	1999 R000's	2000 R000's	1999 R000's
Cashflows from operating activities					
Cash generated from operations	17	129,580	64,216	31,281	45,649
Net interest received		14,030	12,400	6,235	5,934
Taxation paid	18	(13,282)	(10,133)	–	–
Net cash inflow from operating activities		130,328	66,483	37,516	51,583
Cashflows from investing activities					
Additions to fixed assets		(10,797)	(6,863)	–	–
Additions to intangibles		(34,535)	(14,589)	(988)	(1,400)
Acquisition of investments		(68,098)	(163,954)	(25,469)	(48,802)
Proceeds from the disposal of subsidiaries		16,154	–	3,900	–
Loss on discontinued operation		(12,779)	–	–	–
Acquisition of subsidiaries	19	(3,501)	33,450	(25,636)	(92,806)
Net cash outflow from investing activities		(113,556)	(151,956)	(48,193)	(143,008)
Cashflows from financing activities					
Increase/(Decrease) in long-term liabilities		46,396	(437)	–	–
Outside shareholders loan to subsidiary		–	21,967	–	–
Proceeds from issue of share capital		4,864	72,049	52,175	72,049
Net cash inflow from financing activities		51,260	93,579	52,175	72,049
Net increase/(decrease) in cash and cash equivalents					
Net increase/(decrease) in cash and cash equivalents		68,032	8,106	41,498	(19,376)
Cash and cash equivalents at the beginning of the year		55,343	47,237	1,096	20,472
Cash and cash equivalents at the end of the year		123,375	55,343	42,594	1,096



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Notes to the Annual Financial Statements

	Group		Company	
	2000	1999	2000	1999
	R000's	R000's	R000's	R000's
1. Operating Income				
1.1 Revenues consist of the following major categories:				
Brokerage	268,179	281,490	–	–
Market neutral returns	87,892	59,321	–	–
Fee income	80,401	30,153	20,051	1,331
Software and services	19,734	12,701	–	–
	<u>456,206</u>	<u>383,665</u>	<u>20,051</u>	<u>1,331</u>
1.2 Operating income is arrived at after taking the following items of income and expenditure into account:				
Auditor's remuneration	(2,098)	(1,806)	(114)	(176)
– Audit fees	(1,886)	(1,441)	(114)	(14)
– Other fees	(212)	(365)	–	(162)
Depreciation	(5,491)	(5,234)	–	–
– Hardware	(1,562)	(2,845)	–	–
– Software	(1,140)	(814)	–	–
– Furniture & fittings	(611)	(1,222)	–	–
– Office equipment	(2,141)	(193)	–	–
– Vehicles	(37)	(160)	–	–
Repairs and maintenance	(497)	–	(19)	–
Amortisation of intangible assets	(8,533)	(1,061)	(1,264)	(122)
– Goodwill	(5,512)	–	–	–
– Human Resources	(3,021)	(1,061)	(1,264)	(122)
Profit on sale of intangible assets	70	–	–	–
Profit on sale of unlisted investment	1,606	–	1,356	–
Operating lease rentals	(19,094)	(16,190)	–	–
– Buildings	(6,233)	(6,102)	–	–
– Office equipment and hardware	(12,861)	(10,088)	–	–



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	Group		Company	
	2000	1999	2000	1999
	R000's	R000's	R000's	R000's
Legal fees	(5,376)	(549)	(1,460)	(212)
Secretarial fees	(20)	(31)	(16)	(17)
Bad debt written off	(516)	—	—	—
Exchange rate gains	4,962	813	2,916	813
Income from subsidiaries	—	—	4,000	1,263
- Interest	—	—	—	363
- Administration fees	—	—	4,000	900
Staff costs	(211,992)	(194,644)	(1,001)	(4,056)
- Remuneration for services	(207,380)	(191,426)	—	—
- Defined contribution benefits	(4,612)	(3,218)	—	(379)
- Other remuneration	—	—	(1,001)	(3,677)
Total number of employees	223	226	—	—

2. Directors' Remuneration

Included in the operating income in note 1 above:

Paid to Executive Directors

- Salaries	6,124	2,663	1,025	750
- Performance bonuses	4,736	—	—	—
	10,860	2,663	1,025	750

Paid to Non-Executive

- for services as directors	75	80	75	80
	10,935	2,743	1,100	830

Paid by the company

	1,025	830	1,100	830
Paid by the subsidiary	9,910	1,913	—	—
	10,935	2,743	1,100	830



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Notes to the Annual Financial Statements (continued)

3. Discontinued Operations and Disposals

Zurich operations

The group made a strategic decision on 30 June 2000 to discontinue the business of Cedef Capital Markets, a Zurich-based company broking fixed income products in the Swiss market. The operating losses of the business have been included in the results of continuing operations until the date of closure. The cost of the closure together with the operating losses from the date of closure amounted to R12.8 million and have been included in discontinued operations. The closure was completed before year end, and all the costs associated with the discontinuance have been accounted for.

Software development business

During the year the group disposed of its software development business in order to focus more closely on its core risk management competencies. These software development businesses included Riskflow Technologies (Pty) Ltd, focusing on Asset Liability Management and treasury software, and TMS (Pty) Ltd, developing treasury outsourcing software. These disposals resulted in a R16.1 million capital profit which has been included in discontinued operations.

The results of the discontinued operations included in the consolidated financial statements were as follows:

	Group		Company	
	2000 R000's	1999 R000's	2000 R000's	1999 R000's
Cedef Capital Markets SA				
Results prior to discontinuance				
Revenue	6,516	2,047	—	—
Operating costs	(15,137)	(8,056)	—	—
Loss from operations prior to closure	(8,621)	(6,009)	—	—
Balance sheet of discontinued operation				
Assets	14,721	9,541	—	—
Liabilities	(28,749)	(16,036)	—	—
Net liabilities	(14,028)	(6,495)	—	—
Software development business				
Results prior to discontinuance				
Revenue	1,107	11,289	—	—
Operating costs	(1,187)	(14,282)	—	—
Loss from operations	(80)	(2,993)	—	—
Balance sheet of discontinued operation				
Assets	—	8,650	—	—
Liabilities	—	(12,767)	—	—
Net liabilities	—	(4,117)	—	—
Net profit on discontinuance				
Cedef Capital Markets SA	(12,779)	—	—	—
Software development businesses	16,154	—	3,900	—
	3,375	—	3,900	—



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	Group		Company	
	2000	1999	2000	1999
	R000's	R000's	R000's	R000's
4. Taxation				
Normal taxation	(24,993)	(14,789)	(1,193)	(656)
- Current year	(26,879)	(14,789)	(2,020)	(656)
- Prior years	1,886	–	827	–
Deferred taxation	2,451	(2,189)	–	–
Tax charge per income statement	(22,542)	(16,978)	(1,193)	(656)
Tax rate reconciliation (%)				
Applicable South African Tax Rate	30.00	30.00	30.00	30.00
Adjusted for :				
Tax effect of expenses not deductible				
Restraint of trade amortisation	0.82	–	0.53	–
Amortisation of goodwill	1.49	–	–	–
Other expenses	0.01	1.09	0.23	9.60
Non taxable income				
Profit on disposals	(8.02)	–	(12.54)	–
Dividends received	(1.49)	–	–	–
Other exempt income	(1.84)	(1.19)	(9.76)	(6.50)
Assessed losses not recognised	2.75	(10.90)	–	–
Difference in foreign tax rates	(0.37)	(0.27)	–	–
Other	(0.48)	5.51	(2.02)	–
	22.87	24.24	6.44	33.10



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Notes to the Annual Financial Statements (continued)

	Group	
	2000	1999
	R000's	R000's
5. Earnings and Headline Earnings per Share		
Basic earnings per share (cents)	42.4	33.3
Diluted earnings per share (cents)	39.0	30.0
Fully diluted headline earnings per share (cents)	40.2	30.3
Reconciliation between earnings and headline earnings		
Attributable net income per the financial statements	72,368	50,760
Adjusted for :		
Net profit on discontinued operations and disposals	(3,375)	–
Amortisation of goodwill	5,512	–
Headline earnings	<u>74,505</u>	<u>50,760</u>
Reconciliation between shares in issue		
Weighted average number of ordinary shares	170,682	152,541
Dilution arising from Cedef acquisition	7,500	9,356
Other earnouts / incentives	7,146	5,628
Fully diluted weighted average number of ordinary shares in issue during the year	<u>185,328</u>	<u>167,525</u>

6. Dividends per Share

On 6 March 2001 the directors declared a capitalisation award to shareholders registered on 6 April 2001, with the number of shares to be issued calculated based on the ratio of 8 cents per share, divided by the weighted average share price over the five business days ending on 26 April 2001. Alternatively shareholders can elect to receive a cash dividend of 8 cents per share. Full details of the capitalisation award are contained in a circular sent to shareholders on the 12 April 2001.



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	Group		Company	
	2000	1999	2000	1999
	R000's	R000's	R000's	R000's
7. Investments				
Investments comprise :				
Unlisted:				
Hedge fund and private equity interests	101,004	86,741	8,802	8,802
Endowment policies and structured notes	67,785	40,000	51,040	40,000
Loan to Decillion Share Purchase Trust	13,177	–	13,177	–
Staff loans	7,588	–	–	–
Other	13,256	7,971	1,252	–
	<u>202,810</u>	<u>134,712</u>	<u>74,271</u>	<u>48,802</u>
Directors' valuation of unlisted investments	202,810	134,712	74,271	48,802

8. Interests in Subsidiaries

Investment in subsidiaries	77,594	51,958
Loans to group companies	174,512	103,918
Accounts payable to group companies	(170,482)	(75,006)
Net investment in group companies	<u>81,624</u>	<u>80,870</u>

Full details of subsidiary companies are contained on pages 63 to 64 of the annual financial statements.



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Notes to the Annual Financial Statements (continued)

9. Fixed Assets

	Computer Hardware	Software	Furniture & Fittings	Equipment	Vehicles	Total
Group at 31 December 2000						
Cost						
Opening balances	9,187	2,471	4,484	1,372	684	18,198
Additions/transfers	10,572	8,604	1,155	13,394	485	34,210
Disposals/transfers	(2,335)	–	(2,739)	(308)	(749)	(6,131)
Acquisition of subsidiaries	173	22	76	296	–	567
	17,597	11,097	2,976	14,754	420	46,844
Accumulated Depreciation						
Opening balances	4,310	1,871	1,541	380	181	8,283
Charge for the year	1,562	1,140	611	2,141	37	5,491
Additions/transfers	8,396	2,608	2	8,952	–	19,958
Disposals/transfers	(1,271)	–	(1,112)	(128)	(124)	(2,635)
Acquisition of subsidiaries	37	5	2	25	–	69
	13,034	5,624	1,044	11,370	94	31,166
Carrying value	4,563	5,473	1,932	3,384	326	15,678
Group at 31 December 1999						
Cost						
Opening balances	2,742	2,083	1,717	698	53	7,293
Additions/transfers	3,820	388	1,617	657	381	6,863
Disposals/transfers	–	–	–	–	–	–
Acquisition of subsidiaries	2,625	–	1,150	17	250	4,042
	9,187	2,471	4,484	1,372	684	18,198
Accumulated Depreciation						
Opening balances	1465	1,057	319	187	21	3,049
Charge for the year	2845	814	1,222	193	160	5,234
Additions/transfers	–	–	–	–	–	–
Disposals/transfers	–	–	–	–	–	–
	4,310	1,871	1,541	380	181	8,283
Carrying value	4,877	600	2,943	992	503	9,915



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10. Intangible Assets

	Goodwill	Human Resources	Technology	Other	Total
Group at 31 December 2000					
Cost					
Opening balance	–	17,648	4,299	–	21,947
Additions/transfers	–	1,514	–	1,388	2,902
Disposals/transfers	–	–	(4,299)	–	(4,299)
Written off on discontinuance of Cedef Capital Markets (refer note 3)	–	(8,419)	–	–	(8,419)
Arising on acquisitions (*)	65,667	–	–	–	65,667
Closing balance	65,667	10,743	–	1,388	77,798
Accumulated amortisation					
Opening balance	–	887	1,623	–	2,510
Current year amortisation	5,512	3,021	–	–	8,533
Additions/transfers	–	285	–	–	285
Disposals/transfers	–	–	(1,623)	–	(1,623)
Arising on acquisitions	–	–	–	–	–
Closing balance	5,512	4,193	–	–	9,705
Net book value	60,155	6,550	–	1,388	68,093
Group at 31 December 1999					
Cost					
Opening balance	–	–	3,144	–	3,144
Additions/transfers	–	17,648	1,155	–	18,803
Disposals/transfers	–	–	–	–	–
Arising on acquisitions	16,327	–	–	–	16,327
Written off against share premium	(16,327)	–	–	–	(16,327)
Closing balance	–	17,648	4,299	–	21,947
Accumulated amortisation					
Opening balance	–	–	1,449	–	1,449
Current year amortisation	–	887	426	–	1,061
Additions/transfers	–	–	–	–	–
Disposals/transfers	–	–	–	–	–
Arising on acquisitions	–	–	–	–	–
Closing balance	–	887	1,623	–	2,510
Net book value	–	16,761	2,676	–	19,437

* Goodwill arising on acquisitions during the current year includes an amount of R35.1 million in respect of the restructuring of the group's acquisition of the Cedef group of companies. In terms of the restructuring, loans previously made to the management company to enable them to acquire the shares of dissenting vendors were capitalised as part of the costs of acquisition and have been reclassified accordingly.



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Notes to the Annual Financial Statements (continued)

11. Financial Instruments

11.1 Tradeable securities

	Group			
	2000		1999	
	Nominal R000's	Fair value R000's	Nominal R000's	Fair value R000's
Interest rate contracts	47,153,053	7,712	51,497,747	104,354
Cross currency swaps	18,706,037	132,048	7,161,437	(411,287)
Forward rate agreements	28,503,713	12,313	16,910,400	(4,748)
Futures and options thereon	5,339,000	(26,522)	2,545,000	8,303
Gilts	1,832,000	2,473	1,154,000	601
Gilt options	300,000	247	250,000	1,391
Caps, collars and floors	3,664,491	3,082	6,498,774	6,511
Annuities	–	1,028	–	–
Total tradeable securities	105,498,294	132,381	86,017,358	(294,875)
Collateralised as follows:				
Independent credit support		12,101		3,810
Credit support against exposure		(153,470)		302,356
		<u>(141,369)</u>		<u>306,166</u>
Total tradeable securities net of collateralisation		<u>(8,988)</u>		<u>11,291</u>
Comprising due to the group		59,081		35,732
Comprising due by the group		(68,069)		(24,441)
		<u>(8,988)</u>		<u>11,291</u>

Tradeable securities represent the group's net position in interest rate securities, as well as related derivatives thereon, where the group is directly exposed as principal. These instruments are reflected at fair value after off setting favourable and unfavourable positions to the extent that master netting agreements permit set off. The majority of all trading positions entered into by the group are fully collateralised in terms of standardised ISDA margining arrangements. The group recognises the effect of master netting agreements and credit support in calculating its net counterparty exposures.



11.2 Risk Management

The group's positions in tradeable securities and other financial instruments furthermore expose the group to market, liquidity and credit risk. The group's approach to Risk Management is set out on pages 16 to 23. The extent of the group's risk exposures as at 31 December 2000 are outlined below.

Market risk

The group's exposures to market risk arising from its trading activities as at 31 December 2000, represented by the net effect on income of a 1.00% (100bp) movement in underlying interest rates, equities or foreign exchange rates, were as follows:

All figures are in R000's

	<12 Months	1-5 Years	>5 Years	Net directional exposure	Value at risk (*)
Interest rate exposures	10,416	7,832	(13,487)	4,761	3,289
Equity positions	152	—	—	152	1,984
Foreign exchange risk (spot equivalent)	14	—	—	14	1,010
					<u>6,283</u>

* Measured using the group's internal risk management systems and methodologies.

Liquidity Risk

The group's liquidity profile as at 31 December 2000 was as follows:

All figures are in R000's

	Immediate	1-3 months	3-12 months	> 1 year	Total
Assets	141,728	237,657	—	195,379	574,764
Liabilities	(18,395)	(172,679)	(25,809)	(53,606)	(270,489)
Net liquidity surplus/(deficit)	<u>123,333</u>	<u>64,978</u>	<u>(25,809)</u>	<u>141,773</u>	<u>304,275</u>



DEKILLION

Notes to the Annual Financial Statements (continued)

Credit Risk

The group's exposures to credit risk as at 31 December 2000 represent counterparty exposures arising from its trading activities, as well as exposures to banks arising from placing surplus cash in the money market. As at 31 December 2000, these exposures were as follows:

All figures are in R000's

Short Term Rating (*)	Money Market Placements	Trading (net of collateral)	Total Credit Exposure	Percentage
A1	167,734	22,411	190,145	93.2%
A2	9,571	2,440	12,011	5.9%
Other	591	—	591	0.3%
Unrated	—	1,189	1,189	0.6%
	177,896	26,040	203,936	100.0%

**The rating is based on Fitch IBCA's short term debt ratings or equivalent ratings by another rating agency.*

Other credit exposures include receivables for fees arising in the normal course of business, and investments arising from the private equity and funds management activities undertaken by the group.



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	Group		Company	
	2000	1999	2000	1999
	R000's	R000's	R000's	R000's
Accounts receivable	57,836	39,552	4,000	—
Counterparty receivables	19,353	11,325	—	—
Prepaid expenses	6,800	8,256	4,153	—
Policy holders balance	2,871	—	—	—
Receivables from affiliated companies	1,789	—	—	667
Other debtors	17,078	19,152	—	—
	105,727	78,285	8,153	667

12. Accounts Receivable

13. Long-Term Liability

Promissory Note	46,396	—	—	—
-----------------	--------	---	---	---

Terms of repayment

The promissory note was issued by Decimax (Pty) Ltd on 4 January 2000 and bears interest at a fixed rate of 15.0046%. Capital and interest is repayable on 5 January 2005. The promissory note is unsecured.

14. Deferred Taxation

Temporary differences resulting from:

- Wear and tear allowances	676	—	—	—
- Unrealised (losses)/income on trading positions	(1,070)	9,661	—	—
- Special tax allowances	5,024	—	—	—
- Unrealised gains on investments	1,680	—	—	—
- Prepayments	900	—	—	—
	7,210	9,661	—	—



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Notes to the Annual Financial Statements (continued)

	Group		Company	
	2000	1999	2000	1999
	R000's	R000's	R000's	R000's
15. Share Capital and Share Premium				
Authorised				
- 200 000 000 (1999 - 200 000 000) ordinary shares of R0,01each	2,000	2,000	2,000	2,000
Issued				
- 178 522 508 (1999 - 157 492 420) ordinary shares of R0,01each	1,785	1,575	1,785	1,575
Share premium	180,539	120,789	180,539	120,789
	182,324	122,364	182,324	122,364

All the unissued shares are under the control of the directors in terms of a general authority, which expires at the next annual general meeting of the company.

The group has implemented an employee share incentive scheme in terms of which options are granted to the group's employees. Full details of the share incentive scheme are disclosed on page 32 of this report.



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16. Segmental Analysis

For management purposes, the group is organised into three operating divisions and segmental information is presented on this basis. Further details of the group's divisions, and the nature of activities undertaken, are contained in the review of operations on pages 10 to 15.

	Treasury Services	Funds Management	Broking Services	Other Unallocated	Group
PRIMARY SEGMENT					
Performance					
Revenue	130,497	35,736	289,973	–	456,206
Operating expenses	(84,600)	(11,742)	(278,979)	–	(375,321)
Net operating income	45,897	23,994	10,994	–	80,885
Net interest	–	–	–	14,030	14,030
Discontinued operation	–	–	–	3,375	3,375
Income before taxation	45,897	23,994	10,994	17,405	98,290
Assets and liabilities					
Segment assets	220,760	128,271	102,693	123,040	574,764
Segment liabilities	176,399	29,013	65,077	–	270,489
Net assets	44,361	99,258	37,616	123,040	304,275
Other					
Depreciation	2,988	278	2,225	–	5,491
Number of employees	89	24	110	–	223
			South Africa	Group International	Consolidated
SECONDARY SEGMENT					
Income before taxation			89,785	8,505	98,290
Segment assets			410,164	164,600	574,764
Segment liabilities			205,411	65,078	270,489
Net assets			204,753	99,522	304,275



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Notes to the Annual Financial Statements (continued)

	Group		Company	
	2000	1999	2000	1999
	R000's	R000's	R000's	R000's
17. Cash generated from operations				
Operating income/(loss) before interest	80,885	57,653	8,422	(3,950)
Adjustments for:				
(Decrease) in non-distributable reserves	(288)	(2,966)	–	–
Intellectual property amortised	8,533	1,061	1,264	–
Depreciation	5,491	5,234	–	–
Operating income /(loss) before working capital changes	94,621	60,982	9,686	(3,950)
Changes in working capital	34,959	3,234	21,595	49,599
Decrease/(Increase) in tradeable securities	20,279	(12,298)	–	–
(Increase)/Decrease in accounts receivable	(27,338)	160,355	(7,486)	(667)
Increase/(Decrease) in accounts payable	42,018	(144,823)	4,199	609
Increase in intercompany accounts	–	–	24,882	49,657
	129,580	64,216	31,281	45,649

18. Taxation Paid

Amounts unpaid at the beginning of the year	(23,760)	(16,915)	(657)	–
Amounts charged to income statement	(22,542)	(16,978)	(1,193)	(656)
Amounts unpaid at the end of the year	33,020	23,760	1,850	656
Cash amounts paid	(13,282)	(10,133)	–	–



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	Group		Company	
	2000	1999	2000	1999
	R000's	R000's	R000's	R000's
19. Acquisition of Subsidiaries				
Fixed assets	(457)	(4,042)	–	–
Investments	–	–	(25,636)	(92,806)
Margin deposits	–	(2,325)	–	–
Debtors	(104)	(146,801)	–	–
Creditors	66	169,294	–	–
Taxation	–	9,014	–	–
Bank and cash	(2,800)	(35,183)	–	–
Goodwill	(22,654)	(3,346)	–	–
Buy-out of minority shareholders	(27,663)	–	–	–
	(53,612)	(13,389)	(25,636)	(92,806)
Paid for by issue of shares	47,311	11,656	–	–
Paid for in cash	(6,301)	(1,733)	(25,636)	(92,806)
Cash balance purchased	2,800	35,183	–	–
Net cashflow on acquisition	(3,501)	33,450	(25,636)	(92,806)



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Notes to the Annual Financial Statements (continued)

20. Related Party Information

20.1 Group related parties

Decillion is a public company and does not have a parent company. Details of all subsidiary companies are provided on pages 63 and 64 of the annual financial statements. During the ordinary course of business, the company does enter into transactions with its subsidiary companies. These transactions are concluded on an arms length basis.

20.2 Directors and director related parties

Details of the director's interests in the company, as well as any transactions or contracts in which the directors may have an interest (directly or indirectly), are provided on page 39 of the Directors' Report.

21. Comparatives

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



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Subsidiary Companies

Principal business activity	Country of incorporation	Issued no of shares	Percentage holding	Issued share capital	Net amount owed by	Net amount owed to
<i>All figures in 000's</i>						
Principal Subsidiary Company						
Direct						
Decimax (Pty) Ltd						
– Ordinary shares, at cost	Financial and product structuring	South Africa	105,000	100%	36,641	– (162,582)
– Loan					36,641	– (162,582)
Decillion Outsourcing (Pty) Ltd						
– Ordinary shares, at cost	Treasury outsourcing	South Africa	100	100%	2,066	–
– Loan					2,344	–
					2,066	2,344 –
Decillion Treasury Services						
– Ordinary shares, at cost	Treasury outsourcing and advisory services	South Africa	100	100%	8,000	– (398)
– Loan					8,000	– (398)
The Group of 31 Limited						
– Ordinary shares, at cost	Risk management and treasury consulting	South Africa	1,000	50%	1	– (2,357)
– Loan					1	– (2,357)
Decillion Capital (Pty) Ltd						
– Ordinary shares, at cost	Funds management	South Africa	2,000	100%	28,933	–
– Loan					71,655	–
					28,933	71,655 –
Decillion International BV						
– Ordinary shares, at cost	International holding company	Netherlands	137,291	100%	–	–
– Loan					94,220	–
					–	94,220 –
Worldgroup Software (Pty) Ltd						
– Ordinary shares, at cost	Software development and distribution	South Africa	2,000	100%	–	– (4,886)
– Loan					–	– (4,886)
Riskflow Technologies						
– Ordinary shares, at cost	Software development and distribution	South Africa	100	100%	1,953	–
– Loan					4,718	–
					1,953	4,718 –



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Subsidiary Companies (continued)

	Principle business activity	Country of incorporation	Issued no of shares	Percentage holding	Issued share capital	Net amount owed by	Net amount owed to
Indirect							
Decillion Securities (Pty) Ltd							
– Ordinary shares, at cost	Broking services	South Africa	2,000	100%	–		
– Loan						907	–
Decillion AG							
– Ordinary shares, at cost	Funds management	Switzerland	6,163	100%	–		
– Loan	and financial products					–	–
Decillion Solutions PTE							
– Ordinary shares, at cost	Software distribution	Singapore	358,000	100%	–		
– Loan					–	43	–
					–	43	–
Cedef Holdings S.A.	Broking Services	Switzerland	17,046,750	100	–		
– Ordinary shares, at cost					–		
– Loan						485	–
					–	485	–
Cedef S.A.	Broking Services	Switzerland	1,275,000	100%	–	–	–
Cedef Capital Services S.A.	Broking Services	Switzerland	850,000	100%	–	–	–
Cedef Asset Management S.A.	Broking Services	Switzerland	4,250,000	100%	–	–	–
Cedef Financial Products S.A.	Broking Services	Switzerland	425,000	100%	–	–	–
Cedef Assets Holding Ltd	Broking Services	UK	10,667,522	100%	–	–	–
Cedef Assets Ltd	Broking Services	UK	10,668,036	100%	–	–	–
Cedef Asset Management Ltd	Broking Services	UK	1,262,250	100%	–	–	–
Cedef Holdings UK	Broking Services	UK	102	100%	–	–	–
Cedef Italian Financial Products Ltd	Broking Services	UK	2,133,500	100%	–	–	–
Other						140	(259)
						77,594	174,512 (170,482)

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FORM OF PROXY





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Shareholders' Diary

2000 Financial Year

Financial year-end	31 December 2000
Annual General Meeting	25 June 2001

2001 Financial Year

Announcement of interim results	mid-August 2001
Financial year-end	31 December 2001
Announcement of the annual results	end-February 2002
Annual report posted to shareholders	April 2002
Annual General Meeting	May 2002





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Notice of AGM

Notice is hereby given that the second annual general meeting of members of Decillion Limited (the company) will be held at 26 Sturdee Avenue, Rosebank on 25 June 2001 at 10:00 for the following purposes, namely:

1. Financial Statements

To receive and adopt the annual financial statements for the year ended 31 December 2000 together with the report of the directors and auditors.

2. Election of Directors

- 2.1 To elect directors in place of those retiring in accordance with the provisions of the company's Articles of Association. The retiring directors, being eligible, offer themselves for re-election. The retiring directors for the purposes of the eighth annual general meeting are:

J.F. Marais and P. Moodley.

- 2.2 To ratify the appointment of the following directors:

M.G. Kotze, A.P. Nkuna, F. Spruyt

3. Remuneration of Directors

To confirm the remuneration paid to the directors of the company for the past financial year.

4. Re-appointment and remuneration of Auditors

To re-appoint Messrs Deloitte and Touche as auditors of the company and to authorise the directors to determine the remuneration of the auditors.

5. As special resolution no.1 Increase of authorised share capital

"Resolved that, in terms of Section 75 (1) (a) of the Companies Act no.61 of 1973, as amended, and in terms of Article no. 14.1 of the Articles of Association of the company, the authorised share capital of the company being R2 000 000 (Two Million Rand) divided into 200 000 000 (Two Hundred Million) ordinary shares of R0,01 (One Cent) each, be and it is hereby increased to R3 000 000 (Three Million Rand) divided into 300 000 000 (Three Hundred Million) ordinary shares of R0,01 (One Cent) each, by the creation of R1 000 000 (One Million Rand) divided into 100 000 000 ordinary shares of R0,01 (One Cent) each, each new share so created will rank *pari passu* with the existing ordinary shares of the company."

6. As special resolution no.2 Amendment to the memorandum of association

"Resolved that, subject to the passing and registration of special resolution no.1, the Memorandum of Association of the company be amended by the deletion of the existing clause no. 8 and the substitution of the following new clause no. 8:

Clause no. 8:

(a) *Par Value*: The share capital of the company is 3 000 000 Rand divided into 300 000 000 ordinary shares of one cent each."

Reasons and effects of special resolution

The increase in authorised share capital is required for future shares to be issued in satisfaction of share options granted in terms of the Decillion share incentive scheme, as well as to enable the group to finance future acquisitions through the issue of



Notice of AGM (continued)

shares. Any such issues must comply with the JSE Rules, the provisions of the Articles and Memorandum of Association, as well as the authority granted to the Board of Directors.

7. As special resolution no.3 Share repurchases

To consider, and if deemed fit, to pass with or without modification the following special resolution: "Resolved that the company approves (as a general approval contemplated by Sections 85(2) and 85(3) of the Companies Act) the acquisition by the company or its subsidiaries of issued shares of the company, or issued shares of its holding company, on such terms and conditions as the directors may decide, but subject to the requirements of the Companies Act, the JSE Listings Requirements, and on the following basis:

- Having considered the effect of such maximum repurchase, the directors, having knowledge of the affairs of the group, are of the opinion that the company and the group will be solvent and will be able to repay its debts for the 12 months following on the date of the annual general meeting;
- The general repurchase of securities is implemented on the JSE;
- The company has submitted to the JSE, prior to the implementation of a repurchase, a forecast consolidated income statement and balance sheet;
- The general repurchase is limited to a maximum of 10% of the company's issued share capital at the time the authority is granted;
- The general repurchase is not made at a price of more than 5% above the weighted average market price for the five business days immediately preceding the date of repurchase;

- The general authority is only valid until the next annual general meeting whereafter it will lapse unless renewed, provided that it shall not extend beyond 15 months from the date that authority is given, whichever is earlier; and

- The company makes any announcement required in terms of the JSE Rules at any time when more than 3 % of the issued share capital is acquired by the company or its subsidiary in terms of this authority."

8. Unissued shares

- a) To consider, and if deemed fit, to pass, with or without modification, the following ordinary resolution: "Resolved that the authorised but unissued shares in the capital of the company be placed under the control of the directors to allot or issue such shares at their discretion, subject to the provisions of the Companies Act, and the Rules and Requirements of the Johannesburg Stock Exchange (JSE)".
- b) To consider, and if deemed fit, to pass, with or without modification the following ordinary resolution: "Resolved that the directors of the company be and they are hereby authorised by way of a general authority to issue all or any of the authorised but unissued shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the following limitations:
 - That this authority shall be valid until the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date that this authority is given, whichever date is the earlier;
 - That a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue of shares representing, on a cumulative basis within one year, 5% or more of



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the number of the company's shares in issue prior to any such issue;

- That issues in the aggregate in any one year shall not exceed 15% of the number of shares of the company's issued share capital;
- That, in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded prices determined over the 30 days prior to either the date of the paid press announcement or, where no press announcement is required and none has been made, the date of issue of the shares. Issues at a discount greater than 10% may be undertaken subject to specific shareholder consent or if issued in terms of the employee incentive scheme; and
- That any such issue will only be made to public shareholders as defined by the JSE".

9. Other business

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

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies and speak and, on a poll, vote in his/her stead. A proxy need not be a member of the company. Completed proxy forms should be received at the registered office of the company not less than 24 hours before the time appointed for the holding of the meeting.

By order of the board.

P J E Lapham
Group Company Secretary
5 March 2001



DEKILLION

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Mercantile Registrars Limited

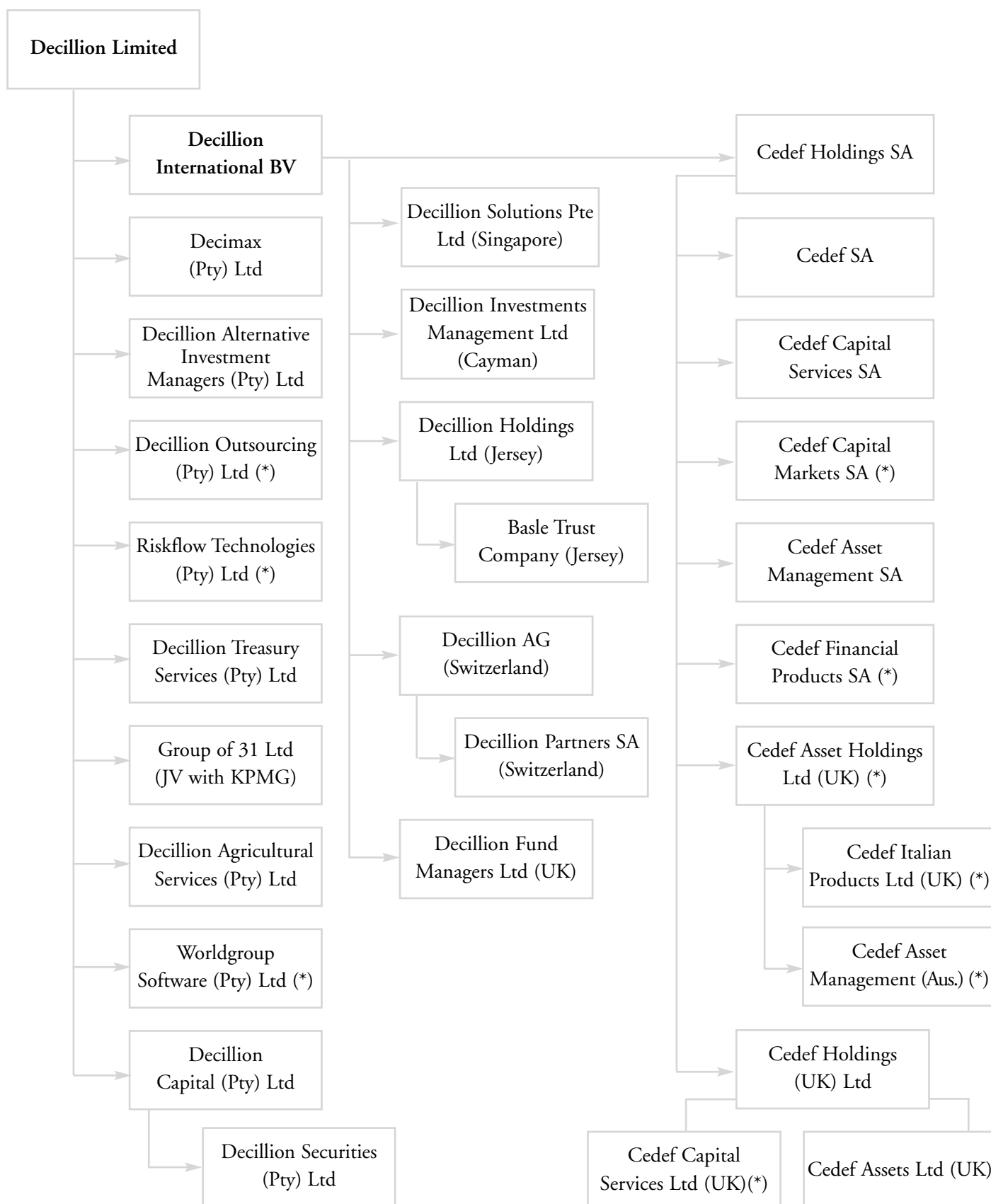
10th Floor, 11 Diagonal Street
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DECILLION

Group Structure



(*) Dormant company



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Decillion International BV

Balance Sheet as at 31 December 2000

	Note	Group 2000 US\$	Company 2000 US\$
CAPITAL EMPLOYED			
Share capital		22,324	22,324
Translation reserves		(465,659)	54,248
Distributable reserves		(2,431,455)	49,954
Total shareholder's funds		(2,874,790)	126,526
Shareholder's loans	1	15,692,836	15,408,431
		<u>12,818,046</u>	<u>15,534,957</u>
EMPLOYMENT OF CAPITAL			
Non-current assets			
Goodwill		4,209,904	—
Investments		1,188,334	9,362,416
Fixed assets		863,011	—
Loans receivable		—	4,041,073
		<u>6,261,249</u>	<u>13,403,489</u>
Current Assets			
Cash and cash equivalents		6,376,018	2,300,523
Accounts receivable		9,828,304	—
		<u>16,204,322</u>	<u>2,300,523</u>
Current Liabilities			
Accounts payable		9,647,525	169,055
Net Current Assets			
		<u>6,556,797</u>	<u>2,131,468</u>
		<u>12,818,046</u>	<u>15,534,957</u>

Note 1

Post Balance Sheet Event

On 1 January 2001 US\$ 9,985,541 of the shareholder's loan at 31 December 2000 was capitalised as share premium.



DECILLION

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Decillion Limited

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DECILLION

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DECILLION

Form of Proxy

A shareholder entitled to attend the general meeting of Decillion shareholders to be held at 10:00 on Monday 25 June 2001 in the boardroom at Decillion's registered office, 26 Sturdee Avenue, Rosebank, 2196 ("the general meeting") is entitled to appoint a proxy or proxies, to attend, speak and vote thereat in his/her stead. A proxy need not also be a shareholder of the company. All forms of proxy must be lodged with the company's transfer secretaries, Mercantile Registrars Limited, 8th Floor, 11 Diagonal Street, Johannesburg, 2001, by not later than 10:00 on Friday 22 June 2001.

I/We _____

being the registered holders of _____ ordinary shares in the capital of the company, of address _____, hereby appoint:

1. _____ of _____ or failing him/her,

2. _____ of _____ or failing him/her,

3. the chairman of the general meeting

as my/our proxy to vote for me/us at the general meeting and at every adjournment of the general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our names in accordance with the following instructions (see note 2):

Resolution number	In favour of	Against	Abstain
1. Resolution to adopt the financial statements;			
2. Resolution to reelect the retiring directors, who are available for re-election, and to ratify the appointment of directors;			
3. Resolution to confirm directors' fees;			
4. Resolution to confirm reappointment and remuneration of auditors;			
5. Special resolution increasing the authorised share capital of the company;			
6. Special resolution amending the Memorandum of Association of the company to give effect to 5. above;			
7. Special resolution authorising the company and/or its subsidiaries to acquire shares in the company under certain circumstances;			
8. Ordinary resolution placing the unissued shares under the control of the directors;			
9. Other business.			

Each Decillion member is entitled to appoint one or more proxy(ies) (who need not be shareholders of the company) to attend, speak and vote in his/her stead at the general meeting

Signed at _____ on _____ 2001.

Signature _____

Assisted by (where applicable, state capacity and full name) _____

Please read the notes on the reverse side hereof.

Notes

1. A Decillion member may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space(s) provided, with or without deleting 'the chairman of the general meeting', but any such deletion must be initialled by the member concerned. The person whose name appears first on the form of proxy and has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Decillion member's instructions to the proxy must be shown by indicating in the appropriate box provided the manner in which that member wishes to vote by inserting an "X" in the relevant box, unless a member wishes to split his/her votes, in which case the relevant number of shares to be so voted must be indicated in the appropriate box. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the general meeting as he/she deems fit in respect of all the Decillion member's votes exercisable thereat. A Decillion member or his/her proxy is not obliged to use all the votes exercisable by the member or his/her proxy; but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by his/her proxy.
3. Forms of proxy must be lodged at or posted to the registered office of the company or the company's transfer secretaries, Mercantile Registrars Limited, 8th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO. Box 1053, Johannesburg, 2000) to be received by not later than 10:00 on Wednesday 20 June 2001.
4. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the general meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.