

**INVESTEC ASSET MANAGEMENT LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2003**

**Company Number: 2036094**



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## **INVESTEC ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT**

For the year ended 31 March 2003

The Directors present their report and the audited financial statements for the year ended 31 March 2003.

#### **Review of activities and future developments**

Investec Asset Management Limited is the holding company of the Investec Asset Management group of companies.

The principal trading activities are the provision of investment management and advisory services to Onshore and Offshore Collective Investment Schemes and acting as agent for the payment of goods and services on behalf of its principal trading subsidiaries and other Investec subsidiaries.

Both the level of business and the year end financial position are satisfactory, and it is intended that the Company will continue to pursue its current activities for the foreseeable future.

#### **Results and dividends**

The Company made a loss on ordinary activities after taxation for the year of £300,000 (31 March 2002: £704,000 loss). The Directors' recommend that no dividend be paid for the year under review (31 March 2002: £nil).

#### **Directors**

The Directors of the Company at 31 March 2003 who, unless otherwise stated, held office throughout the year under review were:

|                |                              |
|----------------|------------------------------|
| H S Herman     | (Chairman)                   |
| H J du Toit    | (Chief Executive)            |
| G H Brits      |                              |
| H E Flight     |                              |
| P T Griffiths  |                              |
| B Kantor       |                              |
| S Koseff       |                              |
| K M McFarland  |                              |
| N J Mottram    |                              |
| M I Samuelson  |                              |
| P G S Saunders |                              |
| D J Aird       | (Appointed 26 November 2002) |
| A Sowerby      | (Appointed 26 November 2002) |
| B Tapnack      | (Appointed 16 July 2002)     |
| T W N Guinness | (Resigned 31 March 2003)     |
| D L Liddell    | (Resigned 26 November 2002)  |
| J M MacLeod    | (Resigned 12 April 2002)     |

No other person was a director during the year under review.

#### **Directors' interests**

The current directors of the Company are listed above. According to the register of directors' interests, no director holding office at 31 March 2003 had any beneficial interest in the shares of the Company during the year.

The beneficial interests in shares, debentures and options in the ultimate parent company, Investec Plc, of the directors who are also directors of that company and recorded in the register maintained by that company are disclosed in the consolidated financial statements of Investec Plc.

Following the implementation of the Dual Listed Company structure of Investec Limited (a company incorporated in the Republic of South Africa and listed on the Johannesburg Stock Exchange) and Investec Plc, it is the Group's policy to award the directors and staff with share options in both Investec Limited and Investec Plc. Consequently, options in both companies have been disclosed.

# INVESTEC ASSET MANAGEMENT LIMITED

## DIRECTORS' REPORT

For the year ended 31 March 2003 (continued)

### Directors' interests (continued)

|                  | Holding<br>at 1<br>April<br>2002 <sup>1</sup> | Holding<br>in<br>Investec<br>plc<br>Share<br>Option<br>plan<br>2002 at<br>28<br>August<br>2002 <sup>2</sup> | Holding<br>in<br>Investec<br>Limited<br>Share<br>Option<br>Plan at<br>28<br>August<br>2002 <sup>3</sup> | Options<br>granted<br>in<br>Investec<br>plc<br>Share<br>Option<br>2002 | Options<br>granted<br>in<br>Investec<br>Limited<br>Share<br>Option<br>2002 | Exercised | Lapsed | Holding<br>in<br>Investec<br>plc<br>share<br>option<br>plan<br>2002 at<br>31<br>March<br>2003 | Holding<br>in<br>Investec<br>Limited<br>share<br>option<br>plan<br>2002 at<br>31<br>March<br>2003 |
|------------------|---|---|---|--|--|-----------|--------|---|---|
| David Aird       | 15,000  | 22,050  | 12,950  | 23,786   | 11,214   | -         | -      | 33,236  | 16,764  |
| George Brits     | 2,062   | 17,049  | 10,013  | 34,196   | 16,804   | -         | 288    | 35,314  | 17,460  |
| Hendrik du Toit  | -   | 63,000  | 37,000  | 97,286   | 52,714   | -         | -      | 97,286  | 52,714  |
| Howard Flight    | 5,000   | 3,150   | 1,850   | -  | -  | -         | 1,900  | 1,953   | 1,147   |
| Paul Griffiths   | 50,000  | 47,250  | 27,750  | 26,936   | 13,064   | -         | -      | 58,436  | 31,564  |
| Kim McFarland    | -   | 15,750  | 9,250   | 33,536   | 16,464   | -         | -      | 33,536  | 16,464  |
| Nicholas Mottram | 50,000  | 47,250  | 27,750  | 26,936   | 13,064   | -         | -      | 58,436  | 31,564  |
| Mark Samuelson   | 9,682   | 21,850  | 12,832  | 26,936   | 13,239   | -         | -      | 33,036  | 16,646  |
| Philip Saunders  | 15,000  | 15,750  | 9,250   | 11,546   | 4,454  | -         | 6,900  | 16,649  | 7,451   |
| Andrew Sowerby   | 10,000  | 18,900  | 11,100  | 23,786   | 11,214   | -         | -      | 30,086  | 14,914  |
| Bradley Tapnack  | -   | 31,500  | 18,500  | 54,600   | 30,400   | -         | -      | 54,600  | 30,400  |

1. Prior to the listing of Investec Plc on the London Stock Exchange, the directors were granted options in terms of the Investec Group Limited UK Option Plan. On the 28 August 2002 the Board approved the replacement of this plan with a new offer of options in terms of the Investec Plc Share Option Plan 2002 on the same terms and conditions as the previous scheme.
2. In terms of the Investec Plc Share Option Plan 2002, the directors were offered 63 Investec Plc options for every 100 options granted in terms of their previous entitlement in the Investec Group Limited UK Option Plan.
3. In terms of the Investec Group Limited UK share option plan, for every 100 options previously held, the directors are entitled to 37 Investec Limited options.

The above options are exercisable at prices of £1.49, £2.03, £3.92, £5.01, £7.93, £10.52, £15.73, £17.51, £18.24, £20.06 and £21.82 between 1 April 2002 and 20 March 2012.

**INVESTEC ASSET MANAGEMENT LIMITED****DIRECTORS' REPORT**

For the year ended 31 March 2003 (continued)

**Directors' interests (continued)**

Directors' attributable interest (Direct and Indirect) in Investec Plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2003.

|                 | Entitlement to<br>Investec Plc shares | Entitlement to<br>Investec Limited<br>shares | Period Exercisable |
|-----------------|---------------------------------------|--|--------------------|
| George Brits    | 18,420                                | 10,818                                       | 31 July 2008       |
| Hendrik du Toit | 55,818                                | 32,782                                       | 31 July 2008       |
| Kim McFarland   | 2,791                                 | 1,639  | 31 July 2008       |
| Mark Samuelson  | 4,186                                 | 2,459  | 31 July 2008       |
| Bradley Tapnack | 50,236                                | 29,504                                       | 31 July 2008       |

1. There were no grants in Fintique II during the year. The directors' entitlements in the Fintique II scheme are fully vested and can be taken up at a price of R74.63, based on the valuation of the sinking fund as at 31 March 2003. The directors are at risk for any shortfall on maturity of the scheme.

Directors' attributable interest (Direct and Indirect) in Investec Plc and Investec Limited shares through a leveraged equity plan called Fintique III as at 31 March 2003.

|                 | Future entitlement to<br>Investec Plc shares | Future entitlement to<br>Investec Limited<br>shares |
|-----------------|--|---|
| George Brits    | 34,954                                       | 20,528  |
| Hendrik du Toit | 115,022                                      | 67,553  |
| Paul Griffiths  | 14,564                                       | 8,554   |
| Kim McFarland   | 40,779                                       | 23,950  |
| Mark Samuelson  | 32,041                                       | 18,818  |
| Philip Saunders | 971  | 570   |
| Bradley Tapnack | 43,692                                       | 25,661  |

1. The directors, together with other employees of the Group that are beneficiaries of Fintique III have an interest in call options in respect of 1,260,000 Investec Plc ordinary shares and 740,000 Investec Limited ordinary shares at a strike price of R170 per share.
2. The directors, together with other employees of the Group that are beneficiaries of Fintique III have an interest in call options in respect of 945,000 Investec Plc ordinary shares and 555,000 Investec Limited ordinary shares at a strike price of R145 per share.

**Charitable and political donations**

During the period under review, the Company made donations of £5,350 (31 March 2002: £440) to charitable causes.

## **INVESTEC ASSET MANAGEMENT LIMITED**

### **DIRECTORS' REPORT**

For the year ended 31 March 2003 (continued)

#### **Share capital**

At 31 March 2003, the Company's authorised share capital amounted to 10,779,000 of which 10,622,000 have been issued.

No shares have been issued in the year under review.

On 4 March 2003, the Company passed by written resolution that the following shares be consolidated and divided as follows:

10,022,400 Ordinary A shares of £0.01 each into 100,224 £1 Ordinary Shares

1,052,880,900 Ordinary B shares of £0.01 each into 10,528,809 £1 Ordinary Shares

15,000,000 Ordinary shares of £0.01 each into 150,000 £1 Ordinary Shares

#### **Auditors**

In accordance with Section 386 of the Companies Act 1985, the Company elected to dispense with the obligation to appoint auditors annually. KPMG Audit Plc are therefore deemed to be re-appointed as the Company's auditors for each succeeding year.

By order of the Board



M K Slade  
Secretary

30 June 2003

Registered Office:  
2 Gresham Street  
London EC2V 7QP

## **INVESTEC ASSET MANAGEMENT LIMITED**

### **DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF ACCOUNTS**

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Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgments and estimates that are reasonable and prudent;
3. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **INVESTEC ASSET MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC ASSET MANAGEMENT LIMITED**

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We have audited the financial statements on pages 7 to 21.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described above, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

#### **Basis of audit opinion**

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

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

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
30 June 2003

8 Salisbury Square  
London EC4Y 8BB

**INVESTEC ASSET MANAGEMENT LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2003

|   |       | Year ended<br>31 March 2003<br>£000 | Year ended<br>31 March 2002<br>£000 |
|---|-------|-------------------------------------|-------------------------------------|
|   | Notes |                                     |                                     |
| Turnover  | 2     | 14,614                              | 12,312                              |
| Commissions payable   | 3     | (9)                                 | (562)                               |
| <b>Net Income</b>   |       | <b>14,605</b>                       | <b>11,750</b>                       |
| Other income  | 4     | 26                                  | 18,969                              |
| Administrative expenses                                     |       | (13,862)                            | (32,625)                            |
| <b>Operating profit/(loss)</b>                              |       | <b>769</b>                          | <b>(1,906)</b>                      |
| Income from fixed asset investments                         |       | 2,241                               | 1,885                               |
| Interest receivable and similar income                      | 5     | 184                                 | 474                                 |
| Interest payable and similar charges                        | 6     | (564)                               | (65)                                |
| Amounts written off fixed asset investments                 | 11    | (1,785)                             | (929)                               |
| <b>Profit/(loss) on ordinary activities before taxation</b> | 7     | <b>845</b>                          | <b>(541)</b>                        |
| Tax on profit/(loss) on ordinary activities                 | 9     | (1,145)                             | (163)                               |
| <b>(Loss) on ordinary activities after taxation</b>         |       | <b>(300)</b>                        | <b>(704)</b>                        |
| <b>(Loss) for the financial year</b>                        |       | <b>(300)</b>                        | <b>(704)</b>                        |
| <b>Retained profit brought forward</b>                      |       | <b>2,236</b>                        | <b>2,940</b>                        |
| <b>Retained profit carried forward</b>                      |       | <b>1,936</b>                        | <b>2,236</b>                        |

All activities derive from continuing operations. There have been no recognised gains or losses in the year under review or prior period other than the loss for the year.

The notes on pages 9 to 21 form part of these accounts.



**INVESTEC ASSET MANAGEMENT LIMITED****BALANCE SHEET**

As at 31 March 2003

|  |       | 31 March 2003<br>£000 | 31 March 2002<br>£000 |
|--|-------|-----------------------|-----------------------|
|  | Notes |                       |                       |
| <b>FIXED ASSETS</b>                          |       |                       |                       |
| Tangible fixed assets                        | 10    | 348                   | 437                   |
| Investments in group undertakings            | 11    | <u>12,467</u>         | <u>14,252</u>         |
|  |       | 12,815                | 14,689                |
| <b>CURRENT ASSETS</b>                        |       |                       |                       |
| Debtors                                      | 12    | 7,965                 | 8,477                 |
| Investments                                  | 13    | 3                     | 9                     |
| Cash at bank and in hand                     | 14    | <u>8,973</u>          | <u>7,472</u>          |
|  |       | 16,941                | 15,958                |
| <b>CREDITORS:</b>                            |       |                       |                       |
| Amounts falling due within one year          | 15    | <u>10,092</u>         | <u>10,683</u>         |
| <b>NET CURRENT ASSETS</b>                    |       | <u>6,849</u>          | <u>5,275</u>          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <u>19,664</u>         | <u>19,964</u>         |
| <b>CREDITORS:</b>                            |       |                       |                       |
| Amounts falling due after more than one year | 15    | 2,000                 | 2,000                 |
| <b>NET ASSETS</b>                            |       | <u>17,664</u>         | <u>17,964</u>         |
| <b>CAPITAL AND RESERVES</b>                  |       |                       |                       |
| Called up share capital                      | 17    | 10,622                | 10,622                |
| Share premium account                        | 19    | 2,645                 | 2,645                 |
| Capital redemption reserve                   | 19    | 2,461                 | 2,461                 |
| Profit and loss account                      | 19    | 1,936                 | 2,236                 |
| <b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>      | 23    | <u>17,664</u>         | <u>17,964</u>         |

The accounts were approved by the Board of Directors on 30 June 2003 and were signed on its behalf by:



Director

The notes on pages 9 to 21 form part of these accounts.

## INVESTEC ASSET MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

#### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts.

##### *Basis of preparation*

The accounts have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules and on a going concern basis.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the basis that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Investec Plc, registered in England and Wales, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

##### *Turnover*

Investment advisory fees are stated exclusive of VAT and are accrued over the period to which the income relates. Securities transaction charges are accounted for on a receipts basis.

##### *Investments*

Fixed asset investments are stated at cost less provision for permanent diminution in value. Current asset investments are valued at the lower of cost or market value. Realised gains or losses from the disposal of fixed asset investments are taken to the profit and loss account.

##### *Tangible fixed assets*

Tangible fixed assets are stated at original cost less accumulated depreciation, which is calculated to write off the cost of the assets evenly over their expected useful lives, as follows:

|                     |         |
|---------------------|---------|
| Fixtures & fittings | 5 years |
| Computers           | 3 years |

##### *Foreign currencies*

Monetary assets and liabilities in foreign currencies are translated into sterling at year-end rates. Transactions denominated in foreign currencies are translated into sterling at the exchange rates ruling when the transactions were entered into.

All exchange differences are included in the profit and loss account.

##### *Leases*

Costs in respect of operating leases are charged on a straight-line basis over the period of the lease.

## INVESTEC ASSET MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

For the year ended 31 March 2003 (continued)

#### 1 Accounting policies (continued)

##### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recoverable.

##### *Pension costs*

The Company accounts for pension costs in accordance with Statement of Standard Accounting Practice 24 ("SSAP 24"). The Company has made additional disclosures in accordance with Financial Reporting Standard 17 ("FRS 17").

The Company operates two non-contributory defined contribution schemes, Investec Defined Contribution Scheme and The Executive Directors' Pension Scheme. The assets of each scheme are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

The Company also operates two pension schemes providing benefits based on final pensionable pay, Guinness Mahon Group Pension Scheme and Investec Asset Management Pension Scheme. The assets of each scheme are held separately from those of the Company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives in accordance with the recommendations of the actuary.

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**2 Turnover**

|   | Year ended<br>31 March 2003 | Year ended<br>31 March 2002 |
|---|-----------------------------|-----------------------------|
|   | £'000                       | £'000                       |
| <b>Activity</b>                           |                             |                             |
| Investment advice and fund administration | 14,570                      | 11,567                      |
| Securities transaction charges            | 44                          | 745                         |
|   | <u>14,614</u>               | <u>12,312</u>               |

All revenue is derived from activities carried out in the United Kingdom.

**3 Commissions payable**

Commissions payable relates to amounts paid to other parties for investment management services.

**4 Other income**

|  | Year ended<br>31 March 2003 | Year ended<br>31 March 2002 |
|--|-----------------------------|-----------------------------|
|  | £'000                       | £'000                       |
| Recharges to other group companies for expenses incurred on their behalf | -                           | 18,442                      |
| Other income   | 26                          | 527                         |
|  | <u>26</u>                   | <u>18,969</u>               |

In the prior year, goods and services acquired and provided to other group companies were recharged to those companies by way of management fees. Such expenses are now incurred by the Company only as an agent for its fellow subsidiaries.

**5 Interest receivable and similar income**

|                               |            |            |
|-------------------------------|------------|------------|
| Bank deposit interest         | 131        | 63         |
| Interest on subordinated loan | 53         | -          |
| Net exchange gains            | -          | 411        |
|                               | <u>184</u> | <u>474</u> |

**6 Interest payable and similar charges**

|                               |            |           |
|-------------------------------|------------|-----------|
| Interest on subordinated loan | 129        | 65        |
| Net exchange losses           | 435        | -         |
|                               | <u>564</u> | <u>65</u> |

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**7 Profit/(loss) on ordinary activities before taxation**

|  | Year ended<br>31 March 2003 | Year ended<br>31 March 2002 |
|--|-----------------------------|-----------------------------|
|  | £'000                       | £'000                       |
| Profit/(loss) on ordinary activities before taxation is stated<br><i>after charging:</i> |                             |                             |
| Auditors' remuneration:  |                             |                             |
| Audit  | 65                          | 65                          |
| Other services - fees paid to the auditor & its associates                               | 55                          | 62                          |
| Depreciation   | 306                         | 552                         |
| Operating lease rentals  | 17                          | 57                          |
| Expenses recovered from other group companies (see note 4)                               | -                           | 18,442                      |
| Exceptional amounts written off fixed asset investments (see note 11)                    | 1,785                       | 929                         |

In the prior year administrative expenses included amounts incurred on behalf of subsidiary companies, which were then recharged to those companies (see note 4).

**8 Information regarding directors and employees**

|   |            |              |
|---|------------|--------------|
| Directors' remuneration:                |            |              |
| Emoluments (including benefits in kind) | 866        | 1,425        |
| Pension contributions                   | 52         | 32           |
|   | <u>918</u> | <u>1,457</u> |
| Highest paid director:                  |            |              |
| Emoluments (including benefits in kind) | 164        | 425          |
| Pension contributions                   | 26         | -            |
|   | <u>190</u> | <u>425</u>   |

Contributions of £85,709 (2002: £78,115) were made into a Money Purchase scheme on behalf of two Directors.

The above directors' remuneration reflects that proportion of the total emoluments paid by the Investec group to directors of Investec Asset Management Limited which relates to their services to the Company. The emoluments have been allocated to the companies for which each was a director on the basis of time spent.

|  |              |               |
|--|--------------|---------------|
| Employee costs, excluding directors, during the year |              |               |
| Gross salaries                                       | 4,591        | 14,241        |
| Social security costs                                | 891          | 1,646         |
| Other pension costs                                  | 507          | 1,144         |
|  | <u>5,989</u> | <u>17,031</u> |

The average number of persons employed by the Company, including Directors, during the year was 54 (31 March 2002: 186).

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**8 Information regarding directors and employees (continued)**

The Company acts as an agent for certain fellow subsidiaries in the employment of staff and the payment of related costs. The amounts disclosed above for the current year relate only to costs incurred by the Company on its own behalf. The comparative figures reflect that in the prior year the Company incurred all staff costs as principal, part of which was then recovered by way of recharges to these fellow subsidiaries (note 4).

**9 Tax on profit/(loss) on ordinary activities**

|  | Year ended<br>31 March 2003 | Year ended<br>31 March 2002 |
|--|-----------------------------|-----------------------------|
|  | £'000                       | £'000                       |
| UK corporation tax at 30% (31 March 2002: 30%) |                             |                             |
| Current year                                   | (1,145)                     | (163)                       |
| (Charge) for the period                        | <u>(1,145)</u>              | <u>(163)</u>                |

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The difference is explained below:

|   |                |              |
|---|----------------|--------------|
| Profit/(loss) on activities before taxation   | 845            | (541)        |
| Tax at 30%                                    | (254)          | 162          |
| Effects of:                                   |                |              |
| Expenses not deductible for tax purposes      | (624)          | (325)        |
| Overseas dividend received in the year        | (265)          | -            |
| Timing differences not recognised in the year | (2)            | -            |
| Current tax (charge) for the year             | <u>(1,145)</u> | <u>(163)</u> |

**INVESTEC ASSET MANAGEMENT LIMITED**
**NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**10 Tangible fixed assets**

|                            | Fixtures and<br>Fittings<br>£'000 | Computers<br>£'000 | Total<br>£'000 |
|----------------------------|-----------------------------------|--------------------|----------------|
| Cost:                      |                                   |                    |                |
| As at 31 March 2002        | 36                                | 2,671              | 2,707          |
| Additions                  | 9                                 | 208                | 217            |
| <b>As at 31 March 2003</b> | <b>45</b>                         | <b>2,879</b>       | <b>2,924</b>   |
| Depreciation:              |                                   |                    |                |
| As at 31 March 2002        | 23                                | 2,247              | 2,270          |
| Charged for the year       | 5                                 | 301                | 306            |
| <b>As at 31 March 2003</b> | <b>28</b>                         | <b>2,548</b>       | <b>2,576</b>   |
| <b>Net book value:</b>     |                                   |                    |                |
| <b>As at 31 March 2003</b> | <b>17</b>                         | <b>331</b>         | <b>348</b>     |
| As at 31 March 2002        | 13                                | 424                | 437            |

**11 Investments in group undertakings**

|                                       | Total<br>£'000 |
|---------------------------------------|----------------|
| Cost:                                 |                |
| As at 31 March 2002 and 31 March 2003 | 15,181         |
| Provision for impairment losses:      |                |
| As at 31 March 2002                   | (929)          |
| Charged for the year                  | (1,785)        |
| <b>As at 31 March 2003</b>            | <b>(2,714)</b> |
| <b>Net book value:</b>                |                |
| <b>As at 31 March 2003</b>            | <b>12,467</b>  |
| As at 31 March 2002                   | 14,252         |

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**11 Investments in group undertakings (continued)**

In the opinion of the Directors, the value of fixed asset investments is not less than the amounts at which they are stated in the accounts. The principal trading subsidiaries are:

|   | Type of share held | Proportion of ordinary share capital held |
|---|--------------------|---|
| Investec Asset Management Guernsey Limited, Guernsey C.I.*                      | Ord £1             | 100%                                      |
| Investec Investment Management Limited, England and Wales*                      | Ord £1             | 100%                                      |
| Investec Management Limited, England and Wales*                                 | Ord £1             | 100%                                      |
| Investec Fund Managers Limited, England and Wales*                              | Ord £1             | 100%                                      |
| Investec Investment Managers International Limited, England and Wales           | Ord £1             | 100%                                      |
| Investec Asset Management US Limited, England and Wales *                       | Ord £1             | 100%                                      |
| Investec Asset Management Asia Limited, Cayman Islands (operating in Hong Kong) | Ord US\$1          | 100%                                      |

\* Denotes held directly by the Company.

Except where stated, all the companies operate principally in their country of incorporation or registration.



**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**12 Debtors**

|  | 31 March 2003 | 31 March 2002 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Amounts falling due within one year:           |               |               |
| Amounts owed by subsidiary undertakings        | 5,043         | 4,802         |
| Amounts owed by fellow subsidiary undertakings | -             | 1,289         |
| Other debtors                                  | 1,373         | 968           |
| Deferred tax                                   | 551           | 551           |
| Prepayments and accrued income                 | 998           | 867           |
|  | <u>7,965</u>  | <u>8,477</u>  |

There has been no movement in the deferred tax asset balance during the year.

**13 Current asset investments**

|  | 31 March 2003 | 31 March 2002 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Listed on a recognised Stock Exchange        | <u>3</u>      | <u>9</u>      |
| Aggregate market value of listed investments | <u>3</u>      | <u>37</u>     |

**14 Cash at bank and in hand**

Included within Cash at bank and in hand is £68,000, which is held in a trust and subject to a lien in favour of certain employees of the Company.

**15 Creditors**

|  | 31 March 2003 | 31 March 2002 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Amounts falling due within one year:           |               |               |
| Trade creditors                                | 163           | 336           |
| Amounts owed to subsidiary undertakings        | 172           | 358           |
| Amounts owed to fellow subsidiary undertakings | 1,488         | 3,059         |
| Corporation tax                                | 1,351         | 197           |
| Other creditors                                | 237           | 2             |
| Accruals                                       | 6,681         | 6,731         |
|  | <u>10,092</u> | <u>10,683</u> |
| Amounts falling due after more than one year:  |               |               |
| Subordinated Loan of £2,000,000                | <u>2,000</u>  | <u>2,000</u>  |

The Subordinated Loan is repayable under the expiry of two months' written notice given by the Lender, providing the notice does not expire before 27<sup>th</sup> September 2003 and permission is granted by the FSA. The Loan is due to a group company.

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**16 Operating leases**

Annual commitments under operating leases are as follows:

|   | 31 March 2003<br>Land and<br>buildings | 31 March 2003<br>Other | 31 March 2002<br>Land and<br>buildings | 31 March 2002<br>Other |
|---|--|------------------------|--|------------------------|
|   | £'000                                  | £'000                  | £'000                                  | £'000                  |
| On leases terminating within<br>one year            | -                                      | 2                      | -                                      | 16                     |
| On leases terminating between<br>two and five years | -                                      | 5                      | -                                      | 11                     |
| On leases terminating after<br>five years           | 275                                    | -                      | 275                                    | -                      |
|   | <u>275</u>                             | <u>7</u>               | <u>275</u>                             | <u>27</u>              |

Guinness Mahon Group Limited indemnifies all the commitments for Land and Buildings.

**17 Share Capital**

|  | 31 March 2003<br>£'000 | 31 March 2002<br>£'000 |
|--|------------------------|------------------------|
| <b>Authorised</b>  |                        |                        |
| 150,000 ord shares of £1 each (31 March 2002: 15,000,000 1p shares)            | 150                    | 150                    |
| 100,224 A ord shares of £1 each (31 March 2002: 10,022,400 1p shares)          | 100                    | 100                    |
| 10,528,809 B ord shares of £1 each<br>(31 March 2002: 1,052,880,900 1p shares) | 10,529                 | 10,529                 |
|  | <u>10,779</u>          | <u>10,779</u>          |
| <b>Issued, called up and paid up</b>   |                        |                        |
| 93,223 A ord shares of £1 each (31 March 2002: 9,322,300 1p shares)            | 93                     | 93                     |
| 10,528,809 B ord shares of £1 each<br>(31 March 2002: 1,052,880,900 1p shares) | 10,529                 | 10,529                 |
|  | <u>10,622</u>          | <u>10,622</u>          |

On 4 March 2003, the Company consolidated the share capital from £0.01 each into shares of £1 each.

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**18 Pension costs**

|   | Year ended<br>31 March 2003 | Year ended 31<br>March 2002 |
|---|-----------------------------|-----------------------------|
|   | £'000                       | £'000                       |
| The total pension cost of the Company was as follows:   |                             |                             |
| Guinness Mahon Group Pension Scheme (see note (a))      | -                           | 427                         |
| Investec Asset Management Pension Scheme (see note (b)) | -                           | 314                         |
| Executive Directors' Pension Scheme (see note (c))      | 86                          | 77                          |
| Investec Defined Contribution Scheme (see note (d))     | 1,034                       | 360                         |
|   | <u>1,120</u>                | <u>1,178</u>                |

- (a) The Company participates in the Guinness Mahon Group Pension Scheme, which is a non-contributory defined benefit scheme. The contributions are determined by a qualified actuary on the basis of triennial valuations. The details of the most recent actuarial valuation, which was carried out as at 31 March 2002, are disclosed in the accounts of Investec Plc. At 31 March 2003 the Company had accrued contributions of £94,000 (31 March 2002: £134,000).
- (b) The Company participates in the Investec Asset Management Pension Scheme, which is a non-contributory defined benefit scheme. The contributions are determined by a qualified actuary on the basis of triennial valuations. The most recent actuarial valuation was carried out as at 31 March 2000. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The major assumptions used were:

|   |      |
|---|------|
| Rate of increase in pensionable salaries                      | 4.6% |
| Rate of increase in pensions in payment for post 1997 service | 3.0% |
| Rate of investment return                                     | 5.9% |

The most recent actuarial valuation showed that the market value of the scheme's assets was £7,920,000 at 31 March 2000 and that the actuarial value of those assets represented 110% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the Company were £nil for the year ended 31 March 2003 and will be reviewed at the next actuarial valuation. At 31 March 2003 the Company had accrued contributions of £nil (31 March 2002: £nil).

The actuarial valuation of the Investec Asset Management Pension Scheme at 31 March 2000 was updated to 31 March 2003 by a qualified actuary, using a set of assumptions consistent with FRS 17.

The major assumptions used were:

|   | Year ended<br>31 March 2003 | Year ended<br>31 March 2002 |
|---|-----------------------------|-----------------------------|
| Rate of increase in pensionable salaries                      | 3.25%                       | 4.0%                        |
| Rate of increase in pensions in payment for post 1997 service | 2.5%                        | 2.7%                        |
| Discount rate   | 5.5%                        | 6.1%                        |
| Inflation assumption  | 2.5%                        | 2.7%                        |

# INVESTEC ASSET MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2003 (continued)

### 18 Pension costs (continued)

The net pension (liability) in respect of the scheme, which would be recognized in the Company's balance sheet as at 31 March 2003 if FRS 17 had been adopted in full, would be as follows:

|                              | 31 March 2003<br>expected rate of<br>return % | Year ended<br>31 March 2003<br>£'000 | 31 March 2002<br>expected rate of<br>return % | Year ended<br>31 March 2002<br>£'000 |
|------------------------------|---|--------------------------------------|---|--------------------------------------|
| Equities                     | 8.25%   | 3,804                                | 8.25%   | 5,545                                |
| Bonds                        | 4.50%   | 1,386                                | 5.25%   | 1,157                                |
| Cash                         | 3.75%   | 527                                  | 4.00%   | 328                                  |
| Total fair value of assets   | 6.93%   | 5,717                                | 7.40%   | 7,030                                |
| Present value of liabilities |   | 8,414                                |   | 7,571                                |
| (Deficit) in the scheme      |   | (2,697)                              |   | (541)                                |
| (Deficit)                    |   | (2,697)                              |   | (541)                                |
| Net pension (liability)      |   | (2,697)                              |   | (541)                                |

(c) The Company had £nil accrued contributions in respect of the Executive Directors' Pension Scheme at the balance sheet date (31 March 2002: £nil).

(d) The Company had £nil accrued contributions in respect of the Investec Defined Contribution Scheme at the balance sheet date (31 March 2002: £nil).

Analysis of movement in deficit during the year:

|  | Year ended<br>31 March 2003<br>£000 |
|--|-------------------------------------|
| Deficit in scheme at beginning of the year | (541)                               |
| Other expenses                             | (53)                                |
| Net return                                 | 67                                  |
| Actuarial (losses)                         | (2,170)                             |
| Deficit in scheme at end of the year       | (2,697)                             |

An analysis of the amounts that would have to be included within the profit and loss account had FRS 17 been adopted in full, would be as follows:

|  | Year ended<br>31 March 2003<br>£000 |
|--|-------------------------------------|
| Expected return on pension scheme assets | 524                                 |
| Interest on pension scheme liabilities   | (458)                               |
| Net return                               | 66                                  |

**INVESTEC ASSET MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS**

For the year ended 31 March 2003 (continued)

**18 Pension costs (continued)**

An analysis of the amounts that would have been recognised in the Statement of Total Recognised Gains and Losses ("STRGL") had FRS 17 been adopted in full, would be as follows:

|   | Year ended<br>31 March 2003<br>£000 |
|---|-------------------------------------|
| Actuarial return less expected return on pension scheme assets                | (1,654)                             |
| Experience gains and losses arising on the pension scheme liabilities         | 393                                 |
| Changes in assumptions underlying the present value of the scheme liabilities | (909)                               |
| Actuarial loss that would be recognised in the STRGL                          | <u>(2,170)</u>                      |

History of Experience Gains and Losses:

|  | Year ended<br>31 March 2003<br>£000 |
|--|-------------------------------------|
| Difference between the actual and expected return on pension scheme assets | (1,654)                             |
| Percentage of pension scheme assets  | (28.93%)                            |
| Experience gains on pension scheme liabilities                             | 394                                 |
| Percentage of the present value of pension scheme liabilities              | 4.68%                               |
| Actuarial losses that would be recognised in the STRGL                     | (2,170)                             |
| Percentage of the present value of pension scheme liabilities              | (25.79%)                            |

**19 Statement of movements on reserves**

|                          | Share premium<br>Account | Capital<br>Redemption<br>Reserves | Profit and<br>Loss Account | Total        |
|--------------------------|--------------------------|-----------------------------------|----------------------------|--------------|
|                          | £'000                    | £'000                             | £'000                      | £'000        |
| Balance at 31 March 2002 | 2,645                    | 2,461                             | 2,236                      | 7,342        |
| (Loss) for the year      | -                        | -                                 | (300)                      | (300)        |
| Balance at 31 March 2003 | <u>2,645</u>             | <u>2,461</u>                      | <u>1,936</u>               | <u>7,042</u> |

**20 Capital commitments**

The Company has no capital commitments outstanding at the end of the period (31 March 2002: £nil).

## INVESTEC ASSET MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

For the year ended 31 March 2003 (continued)

#### 21 Related party transactions

Transactions with Collective Investment Schemes have been treated as related parties under FRS 8 by virtue of the management contracts that exist between Investec Asset Management Limited and these entities. Details of such transactions are shown in Note 2 to the accounts.

Transactions with Directors are shown in the Directors' Report.

#### 22 Parent Company

The Company's ultimate UK parent company is Investec Plc, a company registered in England & Wales. This is the group into which accounts of the Company are consolidated. Copies of the financial statements of both groups can be obtained from 2 Gresham Street, London, EC2V 7QP.

#### 23 Reconciliation of movement on shareholders' funds

|  | Year ended<br>31 March 2003 | Year ended<br>31 March 2002 |
|--|-----------------------------|-----------------------------|
|  | £000                        | £000                        |
| (Loss) for the year                    | (300)                       | (704)                       |
| Net (reduction) to shareholders' funds | (300)                       | (704)                       |
| Opening shareholders' funds            | 17,964                      | 18,668                      |
| Closing shareholders' funds            | 17,664                      | 17,964                      |