3633621

Investec **2003** Annual Report

Investec

corporate information

Investec Limited and Investec plc

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Registration Number

Investec Limited	Reg. No. 1925/002833/06
Investec plc	Reg. No. 3633621

Auditors

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contents

mission statement

we aspire to be one of the world's great specialist banking groups, driven by our commitment to our core philosophies and values.

philosophies and values

Philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance

Values

- We demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.
- We will break china for the client, having the tenacity and confidence to challenge convention.
- We show concern for people, support our colleagues and encourage growth and development.
- We thrive on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment.
- We believe that open and honest debate is the appropriate process to test decisions, seek consensus and accept responsibility.
- We are creative individuals who co-operate and collaborate unselfishly in pursuit of group performance.
- We respect the dignity and worth of the individual through openness and tolerance of difference and by the sincere, consistent and considerate manner in which we interact.
- We require talented people with passion, energy and stamina, who exercise common sense in achieving effective performance in a high pressure, multi-task environment.
- We promote entrepreneurial flair and the freedom to operate within the context of risk consciousness, sound judgement and the obligation to do things properly.

financial highlights

UK GAAP[1]	31 March 2003	% Change	31 March 2002*
Profit and Loss Account and Selected Returns			
Earnings attributable to ordinary shareholders before exceptional items and amortisation of goodwill (£'000)	88 684	(30.5)	127 613
Headline earnings (£'000)	*82 611*	*(28.6)*	*115 777*
Operating profit before amortisation of goodwill, exceptional items and taxation (£'000)	84 758	(46.5)	158 567
Operating profit: South Africa and Other (% of total)	80.9		51.6
Operating profit: Non-Southern Africa and Other (% of total)	19.1		48.4
Cost to income ratio (%)	*79.8*		*72.0*
Staff compensation to operating income ratio (%)	50.4		44.5
Return on average shareholders' funds (%)[2]	12.4		19.4
Return on average tangible net asset value (%)	23.8		37.2
Annuity income as a percentage of operating income (%)	71.3		68.7
Net interest income as a percentage of operating income (%)	25.8		26.5
Non-interest income as a percentage of operating income (%)	74.2		73.5
Effective tax rate (%)	6.3		18.0
Balance Sheet			
Total capital resources (£ millions)	1 013	5.7	958
Total shareholders' funds (£ millions)	697	(5.0)	734
Total assets (£ millions)	14 959	(11.8)	16 957
Core loans and advances as a percentage *of total assets (%)*	*26.8*		*19.5*
Total assets under administration (£ millions)	40 604	(8.2)	44 219

financial highlights

UK GAAP[1]	31 March 2003	% Change	31 March* 2002
Salient Financial Features and Key Statistics			
Earnings per share before exceptional items and amortisation of goodwill (pence)	97.6	(30.2)	139.8
Headline earnings per share (pence)	90.9	(28.3)	126.8
Basic earnings per share (pence)	(70.4)	>(100)	14.8
Diluted earnings per share (pence)	(70.4)	>(100)	13.9
Proposed dividends declared per share (pence)	54.0	0.4	53.8
Dividend cover (times)	1.8		2.6
Net tangible asset value per share (pence)	385.5	3.1	373.8
Weighted number of ordinary shares in issue (million)	90.9	(0.4)	91.3
Total number of shares in issue (million)	113.0	22.6	92.2
Number of employees in the group	4 874	(11.8)	5 529
Market capitalisation (£ millions)	695	(10.2)	742

Notes:

1 Refer to definitions on page 312.

2 In calculating the return on average shareholders' funds for the year ended 31 March 2002, the shareholders' funds for the year ended 31 March 2001 have not been restated for changes to accounting policies and disclosures.

* Restated for changes to accounting policies and disclosures.

an overview of investec's dual listed companies structure

Introduction

Central to achieving Investec's mission to become one of the world's leading specialist banking groups, the group sought to obtain a listing on the London Stock Exchange.

In November 2001, Investec received permission from the South African Minister of Finance and the South African Reserve Bank (SARB) to establish a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg. This structure was implemented in July 2002 and represented a significant milestone in the history of the group.

The listing is a logical step in the group's international expansion strategy. Investec competes in an increasingly global market where the availability and cost of capital are important.

The London listing should therefore benefit the group by increasing its global profile, enhancing its capital raising ability, lowering its cost of capital and improving access to international capital markets.

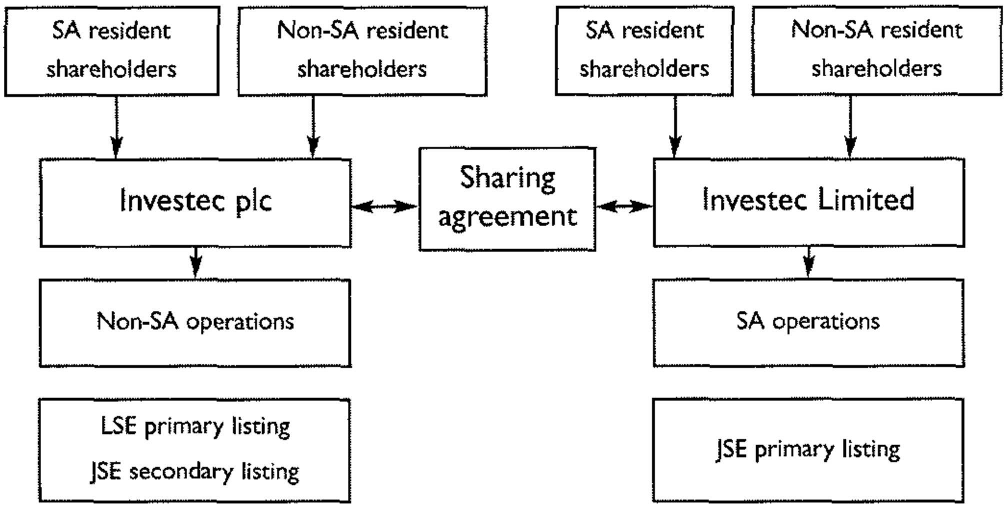
Implementation of a Dual Listed Companies Structure

A circular regarding the establishment of a DLC structure was issued on 20 June 2002. In summary, some of the salient features of the DLC structure include:

- The Investec Holdings (Inhold) pyramid structure, which had been in place since Investec Group Limited (IGL) listed on the JSE Securities Exchange South Africa (JSE) in 1988, was not considered appropriate under the changed circumstances, and Inhold unbundled its entire shareholding in IGL to Inhold members. At the record date, Inhold members received 86.04 IGL ordinary shares for every 100 Inhold ordinary shares held. With effect from 19 July 2002 Inhold ordinary shares were suspended on the JSE and the delisting of Inhold from the JSE took place on 26 July 2002.
- In terms of the DLC structure, IGL has retained all its businesses in continental Southern Africa and Mauritius and its primary listing on the JSE. Furthermore, as at 31 March 2003 the UK Traded Endowments business was still owned by Investec Limited.
- IGL has been renamed Investec Limited.

- IGL's other businesses were placed into a UK company, Investec plc, and were unbundled from IGL after the close of business on 19 July 2002. The mechanics of the IGL unbundling were arranged in such away that for every 100 ordinary shares held by an IGL shareholder, he/she received 37 IGL (Investec Limited) and 63 Investec plc shares i.e. 100 instruments.
- Investec plc was listed on the London Stock Exchange on 22 July 2002 and has a secondary listing on the JSE.
- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms. The agreements are designed to ensure, insofar as possible, that the economic and therefore, market value, of a share in one company will be the same as the economic and market value of a share in the other.
- The companies have the same Boards of Directors and management - the implementation of the DLC structure did not in any way change the way in which Investec manages its business.
- Investec continues to operate as if it were a single unified economic enterprise.
- Shareholders have common economic and voting interests as if Investec Limited and Investec plc were a single company:
  - Equivalent dividends on a per share basis.
  - Joint electorate and class right voting.
- Creditors are however ring-fenced to either Investec Limited or Investec plc as there are no cross guarantees between the companies.
- Regulation of the DLC structure:
  - The SARB is the lead regulator of the group.
  - The UK Financial Services Authority is the regulator of Investec plc while the SARB is the regulator of Investec Limited.
  - The Memorandum of Understanding between the two regulators sets out that the role of the lead regulator would change if 70% or more of the on and off balance sheet assets are held by Investec plc.

A simplified illustration of the DLC structure



Further information on the group's DLC structure can be found in the circular mentioned above as well as in the preliminary offering circular issued on 8 July 2002. A copy of these circulars can be found on the group's website www.investec.com/investorrelations.

Presentation of financial information

Under the contractual arrangements implementing the DLC structure, Investec Limited and Investec plc effectively form a single economic entity, in which the economic and voting rights of shareholders are equalised. In accordance with this structure, the directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by consolidating the results and financial position of both companies using merger accounting principles.

Accordingly, the results for Investec plc set out on pages 222 to 308 presents the results and financial position of the combined DLC group under UK GAAP, denominated in Pounds Sterling. The results for Investec Limited set out on pages 322 to 384 are also prepared on a DLC basis under SA GAAP, denominated in South African Rand.

The financial information contained throughout this document, other than on pages 322 to 395, has been prepared in accordance with UK GAAP. All references in this document referring to "Investec" or "the group" relate to the combined DLC group comprising Investec Limited and Investec plc.

SA GAAP differs in certain respects from UK GAAP. A high-level reconciliation and summary of the principal differences between SA GAAP and UK GAAP is set out on page 385.

chairman's statement

- Hugh Herman

Results

The 2003 financial year was extremely challenging for Investec as well as for the whole investment banking industry. Equity markets underwent considerable corrections as investor confidence was damaged by negative corporate news flow in the first half of the financial year. Concerns about the war in Iraq and its aftermath significantly subdued sentiment towards the end of the period.

Against this backdrop, Investec reported basic earnings per share (EPS) before goodwill amortisation and exceptional items down by 30.2% from 139.8 pence to 97.6 pence. Headline EPS declined by 28.3% from 126.8 pence to 90.9 pence. Total dividends per share for the year amounted to 54.0 pence compared to 53.8 pence in 2002.

Listing in London

A milestone for the group was the establishment in July 2002 of Investec's Dual Listed Companies (DLC) structure. In terms of the DLC structure, Investec now has linked companies, listed on a primary basis, in London and Johannesburg. The listing is a key step in the group's internationalisation strategy as it raises Investec's international profile and recognition as an international financial group and enhances its capital raising capabilities.

Key developments

During the period under review, Investec took significant steps to adjust its cost base to compensate for a decline in revenues by restructuring and rationalising many of its operations. The US business, which was particularly vulnerable to weak equity markets, was resized over the past year. The private client stockbroking business and the clearing division were sold and the investment banking operations were wound down. As a result, the group now has a small presence in the US comprising fixed income trading operations and an Israeli Nasdaq equities trading desk.

Difficult trading conditions in the UK had a negative impact on the Treasury and Specialised Finance division, leading to the closure of the interest rate repo desk which was capital intensive and used significant counterparty lines. Investec Investment Banking and Securities was also impacted by the lack of corporate advisory and capital market activity and, given the lack of visible prospects for a market recovery, the division reduced its headcount and operating costs.

In South Africa, Investec completed bedding down the Fedsure transaction, with the final disposal of the components that were surplus to its requirements and successfully integrated those areas that were relevant to its core businesses.

Substantial progress was made in developing the Australian business. In August 2002, Investec's Australian operation was granted a banking licence that has enabled it to increase client deposits substantially and enhance its profile in Australia.

Investec has a strong culture and values system, which form the cornerstone of the group's expected behaviour towards all stakeholders. As Investec's values play such a pivotal role, they are reviewed regularly to assess their relevance and appropriateness. In this regard, a series of values workshops commenced across all areas of the group towards the end of the 2003 financial year, to review and perpetuate the values in the day-to-day life of Investec.

Empowerment and transformation

During the past few years, Investec has been through a long process of entrenching an employment equity culture. This has evolved into a broader debate about black economic empowerment and transformation in South Africa. In this regard, following the financial year end, an empowerment transaction was announced in which Tiso Group, Peu Investment Group, an Entrepreneurship Development Trust and an Investec employee share trust have collectively acquired a 25.1% stake in the issued share capital of Investec Limited. The introduction of empowerment shareholders into Investec's ownership structure addresses a key outstanding item on the group's empowerment agenda and provides a catalyst to further advance the other aspects of its empowerment strategy.

Corporate governance

Over the past few years, the importance of corporate governance and increased disclosure and transparency has been placed high on the agenda of all companies. This was intensified by the release of the Sarbanes-Oxley legislation in the US, the Higgs and Smith Review in the UK and in South Africa, the King II Report and the Myburgh Review. These governance standards emphasise the need for increased ethical awareness and greater corporate responsibility. Investec emphasises conducting business in accordance with the best standards of corporate ethics and the board of directors is dedicated to the highest level of integrity.

Sustainability

During 2002, Investec published its first separate sustainability report as an initial introduction into the group's philosophy on transformation and sustainable development. This was given further impetus by various international developments, such as the World Summit on Sustainable Development held in Johannesburg in September 2002, the publication of the King II Report and the Global Reporting Initiative measurement framework. Methods of reporting on the social aspects of a company's performance, however, are relatively fragmented and there is currently no single accepted global standard.

During the year, a Sustainability Task Team was appointed to drive the process and to ensure that Investec's journey to sustainability is meaningful and achieves its objectives. The group's second report on its sustainability process, which reinforces its commitment, is published in a handout accompanying this Annual Report.

Management and staff

The collective problems of the past year have demanded hard work, commitment and endless drive on behalf of all our people. In this regard, I would like to express my sincerest appreciation to the Chief Executive and Managing Director whose steadfast leadership and decisive guidance have enabled the group to withstand many challenges. Furthermore, I extend my thanks to all our directors for their loyalty and commitment to the group's efforts and acknowledge them for their firm support and guidance.

Investec's has always focused on employing the highest calibre individuals, who display integrity, intellect and innovation. I thank each and every employee for their relentless energy and unwavering efforts which have made a vital contribution towards steering the group through a very difficult year.

Our business depends on good relationships with our clients and their needs are at the heart of our business philosophy and actions. I appreciate the support of our customers in the past year and we will continue to strive to deliver the best possible service.

Our people have once again shown their ability to deliver value for clients and shareholders in demanding times. It is this dedication, drive and loyalty that give me great confidence in the group's future success.

Outlook

As 2003 unfolds, the global economic and political climate remains uncertain as financial markets continue their volatile trends of recent years. Internationally, volatile capital markets continue and investor anxiety is high, maintaining the challenges of the operating environment.

A degree of cautious optimism is evident in the UK market with falling oil prices, low interest rates and reduced geopolitical uncertainties reinstating some momentum. An upside surprise in company earnings and the gradually improving economic outlook should facilitate a recovery in equity markets and restore investor confidence.

The Rand has recovered strongly from its collapse in 2001 and South Africa continues to benefit from sound financial management with disciplined fiscal and monetary policies. The South African Reserve Bank's recent decision to cut interest rates is positive for investor sentiment and further reductions are expected in the year ahead. Furthermore, we have confidence in the Financial Services Charter's progress in pro-actively spearheading empowerment in the financial services sector.

Investec still faces challenges in the year ahead, and there is no certainty about the timing or extent of a recovery in the global markets. However, the group is now leaner and more efficient and we believe we are well positioned to face the future through the skills of our people, our entrepreneurial spirit and the strong culture that unites our organisation.

Hugh Herman
Chairman

review by chief executive officer and managing director

- Stephen Koseff and Bernard Kantor

Overview

The past year the group was faced with the challenges of an exceptionally testing operating environment. Concerns about political developments and the turmoil in the Middle East exacerbated negative market sentiment. The poor economic backdrop placed extreme pressure on equity markets which were further impacted by the widespread corporate scandals. This resulted in the poor performance of the FTSE All Share Index and the JSE All Share Index which fell by 32.1% and 30.3% respectively. With a tough global economy, volatile political environment, and troubled equity markets, business challenges were abundant.

Weak equity markets negatively impacted Investec's equity-related businesses such as Investment Banking, Stockbroking and Private Client Portfolio Management. The Asset Management division, although not immune to weak equity markets, demonstrated particular resilience and continued to build capacity and expand its markets.

In South Africa, the group's Banking Activities were unable to capture market share and repeat their performance of the previous year. The group's results were also affected by the weak performance of the Trading Activities in the UK and the closure of the interest rate and repo desks. Market conditions further impacted the group with a substantial loss of £8.9 million incurred in the Traded Endowments business.

On the positive side, solid growth from the group's Private Banking activities and the strong performance of the South African Trading and Assurance Activities offset the weak performances referred to above.

Despite the challenging operating environment, Investec made significant advances during the financial year to address the key issues affecting financial performance. Accordingly, the group made considerable adjustments to align its cost structure with the declining revenue environment. In certain business units, a number of strategic initiatives aimed at streamlining operations and realigning strategies were implemented.

Steps were taken to restructure many of the group's underperforming operations, divesting of non-core activities and implementing measures to improve efficiencies. This led to a substantial decline in headcount and a permanent reduction of the group's fixed cost base which should lead to further costs savings in the year ahead.

Salient financial features:

- Operating profit before exceptional items and goodwill amortisation declined from £158.6 million to £84.8 million. This was largely as a result of the weaker performances of the group's equity related activities, referred to above, as well as a 9% depreciation of the average Rand/Pound Sterling rate during the period under review.
- Annuity income as a percentage of total operating income increased from 68.7% to 71.3%.
- Cost to income deteriorated from 72.0% to 79.8% and ROE declined from 19.4% to 12.4%, both reflecting the difficult operating environment.
- Capital adequacy declined marginally from 13.1% to 12.6% as a result of a slight increase in risk-weighted assets.
- Notwithstanding this, the board is recommending a final dividend of 28 pence per share which, together with the interim dividend of 26 pence per share paid in December 2002, amounts to a total dividend of 54 pence, largely the same as for 2002. This year's dividend is covered 1.81 times by EPS before exceptional items and goodwill amortisation and 1.68 times by headline EPS, as determined in UK GAAP.

For more details on the group's performance in the period under review, see pages 11 to 61.

Dual Listed Companies structure established

The group made a significant strategic advance during the period under review, with the establishment of a Dual Listed Companies (DLC) structure in July 2002. The DLC structure enabled the group to issue four million Investec plc shares for a consideration of £33.2 million, at a time when financial markets were exceptionally difficult.

As a consequence of the group's rapid international expansion, it now competes in an increasingly international business environment, where the availability and cost of capital is vital. The DLC structure is expected to enhance the capital raising capability of the group, lowering its cost of capital and improving access to international capital markets. The listing is an exciting development for Investec and a landmark event in its history. It brings the group closer to its mission to be one of the world's leading specialist banking institutions and enhances its ability to expand within its chosen markets.

US operations rationalised

Investec's business in the US was particularly vulnerable to the dramatic decline in equity markets and incurred operating losses before exceptional items and the amortisation of goodwill of £15.6 million. During the financial year, the group decided that it was not prudent to sustain ongoing losses in the US business. Accordingly, the US strategy was reviewed and steps were taken to significantly rationalise the operation.

The two main operating entities, Investec Ernst and Investec Inc., were dramatically restructured as follows:

- The private client stockbroking business was sold to management in May 2002.
- The clearing division of Investec Ernst was sold to Fiserv Securities in August 2002 for US$44 million.
- The Investment Banking operations were wound down, which involved the closure of the research, equity sales and trading businesses and the sale of PMG Advisors.

The remaining US business now comprises fixed income trading operations, an Israeli Nasdaq equities trading desk, and legal and operating support for the rundown of the Investec Ernst business.

The operational losses of these discontinued operations amounted to £16.7 million before amortisation of goodwill and exceptional items. An exceptional loss arose on termination of these businesses of £9.4 million. The latter represents £19.7 million in respect of the write down of assets, closure costs (including settlement of legal and contract obligations) and provisions for future costs to be incurred on the winding down of these businesses. This was offset by a net profit of £10.3 million on the disposals highlighted above. In addition, goodwill of £19.0 million was written-off with respect to the termination and disposal of these businesses and included as an exceptional item.

UK businesses streamlined and resized

In the UK, the group posted an operating profit before exceptional items and goodwill amortisation of £22.3 million, a decrease of 65.6%. The strong performance of the Private Banking business was negated by the poor performance of the equities related businesses, which were badly affected by adverse market conditions.

In particular, a lack of corporate advisory and capital market activity had a severe impact on Investec Investment Banking and Securities. The group recognised that it was necessary to adjust its cost base to compensate for the decline in revenues. The division's costs were significantly reduced from a peak annualised rate of £29 million to £18 million, with a decline in headcount from 148 to 98. Notwithstanding this, the retained corporate client list was strengthened and market share gains in large stocks increased from 1.3% to almost 2.2% of UK agency commissions.

The Treasury and Specialised Finance division experienced difficult trading conditions and the group decided to close the interest rate repo desk, which was capital intensive and used significant counterparty lines. This was partially negated by the solid performance from relatively new Banking Activities emphasising the group's strategy of building a high level of margin and other annuity related income.

Sound Rand performance from Southern Africa operations

Operations in South Africa recorded operating profit before exceptional items and amortisation of goodwill of £68.5 million, decreasing by 16.2%. The depreciation of the Rand of some 9.2% during the period under review had a negative effect on the results expressed in Pound Sterling of those Investec businesses that generate revenues and profits in Rand terms.

The group's Private Banking, Assurance and property divisions performed solidly during the period under review. This was partially offset by the poor performance of the Traded Endowments business (which was still included under Investec Limited for the financial year) of £8.9 million and by the weaker performances of the Investment Banking and Treasury and Specialised Finance divisions.

The group continued to restructure and rationalise the life assurance activities acquired from Fedsure Holdings Limited. During the period, two further transactions were concluded, namely the reinsurance of the annuity business with Capital Alliance Limited, and the reinsurance and transfer of some of the businesses of Investec Employee Benefits to Liberty Group Limited. The Fedsure acquisition is now finally bedded down, with the rationalisation and integration process complete.

We are pleased to note that the findings of the Financial Services Board (FSB) report, in respect of Fedsure Life, concluded that Investec had acted reasonably and in the interests of policyholders as a group and that Investec had implemented reasonable measures to deal with the situation it inherited. Once again, this demonstrates the group's ability to deal with an adverse situation swiftly and effectively.

Solid platform in Australia

Substantial progress was made during the period under review to develop Investec's business in the Australian market, with profit before exceptional items and goodwill amortisation improving substantially to £6.0 million from £1.2 million in the previous year.

In August 2002, the Australian operation was granted a banking licence which has opened up many growth opportunities for the business. The group successfully enhanced its capabilities in the market with the establishment towards the end of the period of a Project Finance business that is already contributing to the business.

The corporate advisory business of Investec Wentworth secured a significant share of transactions at a time when merger and acquisition activity and capital raisings were substantially down in the Australian market. Furthermore, Investec Private Equity was well placed to take advantage of the attractive opportunities provided by the weak equity markets.

The group now has a solid platform in Australia with a quality client list and effective corporate network from which to build and grow the business.

Israel affected by weak operating environment

The deteriorating operating environment experienced in Israel during 2002 persisted in 2003 with a fragile geopolitical situation that culminated with war in Iraq. Public confidence in the stability of the financial sector was somewhat shaken due to the discovery of a massive fraud which led to the collapse of a small domestic bank and the near collapse of the larger Industrial Development bank which suffered significant bad debt write downs. As a result, margin compression and a significant fall-off in capital market activity had a negative impact on the results of the group's Israeli operations.

Notwithstanding this, the bank remained profitable, posting a profit before exceptional items and goodwill amortisation of £3.5 million. The group successfully increased its mutual funds under custody from NIS5 billion in the previous year to NIS9.9 billion at the year end. Investec Bank (Israel) is now considered to be a dominant player in this activity.

Empowerment deal provides opportunities for the group

The release of the Mining Charter in 2002, and the aftermath in the South African market, provided the impetus for companies in the financial services sector to proactively prepare for the Financial Services Charter. Accordingly, Investec is currently participating, along with other financial institutions in South Africa, in drafting the guidelines for the new Financial Services Charter. The charter is expected to strengthen the banks' operating environment by leading to greater inclusion and empowerment of all segments of South African society.

Investec recognises that a crucial element for the Financial Services Charter, and indeed for the sustainability process in South Africa, is the pursuit of black economic empowerment. The group recognises that while it had taken significant transformation steps - internally, through its employment equity process and, externally, through its support of black owned and managed companies - Investec still needed to address the transformation of its ownership structure.

During the period under review, Investec showed its commitment to black economic empowerment by addressing the transformation of its ownership structure. Following the financial year end, Investec Limited announced that it had entered an empowerment transaction with Tiso Group (Tiso), Peu Investment Group (Peu) and the broad-based Entrepreneurship Development Trust. In terms of the transaction, Tiso, Peu, the broad-based Entrepreneurship Development Trust and an Investec Employee Share Trust collectively acquired a 25.1% stake in the issued share capital of Investec Limited. The acquisition encompasses all Investec's businesses, including its four main pillars of Investment Banking, Asset Management, Private Client Activities, and Treasury and Specialised Finance.

The transaction is both a significant step in the group's empowerment strategy and a landmark development in the South African banking sector. Furthermore, the transaction opens up many opportunities, as Investec will be considered a black empowerment group with positive implications for the protection of existing activities and creating a strong position for the group in respect of new business flows.

Strategic direction

The two strategic impediments to Investec's strategy of being one of the world's leading specialist banking groups have now been eliminated. The establishment of the DLC structure is an important strategic development as it allows the group to enhance its capital raising capability and improves access to international capital markets.

In addition, the recent empowerment transaction shows Investec's true commitment to transformation and ensures the group remains competitive and relevant in the South African market. Investec now also has an opportunity to operate on the back of a strong, existing platform, with the capacity to deliver quality services successfully to key segments of the South African economy.

Investec remains exposed to equity markets and it has taken strategic steps during the period to address this. The group remains focused on building critical mass in its banking activities in order to balance its UK business model. The group will also continue to drive the business organically, both in South Africa and Australia, recognising that not all products and services can be replicated in all markets.

An essential pillar of Investec's strategy is that it does not try to be all things to all people. Rather, the group seeks to build well-defined businesses, focused on serving the needs of select market niches where it can compete effectively. It is important for Investec to reinforce its commitment to a *specialised and focused approach, building business depth rather than business breadth.*

Acknowledgements

Investec has a team of talented people whose passion, energy, diversity and entrepreneurial spirit are integral to our success. We would like to thank all employees for their invaluable contribution and relentless determination, which have remained constant in very trying conditions.

Furthermore, we would like to acknowledge and extend our sincerest appreciation to the Chairman and Board of Directors. We value the contribution of all our directors and thank them for their guidance and ongoing commitment to the group during a very difficult period.

As the challenges for Investec continue, we remain committed to our values and disciplined, agile and accountable culture, as well as to generating sustained, meaningful value for clients, shareholders and employees.

Prospects

In the past year, Investec took far-reaching steps to streamline and rationalise its operations, recognising that weak market conditions could remain for some time. We remain mindful that in the short term, our performance is subject to conditions in the markets in which we operate and there are many unpredictable external influences that can affect performance.

Investec is soundly based and well capitalised and our businesses have demonstrated their resilience in an adverse environment. We will continue to monitor our cost base carefully, focusing on improving financial performance and maintaining or improving market share. Our strong niched businesses, together with a renewed focus on core activities, provide a solid base to deal with a tough operating *environment, while preparing us for opportunities that lie ahead.*

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

a detailed analysis of the group's performance

Introduction

The following commentary and analysis of the group's financial results for the year ended 31 March 2003 should be read together with the financial statements and the notes to such statements on pages 222 to 308. The commentary and analysis is based on the group's consolidated financial results presented in accordance with UK GAAP and denominated in Pound Sterling. The financial information discussed below is based on the year under review, and may not necessarily reflect the financial condition or results of operations of the group going forward.

Key income drivers

Investec provides a wide range of financial products and services to a niche client base in two principal markets, South Africa and the UK, as well as certain other markets, including Australia, the US and Israel. Investec is organised into four principal business divisions: Private Client Activities, Treasury and Specialised Finance, Investment Banking and Asset Management.

In addition, Investec's head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding and other activities, such as Investec's Property business, Trade Finance and Traded Endowment operations.

A detailed description of the group's principal businesses is provided elsewhere in this report. The following is an overview of Investec's key income drivers.

% of operating profit before amortisation of goodwill and exceptional items (excluding "other activities" and "discontinued operations")

UK GAAP	31 March 2003	31 March 2002
Private Client Activities	30.6%	22.1%
Treasury and Specialised Finance	21.0%	26.9%
Investment Banking	13.0%	24.0%
Asset Management	14.6%	10.9%
Assurance Activities	20.8%	16.1%

Private Client Activities

This division's principal sources of income have been derived from its Private Banking and Private Client Portfolio Management and Stockbroking operations:

• **Private Banking.** There are two principal sources of income attributable to Investec's Private Banking activities. The first is interest earned in connection with the bank's lending activities. The level of interest receivable is affected by, among other factors, the size of Investec's loan portfolio and, in the case of the UK, the general state of the property market, as well as the interest rate environment in the markets in which these activities are conducted. The second significant income stream comprises fees earned for advisory services, including investment management and trust and fiduciary services, which is reflected primarily under "fees and commissions - annuity income" in the profit and loss account. This income is affected by the demand for Investec's specialised advisory services, principally in the UK and South Africa, which in turn is affected by applicable tax, regulatory and other economic factors.

• **Private Client Portfolio Management and Stockbroking.** The primary income streams generated by these activities are fees levied as a percentage of assets under management and commissions earned for executing transactions for clients. These fees and commissions are reflected under "fees and commissions - annuity income". Fee income is affected primarily by movements in the value of assets underlying client portfolios, which can result from a variety of factors, including fund inflows or outflows and changes in the market price of the securities held. Commissions earned are affected by the level of clients' investment activity, which is in turn affected by, among other factors, the performance of the stock markets in which the businesses operate and the equity investment risk appetite of Investec's clients.

Treasury and Specialised Finance

This division has derived the bulk of its income from its Financial Markets and Banking Activities:

• **Financial Markets Activities.** Income attributable to Investec's Financial Markets Activities largely comprises "dealing profits" earned through Investec's Commodities, Foreign Exchange, Equity Derivative and Interest Rate activities. Income flows can be significantly affected by how well these businesses are positioned to react to sudden changes in market liquidity, volume and volatility, as well as limitations imposed on trading opportunities as a result of applicable regulatory capital requirements.

• **Banking Activities.** Income attributable to Investec's Banking Activities principally comprises "net interest income", as well as "fees and commissions - deal income" earned, in connection with the management of the group's liquidity and interest rate exposure and the provision of a range of treasury and financial products to the government and inter-bank, corporate and institutional markets. Investec's ability to generate income through its Banking Activities is significantly affected by the degree of sophistication of the financial markets in which the group operates and the resulting demand for highly specialised structuring advice, as well as the continued development of the private finance initiative and public private partnership markets. In addition, income is affected by the group's credit rating and its ability to attract lower cost funding. A large proportion of the group's "net interest income" is attributable to the Treasury and Specialised Finance division's interest rate and balance sheet management activities.

Investment Banking

The Investment Banking division has derived the bulk of its income from the following areas:

• **Corporate Finance.** Income attributable to Investec's Corporate Finance activities principally reflects fees resulting from the provision of capital markets and financial advisory work. These fees are reflected under "fees and commissions - deal income" in Investec's consolidated profit and loss account. These fees can be affected by a number of factors, including macro- and micro-economic fundamentals, industry-specific trends and underlying stock market activity, particularly in Investec's primary markets, the UK and South Africa.

• **Institutional Research, Sales and Trading.** Income attributable to these activities has largely been earned in the form of brokerage commissions. The group however, also earns income from market making and trade facilitation activities. These revenue sources are reflected principally under "fees and commissions - annuity income" and "deal income", as well as "dealing profits", and are affected by stock market trading volume and volatility, client allocation of broking transactions and Investec's ability to source securities and execute trades on behalf of its clients.

• **Private Equity and Direct Investments.** Income attributable to these activities is realised on the sale of investments and revaluation of trading investments, and is reflected under "dealing profits" and "other operating income". This income is affected by, among other things, macro- and micro-economic market conditions, principally in South Africa, the UK and Australia, as well as the availability of profitable exit routes in the case of private equity and, in the case of direct investments, whether appropriate market conditions exist to maximise gains upon sale. In addition, due to the nature of these activities, the income stream generated in the past has been unpredictable. Accordingly, these activities have had, and are expected to continue to have, a material impact, which may be positive or negative, on the revenues and profitability of the division. Investec expects that the income derived from its UK-based private equity investments will decline over time, as it continues to divest itself of the portfolio of investments it inherited in connection with Investec's acquisitions of Guinness Mahon and Hambros PLC in 1998.

Asset Management

This division's principal sources of income, have been derived from its Asset Management operations and Assurance business:

• **Asset Management.** The principal source of income for Investec's Asset Management business is fees levied as a percentage of assets under management, which are reflected under "fees and commissions - annuity income". These fees can be significantly affected by a small movement in the value of the underlying assets, which can result from a variety of factors, including fund inflows or outflows, changes in the market price of the securities held in a particular fund, relative fund performance compared to funds operated by competitors and a strategic shift by investors of their allocation of assets from one class to another.

• **Assurance.** Income generated by Investec's long-term assurance business comprises operating profit generated from existing Assurance Activities, which is driven by premiums earned and benefits paid in respect of existing policies, the investment performance of the assets underlying policies, the degree of matching between policyholder assets and liabilities and the cost of maintaining an administrative infrastructure to support these activities. The level of income derived from existing Assurance Activities is influenced by the types of policies written and the economic factors in South Africa that affect the performance of the assets supporting such policies, as well as the underlying assumptions used in the actuarial valuation of policy liabilities. This latter component is a key factor in determining the present value of in-force life business, the movement of which is recognised as income/losses over the relevant period.

Group Services and Other Activities

In addition, Investec has derived income from its Group Services and Other Activities division through the activities of its Worldwide Property business, its UK Traded Endowments business and its *International Trade Finance business. These businesses earn a variety of management and banking fees,* brokerage, commissions and income on the sale of investment and dealing properties. Income generated is reflected almost entirely under "fees and commissions - annuity income", which is derived from the Property businesses, as well as under "dealing profits" and "net interest income", which are derived from the Traded Endowment and International Trade Finance activities, respectively. As this division is responsible for the group's central funding requirements, this income is offset by the cost of group funding (net of return on the group's central capital) incurred in connection with acquisitions, central costs and debt obligations, as well as the purchase of corporate assets and investments not allocated to the four principal business divisions.

Operating profit before taxation, amortisation of goodwill and exceptional items by geography

UK GAAP £ millions	31 March 2003	31 March 2002
Southern Africa	68.5	81.8
UK and Europe	22.3	64.8
Australia	6.0	1.2
Israel	3.5	9.1
USA	1.1	1.9
Discontinued operations	(16.7)	(0.3)
Total group	84.7	158.5

Operating profit before taxation, amortisation of goodwill and exceptional items by business

UK GAAP £ millions	31 March *2003*	31 March *2002*
Private Client Activities	40.9	42.4
Treasury and Specialised Finance	27.9	51.8
Investment Banking	17.3	46.3
Asset Management	19.5	20.9
Assurance Activities	27.8	31.1
Group Services and Other Activities	(32.0)	(33.7)
Discontinued operations	(16.7)	(0.3)
Total group	84.7	158.5

Risks relating to Investec's operations

Information pertaining to the key risks relating to Investec's operations is discussed below. Additional risks and uncertainties not presently known to Investec or that Investec currently deems immaterial may in the future also impair its business operations. Investec's business, financial condition or results of operations could be materially adversely affected by any of these risk factors.

Market risk, conditions and fluctuations could adversely affect Investec's businesses in many ways

Investec's businesses and revenues are materially affected by conditions in the financial markets and economic conditions generally around the world. A deterioration in world financial markets or extreme volatility in the markets in which Investec's businesses operate may have an adverse effect on its results of operations and financial condition. The factors, which could influence the performance of Investec's principal business activities as well as that of its Group Services and Other Activities division, have been discussed above.

Investec's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks

Investec has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, market, liquidity and operational risks, and expects to continue to do so in the future. These policies and procedures are described in detail in the "risk management" section on pages 125 to157. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of Investec's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which Investec operates, its clients or other matters that are publicly available or otherwise accessible by Investec. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure of Investec's risk management techniques may have a material adverse effect on its results of operations and financial condition.

Credit risk exposes Investec to losses caused by financial or other problems experienced by its clients or other third parties

Credit risk is of particular significance to Investec largely due to its exposure to Southern African markets. Investec is exposed to the risk that third parties that owe it money, securities or other assets will not perform, or will be unable to perform, their obligations which could adversely affect Investec's results of operations or financial condition. These parties include clients, governments, trading or reinsurance counterparties, clearing agents, exchanges, other financial intermediaries or institutions as well as issuers whose securities Investec holds, who may default on their obligations to Investec due to bankruptcy, lack of liquidity, operational failure, economic or political conditions or other reasons. In particular, Investec may suffer significant losses from its credit exposure to or from a default by a large financial institution that could either impact Investec specifically or the financial markets generally. In addition, the information that Investec uses to manage its credit risk may be inaccurate or incomplete, leading to an inability on the part of Investec to manage its credit risk effectively. Further information pertaining to Investec's overall level of asset quality and provision coverage can be found on pages 134 to 136.

Liquidity risk may impair Investec's ability to fund its operations and adversely affect its financial condition

Ready access to funds is essential to any banking business, including those operated by Investec. An inability on the part of Investec to access funds or to access the markets from which it raises funds may lead to Investec being unable to finance its operations adequately, which in turn could materially adversely affect its results of operations and financial condition. In particular, Investec takes deposits with maturities which are shorter than the loans it makes. This exposes Investec to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strains. Additionally, Investec's ability to raise or access funds may be impaired by factors that are not specific to it, such as general market conditions, severe disruption of the financial markets or negative views about the prospects for the industries or regions in which Investec operates. This risk was prevalent in South Africa, as was the case in early 2001 when a number of South Africa's banks experienced liquidity crises forcing them to withdraw their banking licences which ultimately resulted in a major contraction of the number of smaller banks operating in the country. For a discussion of how Investec seeks to mitigate this risk through its risk management polices, *refer to pages 142 to 144. In addition, Investec's borrowing costs and access to funds may be adversely* affected by any reduction in its credit rating and no assurance can be given that any rating agency will not at some time in the future reduce such credit ratings.

Investec's net interest earnings may be adversely affected by interest rate risk

Investec is potentially exposed to the risk that interest rates paid to depositors and yields earned from loans change at different times with varying degrees of predictability. If the interest rates paid to borrowers rise at a faster rate than the yields earned from loans, then Investec's results of operations may be adversely affected. Further information in this regard is provided below and on page 145.

Investec may be unable to recruit, retain and motivate key personnel

Investec's performance is largely dependent on the talents and efforts of key personnel, many of whom have been employed by Investec for a substantial period of time and have grown with the business. Competition in the financial services industry for qualified employees is intense. Investec's continued ability to compete effectively and further develop its businesses depends on its ability to retain and motivate its existing employees and to attract new employees. In addition, the South African operations of Investec have been and may continue to be affected by the increase in recent years of the rate of emigration of skilled labour from South Africa. In each of the markets in which Investec operates, the future loss of qualified employees, including in particular a team of traders or key fund managers, or the inability to identify, hire, train and retain other qualified personnel could have an adverse effect on *Investec's business, financial condition or operating results. Information pertaining to Investec's* philosophy with respect to retaining and motivating employees can be found in its *Journey to Sustainability Document* which is produced together with the Annual Report.

Employee misconduct could harm Investec and is difficult to detect

Investec runs the risk that employee misconduct could occur. Misconduct by either existing employees or those inherited as a result of acquisitions could include binding Investec to transactions that exceed authorised limits or present unacceptable risks, or concealing from Investec unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory and legal sanctions and significant reputational and/or financial harm and could have a material adverse effect on Investec's results of operations and financial condition. It is not always possible to deter employee misconduct, and the precautions Investec takes to prevent and detect this activity may not be effective in all cases.

Operational risk may disrupt Investec's business or result in regulatory action

Investec's business activities require it to record and process a very large number of transactions accurately on a daily basis. Any failure or delay in recording or processing transactions, or other contractual relationships with clients, could result in losses to Investec and could subject it to claims for losses and regulatory fines and penalties. Investec relies on its employees to operate and maintain its systems properly, and is similarly reliant on the continued functioning of the systems of the exchanges on which Investec operates and their supporting depository, clearing and settlement organisations. Investec's recording and processing of trades is potentially subject to human and processing errors or a breakdown in its general internal controls. Any operational failure may cause serious reputational or financial harm and could have a material adverse effect on Investec's results of operations and financial condition. Information pertaining to how Investec manages operational risk can be found on pages 145 to 147.

Investec may be vulnerable to the failure of its systems and breaches of its security systems

Investec relies on the proper functioning of its systems which may fail as a result of hardware or software failure or power or telecommunications failure. The occurrence of such a failure may not be adequately covered by its business resumption and disaster recovery planning. Any significant degradation, failure or lack of capacity of Investec's information systems or any other systems in the trading process could therefore cause it to fail to complete transactions on a timely basis, could have an adverse effect on its business, results of operations and financial condition or could give rise to adverse regulatory and reputational consequences for Investec's business. The secure transmission of confidential information is a critical element of Investec's operations. Investec's networks and systems may be vulnerable to unauthorised access and other security problems. Investec cannot be certain that its existing security measures will prevent security breaches including break-ins, viruses or disruptions. Persons that circumvent the security measures could use Investec's or its client's confidential information wrongfully which could expose it to a risk of loss, adverse regulatory consequences or litigation. Investec's future success will depend in part on its ability to respond to changing technologies and demands of the market place. Investec's failure to upgrade its information and communications systems on a timely or cost effective basis could have an adverse effect on its business, financial condition and/or operating results and could damage its relationships with its clients and counterparties.

Investec has a relatively fixed cost structure which could expose it to declining profit margins

Some elements of Investec's cost structure, including the fixed component of its financing charges, salaries and group and central costs, do not decline if Investec experiences reductions in its operating income. As a result, if market or any other conditions cause Investec's operating income to decline, it may be unable to adjust these elements of its cost structure on a timely basis. Consequently, Investec's operating margins would fall. An analysis of Investec's administrative expenses can be found on pages 40 to 42.

Investec may have insufficient capital in the future and may be unable to secure additional financing when it is required

Investec's business depends on the availability of adequate capital. Investec may need to raise additional funds to, among other things, strengthen its capital adequacy ratios or support expansion. It may also be required to obtain additional financing on short notice as a result of rapid, unanticipated developments, such as a steep market decline. Investec cannot be sure that it will have sufficient capital in the future or that additional financing will be available on a timely basis or on terms that are favourable to it. If financing is insufficient at any time in the future, Investec may be unable to comply with capital adequacy ratios, develop or enhance its businesses or services, take advantage of business opportunities or respond to competitive pressures, any of which could have a negative impact on Investec's business, operating results and financial condition. Investec however, continues to maintain a stable capital adequacy ratio and overall level of capital resources, further information in this regard can be found on pages 50, 51 and 53.

The financial services industry in which Investec operates is intensely competitive

The financial services industry in which Investec's businesses operate is highly competitive. Investec competes on the basis of a number of factors, including customer service and quality, transaction execution, its products and services, innovation, reputation and price. Competition is expected to increase further due to a trend towards consolidation among companies in the financial services industry, particularly outside South Africa, where consolidation has significantly increased the capital base and geographic reach of Investec's competitors in some of the markets in which Investec operates. In addition, Investec does not have a long operating history in any of its markets outside South Africa. New competitors, including companies other than banks, may disintermediate the market and as a result they may acquire significant market share. Some of Investec's competitors also offer a wider range of services and products than Investec offers and have greater name recognition, greater financial resources and more extensive customer bases. These competitors may be able to respond more quickly to new or evolving opportunities, technologies and customer requirements than Investec and may be able to undertake more extensive promotional activities. If Investec is unable to compete successfully, its future revenue and profit growth could be materially adversely affected.

Investec may have difficulty expanding and integrating its operations

The continued expansion of Investec is an important part of Investec's overall business strategy and focus on internationalisation. Over the past ten years, Investec has made numerous acquisitions of companies and businesses, including acquisitions outside South Africa, and Investec continues to evaluate potential acquisition and investment opportunities. Any acquisitions which Investec has completed or does complete are accompanied by the risks commonly encountered with acquisitions of companies or businesses, such as the difficulty of integrating the operations and personnel of the acquired businesses, the potential disruption to Investec's own business, the assumption of unexpected liabilities relating to the acquired assets or businesses and the possibility that indemnification agreements with the sellers of such assets may be unenforceable or insufficient to cover potential liabilities, the imposition and maintenance of common standards, controls, procedures and policies, and the impairment of relationships with employees and counterparties as a result of difficulties arising out of integration. Investec has an Organisational Development division that assists in facilitating processes to integrate organisations that are acquired, further information on this division can be found on page 122.

Legal and regulatory risks are substantial in Investec's businesses

Substantial legal liability or a significant regulatory action against Investec could have a material adverse effect or cause significant reputational harm to Investec, which in turn could seriously harm Investec's business prospects and have an adverse effect on its results of operations and financial condition.

Legal liability

Investec faces significant legal risks, and the volume and amount of damages claimed in litigation against financial intermediaries generally is increasing. These risks include potential liability under securities or other laws for materially false or misleading statements made in connection with the sale of securities and other transactions, potential liability for advice Investec provides to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements. Investec also faces the possibility that counterparties in complex or risky trading transactions will claim that Investec improperly failed to inform them of the risks or that they were not authorised or permitted to enter into these transactions with Investec and that their obligations to Investec are not enforceable. Particularly in those parts of Investec's business that are focused on the provision of portfolio management and stockbroking services, Investec is exposed to claims that it has recommended investments that are inconsistent with a client's investment objectives or that it has engaged in unauthorised or excessive trading. Investec is also exposed to claims from dissatisfied customers as part of the increased trend of performance-related litigation. Investec may also be subject to claims arising from disputes with employees for, among other things, alleged discrimination or harassment. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Notwithstanding the assumption of appropriate group insurance cover, liability resulting from any of the foregoing or other claims could have a material adverse effect on Investec's results of operations and financial condition.

Research

Investec has noted the allegations made, particularly in the US, against certain investment banks in connection with the independence and/or quality of the research produced by their analysts. In addition, various regulatory reforms relating to the publication of research have been proposed and/or enacted in the US. There can be no assurance that the outcome of these allegations and reforms, and any possible future regulatory reforms or litigation relating thereto, will not have an adverse effect on investment banks generally, including Investec.

Extensive regulation

Investec is subject to extensive regulation by governmental and self-regulatory organisations in the jurisdictions in which it operates around the world, including, in particular, the South African Reserve Bank (SARB) in South Africa and the Financial Services Authority (FSA) in the UK. The requirements imposed by Investec's regulators, including capital adequacy and those specifically imposed in respect of the Dual Listed Companies (DLC) structure are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with Investec. Investec faces the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations, and judicial or administrative proceedings that may result in substantial penalties. In addition, Investec's lead regulator may switch from the SARB to FSA. Existing and future regulations imposed on Investec could adversely affect the way Investec operates its business.

Tax residency

Rulings that have been obtained from the UK Inland Revenue and the South African Revenue Service on the basis of which, Investec plc should be treated as tax resident in the UK and Investec Limited should be treated as tax resident in South Africa. Any change in tax residency of Investec plc or Investec Limited (whether as a result of changes in the management structure of Investec, the manner in which Investec's management operates or otherwise) may result in different tax treatment, which may have an adverse effect on Investec's results of operations and financial condition.

Risks relating to the markets in which Investec operates

Due to the nature of the businesses engaged in by the group, it has been and will continue to be affected by changes in a number of macro-economic fundamentals. These include the condition of worldwide financial markets, general economic cycles, levels of exchange and interest rates, and inflation, in particular in South Africa, the UK and Australia, where the group derives the majority of its profit as well as, to a lesser extent, the US and Israel.

The following tables set out certain macro-economic data for the group's two principal geographies, South Africa and the UK, as of and for the two years ended 31 March 2003:

South Africa

	31 March 2003	31 March 2002
GDP (real growth) [1][2]	3.0%	2.7%
Consumer price index (% change over the period) [1]	10.4%	5.3%
JSE All-Share Index [4]	7 679.9	10 999.5
JSE All-Share Index (% change over the period)	(30.2%)	36.3%
Per capita GDP [1][2] (Rand)	NA[3]	14 554
Per capita GDP (real growth) [1][2]	NA[3]	1.0%

Notes:

[1] *Source: SA Statistics and Investec Securities.*

[2] Data for calendar year ending during the period.

[3] Data not yet available.

[4] *Source: INET Bridge.*

UK

	31 March 2003	31 March 2002
UK GDP (% change over the period)	2.2%	1.2%
UK RPI (% change over the period)	3.0%	2.3%
FTSE All Share	1 735.7	2 557.4
FTSE All Share (% change over the period)	(32.1%)	(5.7%)
UK GDP per capita (£)	17 968	17 075
UK GDP per capita (% change over the period)	2.1%	1.8%

Source: Datastream

Social, political and economic risk outside Investec's control may adversely affect its business and results of operations

Investec operates in a number of jurisdictions, in particular South Africa and Israel, which have experienced or continue to experience periods of political, social and/or economic instability. Investec is exposed to political, social, economic, legal, operational and other factors affecting its operations in South Africa, Israel and other jurisdictions in which it has operations. These risks range from difficulties in settling transactions in emerging markets to possible nationalisation, expropriation, price controls, war or other restrictive governmental actions or a significant downturn or collapse of financial markets. Political, social and/or economic instability in the markets in which Investec operates may have a material adverse effect on Investec's business operations and financial condition. In addition, in South Africa Investec is exposed, inter alia, to the impact of exchange controls, a comparatively high inflation rate and fluctuations in foreign exchange rates between the Rand and major currencies.

Exchange control regulations may have a negative impact on Investec's business

South African exchange control regulations provide for a common monetary area consisting of South Africa, Namibia, Lesotho and Swaziland. Transactions between South African residents and non-CMA residents are subject to South African exchange control regulations. South African residents, including companies, are generally not permitted to export capital from South Africa or to hold foreign currency without the approval of the SARB, and restrictions are imposed on their foreign investments. This has historically imposed significant constraints on the development of Investec's business. While Investec plc will not be subject to such restrictions, Investec Limited and its South African assets will continue to be bound by such restrictions.

The extent to which exchange control regulations will be relaxed by the South African Government cannot be predicted with certainty

Further relaxation or abolition of exchange controls may change the capital flows to and from South Africa. If changes to exchange controls result in large capital outflows, Investec's South African business could be adversely affected, which could in turn have a material adverse effect on Investec's results of operations and financial condition.

Fluctuations in exchange rates may adversely affect Investec

Since the end of July 2002, post the implementation of the group's DLC structure, Investec's reporting currency has changed from South African Rand to Pounds Sterling.

A substantial proportion of Investec's operations are conducted by Investec entities outside the UK. The results of operations and the financial condition of Investec's individual companies are reported in the local currencies in which they are domiciled, including Rand, Australian dollars, US dollars and Israeli shekels. These results will then be translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in Investec's consolidated financial statements. In the case of the profit and loss accounts, the weighted average rate for the relevant period is applied, and in the case of the balance sheets, the relevant closing rate is used.

The exchange rates between local currencies and Pounds Sterling have historically fluctuated. In particular, continued capital outflows from South Africa, together with economic and political uncertainty in South Africa, has resulted in a depreciation of the average Rand/Pound Sterling exchange rate of 51.5% over the four year period to 31 March 2003. The translation effect of such fluctuations in the exchange rates of the currencies of those countries in which Investec operates, including South Africa, against Pounds Sterling may adversely or positively affect Investec's results of operations and financial condition. Where the impact of the depreciation/appreciation of these currencies against Pounds Sterling is key to understanding the performance of the group's businesses, this has been noted in this report.

The following table sets out certain relevant exchange rates against Pounds Sterling over the reporting period:

	31 March 2003		31 March 2002	
Currency per £1.00	**Period End**	**Average**	**Period End**	**Average**
South African Rand	12.51	15.04	16.16	13.65
US Dollar	1.57	1.55	1.43	1.43
Israeli Shekel	7.43	7.41	6.77	6.19
Australian Dollar	2.62	2.75	2.67	2.78

Source: Reuters and Oanda.com

These rates are indicative only and are not necessarily the rates at which the relevant currencies were converted into Pounds Sterling for the purposes of preparation of the group's consolidated financial statements.

Fluctuations in interest rates may adversely affect Investec

The shape of the yield curve, the time lag between changes in interest rates applicable to assets and liabilities, and the volatility of interest rates in each of Investec's principal geographic markets can affect its net interest income by either positively or negatively affecting the spread between interest paid and interest earned. As a matter of policy, the group does not take on unhedged, long-dated interest rate positions. Sharply rising interest rates can also result in a higher number of defaults, as an increasing number of existing variable rate borrowers cannot service their obligations. This can lead to higher bad debt charges and provisions.

The following table sets out certain interest rates affecting the group's businesses as at 31 March 2003 and 2002:

	31 March 2003		31 March 2002	
	Period End	**Average**	**Period End**	**Average**
South African Prime Overdraft	17.00	16.33	15.00	13.71
JIBAR - 3 month	13.42	12.56	11.03	9.92
UK Clearing Banks Base Rate	3.75	3.96	4.00	4.67
LIBOR - 3 month	2.52	3.15	3.97	4.57

Source: INET Bridge.

Basis of preparation of the consolidated financial statements; changes in group composition

Investec's consolidated financial statements, from which the financial information discussed below has been extracted, have been prepared in accordance with UK GAAP. Investec has fully consolidated the financial statements of all subsidiary companies in which it holds more than one-half of the voting rights or over which it exercises control. Majority interests in companies acquired are consolidated from the date of acquisition. Companies in which Investec owns between 20% and 50% of the outstanding voting stock are accounted for using the equity method of accounting except where Investec does not exercise significant influence. The minority interests of owners of shares in Investec's non-wholly owned subsidiaries have been reflected in the group's consolidated financial statements.

The acquisition of interests in the businesses discussed below was accounted for using acquisition accounting. The financial performance of these acquisitions has had a significant effect on the comparability of Investec's results from period to period and is an important factor in interpreting its results. Unless otherwise indicated, the results of operations of the businesses acquired were consolidated into Investec's financial results as of the date of acquisition.

Acquisitions of financial services companies usually result in a significant amount of goodwill arising on the balance sheet of the acquiror. Accordingly, the goodwill that has arisen on the acquisitions made by Investec over the four years ended 31 March 2003 is significant (a four year period is used as this is the period over which the group has had to record its results in UK GAAP). It is Investec's policy to amortise goodwill over its estimated useful economic life. The goodwill write-off period for the acquisitions described below is between three and ten years.

- In May 1999, Investec acquired certain assets and 100% of the issued share capital of some of the subsidiary companies of Gandon Capital Markets Ltd, WIL Management Services Ltd & GE Capital Woodchester Bank Ltd for a total consideration of £18.6 million. The excess of cost over estimated fair value of the assets acquired, totalling £18.5 million, was recorded as goodwill.
- In June 1999, Investec acquired for £6.5 million the Johannesburg retail division of HSBC Simpson McKie (Pty) Ltd. The excess of cost over estimated fair value of the assets acquired, totalling £6.5 million, was recorded as goodwill. This operation was merged into the operations of Investec Securities Limited's private client stockbroking business.
- In September 1999, Investec acquired the private banking business of Kleinwort Benson in the UK and certain trade and assets of Royce Investment Group Inc. in the US for £9.7 million and £4.3 million, respectively. The excess of cost over estimated fair value of the assets acquired, totalling £9.7 million and £3.0 million, respectively, was recorded as goodwill. Kleinwort Benson's business was merged into Investec's UK private banking operations, and Royce's business was merged into the private client stockbroking operations of Investec Ernst & Co. in the US.
- In August 2000, Investec increased its interest in Securities Investment Bank Holdings (SIBH), a South African holding company from 25.1% to 100%. Its assets comprised a 100% interest in Securities Investment Bank (SIB), a financial markets and instruments trading bank, and a portfolio of private equity and direct investments. The aggregate purchase price was £45.0 million, in respect of which £20.0 million was recorded as negative goodwill. The goodwill of £3.6 million relating to the previous investment in SIBH was transferred from interests in associated undertakings. SIBH was

consolidated into the group's financial statements, with the results of SIB incorporated into the Treasury and Specialised Finance division and the income generated by the remaining assets of SIBH reflected in the Investment Banking division. SIB ceased operating during the 2003 financial year and the remaining negative goodwill of £5.8 million was released to income.

- In December 2000, Investec acquired a 100% interest in the international trust companies, Radcliffes Trustee Company SA (Radcliffes) and Theodore Holdings Limited (Theodore), for aggregate consideration of £25.4 million, of which £23.0 million was recorded as goodwill. The results of these subsidiaries are reflected in Investec's UK private banking business. The downturn of the European economy necessitated an impairment of goodwill, in the current year, of £4.4 million relating to Radcliffes.
- In March 2001, Investec acquired a 100% interest in Wentworth Associates Pty Limited, an Australian corporate finance boutique, for £24.5 million, of which £23.5 million was recorded as goodwill.
- In June 2001, Investec acquired 100% of the issued ordinary share capital of Fedsure Investments (Pty) Ltd and Fedsure International (Pty) Ltd for a total consideration of £373.0 million. The excess of cost over estimated fair value of the assets acquired, totalling £289.3 million, was recorded as goodwill, of which £41.7 million was written off as impairment of goodwill for the year ended 31 March 2002 and £45.2 million for the year ended 31 March 2003. The assets of this business were allocated to Investec's assurance business, as well as its property and traded endowments businesses.
- In June 2001, Investec acquired a 100% interest in PMG Group, a Pennsylvania based investment bank, and its subsidiaries. The total consideration was £22.7 million of which £15.5 million was recorded as goodwill. This business has subsequently been wound down. Further information is provided on pages 12 and 13.
- In October 2001, Investec purchased a 100% interest in European Capital Company Ltd. for total consideration of £2.6 million, which resulted in goodwill of £1.8 million. This project finance advisory and arranging business is reflected in the Treasury and Specialised Finance division.
- In February 2002, Investec acquired a 100%. interest in Chronworth (Pty) Limited, an Australian corporate finance business, for total consideration of £1.8 million. Goodwill of £1.8 million was recognised.

As a consequence of the foregoing and in light of Investec's strategy to seek to grow its operations in part through the acquisition of complementary businesses, intangible fixed assets and amortisation of goodwill could increase in future periods. Due to the fact that Investec has integrated the operations of its critical mass enhancing acquisitions into its existing businesses, it is not possible to distinguish between organic and acquired growth over the various reporting periods.

Accounting policies

The reported results of the group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its consolidated financial statements. The accounting policies used in the preparation of the consolidated financial statements are set out in the notes to the consolidated financial statements. UK accounting standards require the directors, in preparing these accounts, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent.

Where UK GAAP allows a choice of policy, Financial Reporting Standard 18 "Accounting Policies" requires the group to adopt those policies judged to be most appropriate to its particular circumstances for the purpose of giving a true and fair view. The judgements and uncertainties involved in the group's accounting policies that are most important to the portrayal of its financial condition are discussed below.

Recoverability of loans and investments

Where management perceives that there is a significant risk that Investec will not receive full repayment of the amounts advanced to clients or recover the original cost of investments in debt or equity securities, provisions are made in the financial statements to reduce the carrying value of loans and advances and investments to the amount expected to be recovered.

As at 31 March 2003, Investec held provisions for bad and doubtful debts of £83.0 million against total core loans and advances to customers of £4,006 million. These provisions were determined through a combination of specific reviews and management estimates. Certain aspects of this process require material judgemental evaluations, such as the amounts and timing of future cash flows and the assessment of the value of collateral held (such as guarantees), which may be susceptible to significant variation and prevailing economic conditions. Investec considers that the provisions for bad and doubtful debts, debt securities and equity shares at 31 March 2003 were adequate based on information available at that time. However, amendments to the provisions may be required in the future as a result of changes in collateral values or in the timing and amounts of cash flows, or other economic events.

Goodwill

As discussed above, Investec has made a number of acquisitions over the past few years. Goodwill arising on these acquisitions is reviewed annually.

The goodwill arising on the acquisition of businesses from Fedsure Holdings by Investec in June 2001 is being amortised over eight years, its estimated useful economic life. The goodwill is subject to an annual impairment review, evaluated by comparing the present value of future cash flows (the value-in-use) to the carrying value of the underling net assets. In the event that the carrying value of the net assets exceeds the value-in-use, an impairment is deemed to have occurred resulting in a charge being made to the profit and loss account. During the most recent impairment review conducted by Investec for the 2003 financial year, goodwill arising on the acquisition of the businesses from Fedsure Holdings was deemed to have been impaired, which has resulted in a charge to the profit and loss account of £45.2 million for the year ended 31 March 2003. Any future adverse changes in the performance of the businesses acquired from Fedsure Holdings, or other businesses acquired by the group, affecting the amount and timing of future cash flows, or changes in the economic environment, may lead to related goodwill becoming further impaired in future periods.

Furthermore, during the current year, the group changed its policy for the translation of intangible assets in respect of foreign entities. Intangible assets are now translated at the closing exchange rate instead of the exchange rate at the date of acquisition. This change accords with both UK GAAP and SA GAAP. As a recent exposure draft issued by the International Accounting Standards Board proposes to make this treatment mandatory, the group considers it appropriate to change the policy in the current period. The *effect in SA GAAP of this change is an increase in goodwill as at 31 March 2002 of R1.5 billion.* The effect in UK GAAP of this change in policy is a decrease in goodwill as at 31 March 2002 of £66.3 million. The difference in each case has been taken directly to foreign currency translation reserves, resulting in a corresponding increase (in SA GAAP)/decrease (in UK GAAP) in ordinary shareholders' funds as at 31 March 2002.There is no effect on the tangible net asset value of the group.

Embedded value

Investec accounts for the value of the shareholders' interest in the long-term assurance business using the embedded value basis of accounting, which is in accordance with UK GAAP for banking groups owning life assurance operations. The embedded value can be affected by assumptions over investment returns, lapse rates, mortality rates, investment expenses, basis of calculation and timing of other net cash flows, principally annual management charges and other fees levied upon the policyholders, which are reflected in the profit and loss account using smoothed fund values. To the extent that actual experience is different from that assumed, the effect is recognised in the profit and loss account for the relevant period. The effect of changes in the underlying assumptions and variations between actual and assumed experience on the results of the current and prior periods and the embedded value of the business are disclosed on pages 267 and 268.

Transfers between investment and dealing portfolios

Investment securities, which are intended for use on a continuing basis in the activities of Investec, are carried in the accounts at cost, less provision for any permanent diminution in value. Securities held for dealing or market making purposes are valued at market price, or in the case of unquoted securities, at management's estimate of market value.

Although investment securities are held for continuing use in the business, Investec may on occasions dispose of certain of these securities. The incidence of profits arising from such securities will therefore depend on the timing of their disposal.

In rare circumstances, Investec may alter the purpose for which securities are held, subject to board approval, reclassifying them from an investment portfolio to a dealing portfolio or vice versa. Transfers on reclassification are effected at market value and consequently transfers from investment to dealing portfolios will in general give rise to a profit or a loss. The effect on the profit and loss account of transfers between investment securities and dealing securities portfolios is disclosed on page 259. Changes in the purpose for which securities positions are held could give rise to further reclassifications between debt and equity securities which could result in changes in reported financial results.

Fair value

Securities and derivatives held by Investec for trading purposes are carried at fair value. Investec reflects changes in these values in the profit and loss account. Fair values are based on quoted market prices for their components using appropriate pricing models. Where Investec's position is of such a size that the price obtainable would be materially different from the quoted price, Investec adjusts the quoted price based on management's estimate of the price that Investec would realise from the holding in current market conditions.

Where instruments such as over-the-counter derivatives are valued using pricing models, the value of the instrument and changes in that value are determined by the model and its underlying assumptions. The use of different models or other assumptions could result in changes in reported financial results.

Share options

In June 2002, Investec issued 6 700 000 options to staff at a strike price of R164.50 per share and 770 612 options at a strike price of R170 per share. These options have vesting periods varying between 6 months and 5 years. In December 2002, Investec issued 2 000 000 options to staff at a strike price of R111.32 and 1 200 000 options at a strike price of £7.93. The Rand options vest in tranches over 5 years and the Pound options vest in tranches over 9 years.

Future accounting standards are likely to require that options are valued at the date of issue and expensed over the period that employees become entitled to them. Had Investec applied this treatment to the options issued during the current period, reported earnings would have decreased by £4 million (R60 million) in respect of the June options and £320 000 (R4 million) in respect of the December options.

These charges have been calculated using a Black-Scholes model with an average implied volatility for the Investec share price of 43%, independently projected dividends, and a risk free rate appropriate to the period of the option. The fair value of the options granted has been adjusted to take into account the expected future staff turnover rates and the vesting periods, as will be required by future accounting standards.

Restatements

Investec's accounting policy is to show trading profits net of the funding costs of the underlying positions. During the year the group conducted a thorough evaluation of the funding costs of trading desks as a result of which interest charges were reallocated between trading and funding desks within the Treasury and Specialised Finance division. Comparative figures have been restated to be consistent with this.

Salient features of the group's results in the year under review - incorporating performance vs objectives

Profit and loss account analysis

Total operating income

The following table sets out certain information on Investec's total operating income by geography for the period under review:

UK GAAP £'000	31 March 2003	% of total income	31 March 2002	% of total income	year on year % change
South Africa and Other	217 488	42.7%	235 110	38.0%	(7.5%)
UK and Europe	219 948	43.1%	271 986	44.0%	(19.1%)
Australia	18 053	3.5%	12 990	2.1%	39.0%
Israel	20 485	4.0%	22 958	3.7%	(10.8%)
USA	5 388	1.1%	17 721	2.8%	(69.6%)
Discontinued Operations	28 587	5.6%	57 906	9.4%	(50.6%)
Total operating income	**509 949**	**100.0%**	**618 671**	**100.0%**	**(17.6%)**

The following table sets out certain information on Investec's total operating income by division for the period under review:

UK GAAP £'000	31 March 2003	% of total income	31 March 2002	% of total income	year on year % change
Private Client Activities	171 222	33.6%	171 394	27.7%	(0.1%)
Treasury and Specialised Finance	92 292	18.1%	107 820	17.4%	(14.4%)
Investment Banking	64 184	12.6%	104 746	16.9%	(38.7%)
Asset Management and Assurance	117 485	23.0%	119 744	19.4%	(1.9%)
Group Services and *Other Activities*	36 179	7.1%	57 061	9.2%	(36.6%)
Discontinued Operations	28 587	5.6%	57 906	9.4%	(50.6%)
Total operating income	**509 949**	**100.0%**	**618 671**	**100.0%**	**(17.6%)**

Total operating income declined by 17.6% from £618.7 million for the year ended 31 March 2002 to £509.9 million for the year ended 31 March 2003. The various components of Investec's total operating income are analysed below. In completing this analysis, commentary is only provided on the group's continuing operations as the decline in the earnings of the discontinued operations, in all cases, is obviously reflective of the winding down and closing down of those businesses in the US. Further information on the discontinued operations, is provided in the geographical analysis provided on page 12 and 13.

UK GAAP £'000	31 March 2003	% of total income	31 March 2002	% of total income	year on year % change
Net interest income	131 466	25.8%	163 830	26.5%	(19.8%)
Dividend income	3 597	0.7%	2 081	0.3%	72.8%
Fees and commissions receivable	276 607	54.2%	341 247	55.2%	(18.9%)
- Annuity (net of fees payable)	232 014	45.5%	261 174	42.2%	(11.2%)
- Deal	44 593	8.7%	80 073	13.0%	(44.3%)
Dealing profits	45 231	8.9%	49 485	8.0%	(8.6%)
Income from long-term assurance business	27 779	5.4%	31 079	5.0%	(10.6%)
Other operating income	25 269	5.0%	30 949	5.0%	(18.4%)
Total operating income	**509 949**	**100.0%**	**618 671**	**100.0%**	**(17.6%)**

Net interest income

Net interest income represents interest earned net of interest paid in connection with Investec's portfolio of bank accounts, deposits, loans and financial structured products. Net interest income declined by 19.8% to £131.5 million.

The following table sets out Investec's net interest income by division for the period under review:

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Private Client Activities	70 817	71 524	(707)	(1.0%)
Treasury and Specialised Finance	31 892	57 237	(25 345)	(44.3%)
Investment Banking	4 992	3 207	1 785	55.7%
Asset Management	5 376	3 466	1 910	55.1%
Group Services and Other Activities	14 330	15 595	(1 265)	(8.1%)
Discontinued Operations	4 059	12 801	(8 742)	(68.3%)
Net interest income	**131 466**	**163 830**	**(32 364)**	**(19.8%)**

Significant variances over the period can be explained as follows:

- The Private Banking businesses' net interest income dropped slightly notwithstanding healthy growth in advances of 24.6% and 17.0% in South Africa and the UK respectively, largely due to the depreciation of the average Rand/Pound Sterling exchange rate masking the underlying growth in South Africa.
- The Treasury and Specialised Finance division experienced a significant decline in net interest income largely as a result of the winding down of the interest rate business in the UK and the depreciation of the average Rand/Pound Sterling exchange rate over the period.

Net fees and commissions receivable

Net fees and commissions receivable consists of fees receivable for the provision of fund management, investment advice, banking services, retainers, institutional stockbroking commissions and brokerage, and similar items that are likely to recur due to the repetitive nature of these activities (i.e. "fees and commissions receivable - annuity income"), plus facility arrangement fees, corporate finance fees and similar items that are transactional in nature and therefore generate more volatile income streams (i.e. "fees and commissions receivable - deal income"), offset by fees and commissions payable which predominantly comprise brokerage payable, banking fees and other similar charges (i.e. "fees and commissions payable").

Net fees and commissions receivable declined by 18.9% from £341.2 million for the year ended 31 March 2002 to £276.6 million for the year ended 31 March 2003.

The following table sets out Investec's net fees and commissions receivable by division for the period under review:

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Private Client Activities	94 816	92 467	2 349	2.5%
Treasury and Specialised Finance	24 491	19 960	4 531	22.7%
Investment Banking	36 141	69 361	(33 220)	(47.9%)
Asset Management	83 592	83 780	(188)	(0.2%)
Group Services and Other Activities	11 084	23 253	(12 169)	(52.3%)
Discontinued Operations	26 483	52 426	(25 943)	(49.5%)
Net fees and commissions receivable	**276 607**	**341 247**	**(64 640)**	**(18.9%)**

Significant variances over the period can be explained as follows:

- The Private Client Portfolio Management and Stockbroking businesses have continued to be negatively impacted by the fall off in the markets over the past year. On the other hand, the Private Banking businesses experienced a solid increase in annuity fees and commissions as a result of increased lending turnover in all operations.
- The Treasury and Specialised Finance division experienced a solid growth in deal fees. The Financial Products division in South Africa earned increased fees from an improved performance in scrip *lending and increased activity in the debt origination market. Furthermore, Structured Finance* enjoyed an increase in fees. In the UK, the division enjoyed a strong performance from the three relatively new banking teams: Project Finance (December 2001), Structured Finance (July 2002) and Financial Products.
- Difficult market conditions continued to impact the Investment Banking division, particularly in the UK, where deal fees and commissions fell by £32.5 million. In South Africa, deal fees and commissions declined marginally with the Corporate Finance division concluding 55 corporate finance deals in comparison to 65 in the previous year.
- The Group Services and Other businesses were negatively affected by the poor performance of the US operations and the subsequent sale of the clearing and execution business to Fiserv.

Dealing profits (trading income)

Dealing profits comprise trading income and the marking-to-market of interest rate instruments, equities and other securities such as foreign exchange instruments, and profit on the disposal of dealing properties and, as a result of the acquisition of Fedsure in June 2001, traded endowments. Debt securities and equity shares held for trading purposes are revalued at each balance sheet date and the change in value is recognised as a charge or a profit under dealing profits.

Dealing profits decreased by 8.6% to £45.2 million for the year ended 31 March 2003.

The following table sets out Investec's dealing profits by division for the period under review:

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Private Client Activities	5 068	3 215	1 853	57.6%
Treasury and Specialised Finance	35 454	28 853	6 601	22.9%
Investment Banking	8 789	7 660	1 129	14.7%
Asset Management	722	1 672	(950)	(56.8%)
Group Services and Other Activities	(3 841)	15 266	(19 107)	>(100%)
Discontinued Operations	(961)	(7 181)	6 220	86.6%
Dealing profits	**45 231**	**49 485**	**(4 254)**	**(8.6%)**

Significant variances over the period can be explained as follows:

- The Trading Activities of the Treasury and Specialised Finance division in South Africa had a successful year with the majority of the desks contributing to the overall performance. There was a significant improvement from the Forex, Interest Rate and Equity Derivatives desks in comparison to the previous year. These results were partially offset by a decline in profitability of the Commodities desk.
- In the UK there was a decline in income earned from the Treasury and Specialised Finance Trading Activities, in particular the Commodities desk. Furthermore, the winding down of the Interest Rate business also negatively impacted these results.
- In the Investment Banking division the increase in mark-to-market adjustments in the South African Private Equity division of around £2 million (year on year) was offset by a decline in UK market making revenues of over 80% in comparison to the prior year.
- In the Group Services and Other businesses, the Traded Endowments business was the largest contributing factor to the decline in dealing profits (approximately £11 million), with the division's results negatively impacted by a fall off in business activity and bonus rates cuts announced by life insurance companies. Furthermore, the closure and winding down of the operations in the US had a negative impact on these results.

Income from long-term assurance business

Income from long-term assurance business was £27.8 million for the year ended 31 March 2003 (2002: £31.1 million), and reflected the profits of the group's South African assurance business that was acquired in connection with Investec's purchase of Fedsure on 1 June 2001. These profits are reflected in the results of the Asset Management division.

Operational earnings increased significantly from £15.5 million for the year ended 31 March 2002 to £51.7 million for the year ended 31 March 2003. These results were largely attributable to further restructuring of the business and its investment portfolios particularly in the first half of the year. However, since embedded value accounting is applied, the net movement in the value of in-force business is accounted for in the profit and loss account, with the result that the current year's operational earnings were offset by a negative adjustment of £23.9 million, compared to a positive movement of £15.6 million in the prior year.

In the second half of the year the group concluded a deal with Liberty Group Limited (Liberty) whereby certain of the liabilities of the retirement fund administration business and the existing disability claimants business were reinsured with Liberty with effect from 31 March 2003 (the deal is subject to approval by the Competition Commission). As a result of the actuarial reassessment of policyholder liabilities and the value of in-force business at the year end, the effect of the deal with Liberty was to generate a profit of approximately £11 million, included in the operational earnings mentioned above, offset by a reduction in the value of in-force business of approximately £7 million, and the net effect has been recognised in the current period. The group believes that the profits reported during the current year are not sustainable.

Other operating income (investment income)

Other operating income declined by 18.4% from £30.9 million for the year ended 31 March 2002 to £25.3 million for the year ended 31 March 2003.

The following table sets out Investec's other operating income by division for the period under review:

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Private Client Activities	521	4 127	(3 606)	(87.4%)
Treasury and Specialised Finance	341	1 682	(1 341)	(79.7%)
Investment Banking	12 654	22 914	(10 260)	(44.8%)
Asset Management	16	(312)	328	>100%
Group Services and Other Activities	12 731	2 678	10 053	>100%
Discontinued Operations	(994)	(140)	(854)	>(100)%
Other operating income	**25 269**	**30 949**	**(5 680)**	**(18.4%)**

Significant variances over the period can be explained as follows:

- The decline in other operating income in the Private Client Activities division can be attributed to the profit made on the disposal of Carr Sheppards Crosthwaite's shareholding in the London Stock Exchange in the prior year (around £4 million), which was not repeated in 2003.
- The Investment Banking division experienced a decline in other operating income largely as a result of the approximate net £15 million profit made on the disposal of investments after taking into account impairments, in the previous year. This negative variance was offset by a strong performance from the UK Private Equity division which benefited from the realisation of the partial disposal of one of its investments amounting to approximately £9 million.
- The Group Services and Other Activities division benefited from an increased return on an investment portfolio originally acquired from Investec Employee Benefits and on other long-standing investments. The total increased return amounted to approximately £10 million.

Total annuity type income

Investec defines annuity income as net interest income and net fees and commissions receivable - annuity income. Annuity income as a percentage of total income increased from 68.7% to 71.3% for the year ended 31 March 2003.

Performance

Annuity income as a % of total income

UK GAAP

2000	69.6%
2001	74.5%
2002	68.7%
2003	71.3%

Objective

The extreme volatility experienced in international markets highlights the importance of the group's diverse portfolio of integrated businesses and profit streams. The group aims to increase its focus on its annuity income base, thereby increasing the stability of its earnings.

Investec has set itself a target of 75% annuity/recurring income as a percentage of earnings. While the group strives to achieve this target, it still seeks to maximise its non-annuity income which will be driven by transactional flow and financial market volatility. Consequently, in years of market buoyancy, this ratio could drop to below 70%.

Administrative expenses

Administrative expenses consist primarily of personnel costs (including wages and salaries, social security and similar pension related costs), business and equipment expenses, and premises and marketing costs. Administrative expenses declined by 8.4% from £428.5 million in 2002 to £392.5 million in 2003.

UK GAAP £'000	31 March 2003	% of total expenses	31 March 2002	% of total expenses	year on year % change
Personnel costs	(257 123)	65.5%	(275 231)	64.2%	6.6%
Business expenses	(74 628)	19.0%	(79 717)	18.6%	6.4%
Equipment (excluding depreciation)	(25 569)	6.5%	(31 980)	7.5%	20.0%
Premises (excluding depreciation)	(22 303)	5.7%	(25 855)	6.0%	13.7%
Marketing costs	(12 843)	3.3%	(15 727)	3.7%	18.3%
Total administrative expenses	**(392 466)**	**100.0%**	**(428 510)**	**100.0%**	**8.4%**

Included in the numbers in the table above, for the year ended 31 March 2003, is £44.3 million in costs relating to the discontinued operations, broken down as follows: personnel costs £24.0 million; business expenses £11.4 million; equipment expenses £5.7 million; premises costs £3 million; marketing costs £0.2 million.

The following table sets out certain information on Investec's administrative expenses by geography for the period under review:

UK GAAP £'000	31 March 2003	% of total expenses	31 March 2002	% of total expenses	year on year % change
South Africa and Other	(130 863)	33.4%	(130 710)	30.5%	(0.1%)
UK and Europe	(187 767)	47.8%	(202 893)	47.3%	7.5%
Australia	(11 449)	2.9%	(10 435)	2.4%	(9.7%)
Israel	(14 525)	3.7%	(12 405)	2.9%	(17.1%)
USA	(3 550)	0.9%	(14 442)	3.4%	75.4%
Discontinued Operations	(44 312)	11.3%	(57 625)	13.5%	23.1%
Total administrative expenses	**(392 466)**	**100.0%**	**(428 510)**	**100.0%**	**8.4%**

The following table sets out information on Investec's administrative expenses by division for the period under review:

UK GAAP £'000	31 March 2003	% of total expenses	31 March 2002	% of total expenses	year on year % change
Private Client Activities	(113 865)	29.0%	(115 633)	27.0%	1.5%
Treasury and Specialised Finance	(58 824)	15.0%	(52 292)	12.2%	(12.5%)
Investment Banking	(45 394)	11.6%	(56 969)	13.3%	20.3%
Asset Management	(69 182)	17.6%	(66 585)	15.5%	(3.9%)
Group Services and Other Activities	(60 889)	15.5%	(79 406)	18.5%	23.3%
Discontinued Operations	(44 312)	11.3%	(57 625)	13.5%	23.1%
Total administrative expenses	**(392 466)**	**100.0%**	**(428 510)**	**100.0%**	**8.4%**

Specifically the variance in administrative expenses can be explained as follows:

- The Private Banking divisions experienced an increase in expenses largely as a result of increased headcount and an increase in incentive-based remuneration in line with strong growth in profitability.
- On the contrary, Carr Sheppards Crosthwaite and the UK Investment Banking division's costs *declined significantly, largely as a result of a sharp decline in incentive-based remuneration given* declining profitability. The decline in personnel expenses was around £6 million and £11 million respectively.
- The large decline in expenses in the Group Services and Other Activities businesses can be attributed to the winding down of the US business and the subsequent sale of the clearing and execution business to Fiserv.

Performance

Cost to income ratio by geography

UK GAAP	2003	2002
South Africa & Other	62.6%	58.2%
UK & Europe	88.2%	77.4%
Australia	64.5%	82.5%
Israel	76.4%	57.9%
USA	79.8%	89.1%
Total group	79.8%	72.0%

Objective

The cost to income ratio is still considered to be high against group objectives. This has largely been as a result of international expansion without full scale being realised and declining revenues in certain of the group's businesses. A strong emphasis on cost containment has been entrenched in the operational philosophies of both business and central units. Investec has set itself the following targets over the medium to long-term: SA cost to income ratio: 50% Non-SA cost to income ratio: 65%

Notwithstanding this nominal value decrease in administrative expenses, the ratio of operating expenses to total operating income increased from 72.0% to 79.8%. The increase in the ratio is largely attributable to the reduced revenues in the group's equity related activities, particularly the Investment Banking division.

The cost to income ratio in South Africa increased from 58.2% to 62.6%, negatively impacted by the poor performance of the Traded Endowments operations. The cost to income ratio for the non-South African businesses increased from 80.4% to 92.6%.

Provision for bad and doubtful debts

Provision for bad and doubtful debts charged in the profit and loss account increased by 24.8% to £18.3 million largely as a result of increased provisions in the Private Banking operations and the additional provisioning of approximately £2 million made by the Treasury and Specialised Finance division in South Africa.

The percentage of gross non-performing loans to core loans and advances increased from 1.2% last year to 1.5%. Notwithstanding, total provision coverage of non-performing loans remains conservative both on a gross and net basis with the relevant percentages being 136.8% and 337.4% respectively. In addition, the group's general provision coverage as a percentage of net loans and advances increased from 1.1% to 1.3%. Further information on the group's asset quality is provided in the Risk Management Section on pages 125 to 157.

Performance		Objective
Total provisions as a % of gross non-performing loans		
UK GAAP		Setting a target in this area is susceptible to economic and market conditions. The group, however, strives to achieve a minimum coverage of 100% of gross non-performing loans.
2000	117.3%	
2001	134.1%	
2002	168.5%	In addition, a minimum percentage of 1% of general provisions to total loans and advances is targeted.
2003	136.7%	

Operating profit before taxation, amortisation of goodwill and exceptional items

As a result of the foregoing factors, Investec's operating profit before taxation, amortisation of goodwill and exceptional items decreased by 46.5% from £158.6 million in 2002 to £84.8 million in 2003.

The following table sets out information on Investec's operating profit before taxation, amortisation of goodwill and exceptional items by geography for the period under review:

UK GAAP £'000	31 March 2003	% of total	31 March 2002	% of total	year on year % change
South Africa and Other	68 543	80.9%	81 797	51.6%	(16.2%)
UK and Europe	22 326	26.3%	64 770	40.8%	(65.5%)
Australia	5 976	7.1%	1 232	0.8%	>100%
Israel	3 496	4.1%	9 129	5.8%	(61.7%)
USA	1 086	1.3%	1 934	1.2%	(43.8%)
Discontinued Operations	(16 669)	(19.7%)	(295)	(0.2%)	>(100%)
Total	**84 758**	**100.0%**	**158 567**	**100.0%**	**(46.5%)**

The following table sets out information on Investec's operating profit before taxation, amortisation of goodwill and exceptional items by division for the period under review:

UK GAAP £'000	31 March 2003	% of total	31 March 2002	% of total	year on year % change
Private Client Activities	40 911	48.3%	42 489	26.8%	(3.7%)
Treasury and Specialised Finance	27 951	33.0%	51 784	32.7%	(46.0%)
Investment Banking	17 294	20.4%	46 293	29.2%	(62.6%)
Asset Management	19 479	23.0%	20 911	13.2%	(6.8%)
Assurance Activities	27 779	32.8%	31 079	19.6%	(10.6%)
Group Services and Other Activities	(31 987)	(37.8%)	(33 694)	(21.3%)	5.1%
Discontinued Operations	(16 669)	(19.7%)	(295)	(0.2%)	>(100%)
Total	**84 758**	**100.0%**	**158 567**	**100.0%**	**(46.5%)**

The following table sets out further information on Investec's operating profit before amortisation of goodwill and exceptional items by division for the period under review:

UK GAAP £'000	31 March 2003	2H2003	1H2003	31 March 2002
Private Client Activities				
Private Banking	34 637	18 078	16 559	26 869
Private Client Portfolio Management and Stockbroking	6 274	2 939	3 335	15 620
	40 911	**21 017**	**19 894**	**42 489**
Treasury and Specialised Finance				
Banking Activities	27 409	16 543	10 866	39 661
Financial Market Activities	542	(7 191)	7 733	12 123
	27 951	**9 352**	**18 599**	**51 784**
Investment Banking				
Corporate Finance	(2 039)	(3 892)	1 853	16 021
Institutional Research and Sales and Trading	2 597	2 631	(34)	9 637
Direct Investments	4 604	4 593	11	9 223
Private Equity	12 132	11 999	133	11 412
	17 294	**15 331**	**1 963**	**46 293**
Asset Management				
Asset Management	19 479	9 091	10 388	20 911
Assurance Activities	27 779	9 050	18 729	31 079
	47 258	**18 141**	**29 117**	**51 990**
Group Services and Other Activities				
International Trade Finance	1 123	429	694	2 425
Property Worldwide	5 986	3 034	2 952	5 782
US continuing operations	1 041	1 813	(772)	2 054
UK Traded Endowments	(8 945)	(6 601)	(2 344)	2 531
	(795)	**(1 325)**	**530**	**12 792**
Central Funding	6 279	6 455	(176)	(7 356)
Central Costs	(37 471)	(20 676)	(16 795)	(39 130)
	(31 987)	**(15 546)**	**(16 441)**	**(33 694)**
Discontinued Operations*	(16 669)	(12 080)	(4 589)	(295)
Total group	**84 758**	**36 215**	**48 543**	**158 567**

* In September 2002, the losses on private client stockbroking were shown as exceptional items i.e. the £4.6 million relates only to Investec Inc. (corporate finance activities)

The following table sets out information on Investec's operating profit before taxation, amortisation of goodwill and exceptional items by business and geography for the year ended 31 March 2003:

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Private Client Activities	14 473	23 273	1 700	1 465	–	–	40 911
Treasury and Specialised Finance	31 411	(2 850)	(728)	118	–	–	27 951
Investment Banking	5 871	6 915	2 711	1 797	–	–	17 294
Asset Management	17 715	1 646	–	118	–	–	19 479
Assurance Activities	27 779	–	–	–	–	–	27 779
Group Services and Other Activities	(28 706)	(6 658)	2 293	(2)	1 086	–	(31 987)
Discontinued Operations	–	–	–	–	–	(16 669)	(16 669)
Total group	*68 543*	*22 326*	*5 976*	*3 496*	*1 086*	*(16 669)*	*84 758*

The following table sets out information on Investec's operating profit before taxation, amortisation of goodwill and exceptional items by business and geography for the year ended 31 March 2002:

UK GAAP £'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Private Client Activities	12 832	28 485	(2 655)	3 827	–	–	42 489
Treasury and Specialised Finance	40 466	9 726	1 273	319	–	–	51 784
Investment Banking	18 567	20 255	2 724	4 747	–	–	46 293
Asset Management	18 154	2 439	–	318	–	–	20 911
Assurance Activities	31 079	–	–	–	–	–	31 079
Group Services and Other Activities	(39 301)	3 865	(110)	(82)	1 934	–	(33 694)
Discontinued Operations	–	–	–	–	–	(295)	(295)
Total group	**81 797**	**64 770**	**1 232**	**9 129**	**1 934**	**(295)**	**158 567**

A detailed description of the performance of the group's principal divisions as well as its Group Services and Other Activities division can be found on pages 78 to 124. Furthermore, a detailed description of the performance of the group in the various geographies in which it operates can be found on pages 12 to 15.

Goodwill amortisation and impairments

The charge for amortisation and impairment of goodwill (excluding exceptional items) increased by 24.2% from £98.4 million to £122.3 million, of which £116.6 million relates to continuing operations. Included in this amount is £45.2 million relating to additional impairments on the businesses acquired through the Fedsure acquisition, which was funded by the issue of shares at approximately £20 per share. Furthermore, included in the total goodwill amortisation charge were impairments of £4.4 million relating to certain other group businesses in Europe.

The following table sets out information on Investec's amortisation and impairment of goodwill by geography for the period under review:

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Southern Africa	(87 392)	(65 394)	(21 998)	(33.6%)
UK and Europe	(23 979)	(18 769)	(5 210)	(27.8%)
Australia	(5 195)	(4 879)	(316)	(6.5%)
Israel	(33)	(20)	(13)	(65.0%)
USA	–	(3 592)	3 592	>100%
Discontinued Operations	(5 703)	(5 781)	78	1.3%
Amortisation and impairment of goodwill	**(122 302)**	**(98 435)**	**(23 867)**	**(24.2%)**

Share of income of associated companies

The marked increase in associate income is attributable to the fact that the group's interest in its main associate, Capital Alliance Holdings Limited (CAL) was acquired in October 2001. An amount of £11.3 million (before amortisation of goodwill) has been accrued, representing Investec's share in CAL's estimated operating earnings for the twelve month period ended 31 March 2003.

Exceptional items

The following table sets out information on Investec's exceptional items for the period under review:

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Provision for losses on termination and disposal of group operations- discontinued	(9 437)	(7 056)	(2 381)	(33.7%)
Impairment of goodwill on discontinued operations	(19 047)	-	(19 047)	>(100%)
Profits on termination and disposal of group operations - continuing	5 800	1 363	4 437	>100%
Reorganisation and restructuring costs - continuing	(6 073)	(11 836)	5 763	48.7%
Exceptional items	**(28 757)**	**(17 529)**	**11 228**	**(64.1%)**

The exceptional items for the 2003 financial year, fall into four categories, namely:

- Losses on termination and disposal of the group's discontinued operations amounting to £9.4 million. The amount includes £19.7 million reflecting the write down of assets and closure costs (including settlement of legal action and contract terminations) and provisions for future costs to be incurred on the winding down of these businesses. This was partially offset by a net profit of £10.3 million on the disposals of certain of the businesses in the US (as discussed on page 12 and 13).
- Unamortised goodwill of £19.0 million written-off in respect of the discontinued operations.
- Negative goodwill released to income in relation to the termination of operations previously conducted by the group's 100% held subsidiary, Securities Investment Bank amounting to £5.8 million.
- Reorganisation and restructuring costs amounting to £6.1 million incurred in the group's continuing operations as a result of actions taken by the Board over the year to reduce operating costs. These expenses relate to the reduction in head count and allied costs over the year, plus additional costs incurred for restructuring initiatives largely undertaken in the following businesses: UK Investment Banking, UK Interest Rates business, Traded Endowments, UK Private Banking (shift of costs to South Africa).

Taxation

The taxation charge has decreased significantly to £5.4 million largely as a result of recoverable tax charges and deferred tax assets raised in the group's UK operations. The effective tax rate of the group's South African operations has also declined from 27.0% in the prior year to 14.5%, mainly as a result of losses brought forward in the long-term assurance business. Despite the losses made in the group's US operations a net charge of £6.2 million arose due to the write off of all deferred tax assets as a result of the group's reduced potential to generate sizeable profits in the continuing businesses which would absorb these tax losses.

The following table sets out information on Investec's taxation charge by geography for the period under review:

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
South Africa and Other	(9 967)	(22 101)	12 134	54.9%
UK and Europe	13 704	(8 014)	21 718	>100%
Australia	(2 452)	(413)	(2 039)	>(100%)
Israel	(427)	(3 524)	3 097	87.9%
USA	-	1 852	(1 852)	>(100%)
Discontinued Operations	(6 215)	3 660	(9 875)	>(100%)
Taxation	**(5 357)**	**(28 540)**	**23 183**	**81.2%**

Minority interest

Minority interest reflects that portion of Investec's operating profit after taxation that is contributed to the minority shareholders of its subsidiaries.

Loss/earnings attributable to ordinary shareholders

As a result of the foregoing factors, earnings attributable to ordinary shareholders declined from £15.6 million in 2002 to a loss of £63.6 million in 2003.

Earnings attributable to ordinary shareholders before amortisation of goodwill and exceptional items

Earnings attributable to ordinary shareholders before amortisation of goodwill and exceptional items declined by 30.5% from £127.6 million in 2002 to £88.7 million in 2003.

The following table sets out earnings attributable to ordinary shareholders before amortisation of goodwill and exceptional items for the period under review.

UK GAAP £'000	31 March 2003	31 March 2002
Loss/earnings attributable to ordinary shareholders	(64 019)	13 545
Amortisation and impairment of goodwill	122 302	98 435
Profit on termination and disposal of group operations	(5 800)	(1 363)
Provision for losses on termination and disposal of group operations (net of deferred tax)	9 437	(80)
Impairment of goodwill on discontinued operations	19 047	4 419
Amortisation of goodwill of associates	1 644	821
Reorganisation and restructuring costs - continuing	6 073	11 836
Earnings attributable to ordinary shareholders before amortisation of goodwill and exceptional items	**88 684**	**127 613**

Earnings and dividends per share

The following table sets out the relevant earnings per share (EPS) ratios and the dividends per share (DPS) for the period under review:

UK GAAP pence per share	31 March 2003	31 March 2002	% Change
EPS	(70.4)	14.8	>(100%)
Diluted EPS	(70.4)	13.9	>(100%)
EPS before amortisation of goodwill and exceptional items	97.6	139.8	(30.2%)
Headline EPS	90.9	126.8	(28.3%)
DPS - interm	26.0	25.9	0.4%
DPS - final	28.0	27.9	0.4%
Total ordinary DPS	**54.0**	**53.8**	**0.4%**

Further information in this regard can be found on pages 253 to 255.

Dividend policy	Objective
	Investec intends to maintain a dividend cover of between 1.7 and 2.3 times based on earnings per share before amortisation of goodwill and exceptional items, denominated in Pounds Sterling and prepared in accordance with UK GAAP. Interim and final dividends will be declared and proposed in accordance with the above policy.

The following table sets out a reconciliation of the number of shares in issue for EPS purposes:

UK GAAP	Transaction date	Actual (mn)	Weighted for EPS (mn)	Notes
As at 31 March 2002		92.2	92.2	Per 2002 Annual Report page 147.
Conversion of compulsorily convertible debentures	18 June 2002	9.5	–	Per circular to members dated 20 June 2002 refer to para 4.2 page 21. These shares are not included for EPS purposes as they do not rank for dividends.
Conversion of compulsorily *preference shares*	15 July 2002	2	1.4	Per circular to members *dated 20 June 2002 refer* to para 4.1.1 page 18.
Transfer of shares to the staff share scheme	18 July 2002	5.3	3.8	Per circular to members dated 20 June 2002 refer to para 4.3 page 21.
New issue in terms of global offering	29 July 2002	4	2.7	
Total number of shares in issue at 31 March 2003		**113**	**100.1**	
Less: weighted average number of own shares	various		(9.2)	
Number of shares in issue for EPS purposes as at 31 March 2003			**90.9**	

Balance sheet analysis

Capital resources

Total capital resources increased by 5.6% to £1.0 billion in 2003.

UK GAAP £'000	31 March 2003	31 March 2002
Subordinated liabilities (including convertible debt)	276 897	190 659
Minority interests - equity	38 804	33 473
Called up share capital	158	7 530
Share premium account	994 108	814 089
Shares to be issued	2 428	41 148
Revaluation reserves	29 160	11 202
Other reserves	(173 877)	(176 833)
Profit and loss account	(155 009)	37 166
Shareholders' funds	696 968	734 302
- Equity	696 968	691 201
- Non-equity	–	43 101
Capital resources	**1 012 669**	**958 434**

Shareholders' funds decreased by £37.3 million, primarily reflecting:- 1) Earnings before amortisation of *goodwill and exceptional items of £89.1 million 2) Goodwill and exceptional items of £152.7 million* and 3) Dividends of £53.4 million. This is offset by the net proceeds of share issues and cancellation of shares of £75.3 million which includes the fresh issue of shares as well as the conversion of all the instruments that took place at the time of implementing the DLC structure. The balance of the change relates to the revaluation of investment properties of £18.3 million and a currency translation loss of £13.9 million.

Consolidated statements of reconciliations of shareholders' funds and movements on reserves

UK GAAP £'000	31 March 2003	31 March 2002
Balance at the beginning of the year	734 302	578 885
- as previously reported	800 555	579 170
- prior year adjustment	(66 253)	(285)
Foreign currency adjustments	(13 870)	(69 737)
Retained loss for the period	(117 026)	(42 314)
Share issues/to be issued	112 588	391 526
Cancellation of shares	(5 079)	(134 655)
Conversions from debentures	1	343
Issue expenses	(32 213)	–
Revaluation of investment properties	18 265	10 254
Balance at end of the year	**696 968**	**734 302**

Loan capital increased by £86.2 million largely reflecting the raising of subordinated debt of £44.4 million towards the end of the financial period and the strengthening of the closing Rand/Pound Sterling exchange rate of 22%.

Net tangible value attributable to ordinary shareholders has increased from £349.4 million in 2002 to £397.2 million in 2003.

The group's return on average tangible net asset value declined from 37.2% to 23.8% and the return on average shareholders' funds inclusive of goodwill declined from 19.4% to 12.4%.

Investec plc and Investec Limited are adequately capitalised and exceed the minimum SARB capital adequacy ratio of 10%. The overall group capital adequacy applying SARB rules to the SA GAAP capital base is 12.6% (2002: 13.1%), on a pure accounting consolidated capital adequacy basis.

Total shareholders' funds and capital adequacy

Objective

Investec intends to maintain a sufficient level of capital to satisfy regulatory requirements, as well as take advantage of opportunities that may arise in the financial services industry, focusing on increasing the group's return on equity in the medium to long-term.

The group would like to maintain a capital adequacy ratio of between 13% and 15%.

Performance

Return on equity (ROE) and return on tangible net asset value (RONAV)

UK GAAP	ROE	RONAV
2000	16.9%	29.0%
2001	18.2%	31.6%
2002	19.4%	37.2%
2003	12.4%	23.8%

Objective

Investec's objective is to continue to focus on increasing the return on shareholders' funds (ROE), as opposed to nominal capital, through the efficient deployment of its capital base.

Investec has set itself the following targets over the medium to long-term:
Group ROE: 20% - 25%
South African ROE: 30% - 35%
Non-SA ROE: 15%-20%
Group RONAV: 30% - 35%

Net tangible asset value per share

In calculating net tangible asset value per share the group assumes that all previously issued Compulsory Convertible Debentures (CCD's) are treated as equity. Under UK GAAP however, a portion of these CCD's is treated as debt and not included in shareholders' funds. As a result, the group believes that certain adjustments should be made to the shareholder base which should more appropriately reflect their permanent capital nature. These adjustments are not required under SA GAAP as the full amount of the CCD's are treated as equity.

	UK GAAP	31 March 2003 (£'000)	31 March 2002 (£'000)	Notes
A	Shareholders' funds	696 968	734 302	Per the balance sheet.
B	Convertible debt included in subordinated liabilities	48 830	51 716	Debt component of CCD's (included in equity under SA GAAP) relating to unsecured, Class "A", Class "A" Series 11, Class "B" and Class "C" subordinated CCD's. Refer to a more detailed explanation of the difference between SA GAAP and UK GAAP on page 385.
C	CCD's issued by Investec Limited included in subordinated liabilities	4 189	–	These CCD's (200,000) relate to the group's staff share schemes. The balance of these CCD's (approximately 1.7 million) have largely remained unallocated, and are therefore not included on the balance sheet under UK GAAP.
D	Less: Intangible fixed assets	(299 773)	(384 900)	Per the balance sheet.
	Tangible net asset value	**450 214**	**401 118**	
	Number of shares in issue (including non-equity shares)	113.0	94.2	Refer to page 49.
	CCD's	3.6	13.1	Relates to B above.
	CCD's	0.2	–	Allocated in terms of C above.
	Number of shares in issue for this calculation (millions)	**116.8**	**107.3**	
	Tangible NAV per share (pence)	**385.5**	**373.8**	

Managing the group's capital resources

In line with Investec's objective to increase shareholder value through a group-wide discipline that links capital allocation and structuring, performance measurement, investment decisions, and capital-based incentive compensation into one integrated framework, a Capital Committee was established two years ago to oversee the various components contributing towards effective capital management.

The proposed capital management framework seeks to optimise the use of the group's capital by determining:

- The optimal amount of total capital commensurate with the group's overall risk profile in order to:
  - Support business strategies, including any growth assumptions inherent therein.
  - Meet targeted credit ratings and regulatory ratios.
  - Protect against losses, maintain liquidity and buttress the group's capital requirements to cater for future opportunistic acquisitions.
- Capital allocation to activities with the most favourable returns and highlighting those activities which are unduly capital intensive.
- The most efficient composition of the group's capital base.

Against this background, the Capital Committee manages the capital structure of Investec Limited and Investec plc. The Chief Executive Officer chairs the Committee, and other permanent members include certain executive and non-executive directors, the Global Head of Finance and the Global Head of Corporate Governance and Compliance. Management from various disciplines are co-opted onto the Committee where specific expertise is required (for example, in relation to tax, exchange control, regulatory compliance, financial products engineering).

An assessment of economic capital utilised

In order to assess the return on economic capital utilised, the group believes that certain adjustments should be made to the profit and loss analysis and balance sheet analysis as reflected under UK GAAP. The group believes that these adjustments are necessary as they reflect the actual utilisation of capital and return thereon, notwithstanding accounting conventions.

The methodology applied in assessing the utilisation of the group's economic capital is as follows:

- A portion of central costs incurred in "Group Services and Other Activities" is allocated to the business segments in proportion to their utilisation of the group's central functions.
- A notional return on capital (net of the cost of subordinated debt) which is managed and borne in the centre is allocated from "Group Services and Other Activities" to the business segments based on their total capital utilisation.
- Shareholders' funds as shown under UK GAAP is increased to reflect permanent capital either reflected under subordinated debt or which are not included as equity in terms of UK GAAP convention.
- The final dividend is added back to shareholders' funds which, under UK GAAP, reduces reserves.

The following table sets out the calculation of average shareholders' funds in terms of "economic capital utilised".

£'000	31 March 2003	31 March 2002	Average
Shareholders' funds (including minorities) per UK GAAP balance sheet	735 772	767 775	751 774
Add : Convertible debt included in subordinated liabilities	48 830	51 716	50 273
Other capital which is excluded under UK GAAP	26 133	20 249	23 191
Final dividend declaration	28 989	25 779	27 384
Adjusted shareholders' funds	**839 724**	**865 519**	**852 622**
Goodwill per UK GAAP balance sheet	(299 773)	(384 900)	(342 337)
Adjusted tangible shareholders' funds	**539 951**	**480 619**	**510 285**

Operating profit before amortisation of goodwill and exceptional items	84 758
Share of profit of associated companies before amortisation of goodwill	11 350
Revised operating profit	**96 108**
Tax on ordinary activities	(5 357)
Revised operating profit after tax	**90 751**

Pre-tax return on average adjusted tangible shareholders' funds	18.8%
Pre-tax return on average adjusted shareholders' funds	11.3%
Post-tax return on average adjusted tangible shareholders' funds	17.8%
Post-tax return on average adjusted shareholders' funds	10.6%

ROE by division for the year ended 31 March 2003

£'000	PB*	PCSB*	TSF*	IB*	AM*	ASU*	GSO*	Disc Ops*
Total operating profit**	**34 637**	**6 274**	**27 951**	**17 294**	**19 479**	**27 779**	**(20 637)**	**(16 669)**
Notional return on regulatory capital	19 569	611	22 885	2 712	1 630	2 577	(50 098)	114
Cost of subordinated debt	(7 332)	(255)	(7 981)	(951)	(606)	(817)	18 003	(61)
Central cost allocation	(5 591)	(1 577)	(7 096)	(3 644)	(3 686)	(4 818)	26 412	–
Adjusted earnings/(losses)	**41 283**	**5 053**	**35 759**	**15 411**	**16 817**	**24 721**	**(26 320)**	**(16 616)**
Adjusted average shareholders' funds	210 969	24 532	197 688	51 725	215 924	33 005	116 675	2 104
Adjusted average tangible shareholders' funds	186 864	7 161	181 647	23 065	15 175	15 664	78 605	2 104
Adjusted tangible shareholders' funds as at 31 March 2003	197 727	7 577	192 207	24 406	16 057	16 575	83 176	2 226
Return on adjusted average shareholders' funds	19.6%	20.6%	18.1%	29.8%	7.8%	74.9%	(22.6%)	>(100%)
Return on adjusted average tangible shareholders' funds	22.1%	70.6%	19.7%	66.8%	>100%	>100%	(33.5%)	>(100%)

***Where:** PB = Private Banking PCSB = Private Client Portfolio Management and Stockbroking TSF = Treasury and Specialised Finance IB = Investment Banking AM = Asset Management ASU = Assurance Activities GSO = Group Services and Other Activities Disc. Ops = Discontinued Operations.

** Operating profit per line of business as reflected under UK GAAP, including share of income of associated companies but before amortisation of goodwill and exceptional items.

The remaining loss in the GSO category can be explained as follows:	**31 March 2003**
Adjusted losses of GSO per table above	(26 320)
Unrealised surplus on revaluation of investment properties	18 265
Revised earnings	**(8 055)**
Analysed as follows :	
Central costs remaining in the centre	(11 059)
Traded Endowments	(8 945)
Property Worldwide	5 986
International Trade Finance	1 123
US continuing businesses operations	1 041
Short-term Insurance Activities	933
Liquidation Activities	755
Remaining surplus generated from central capital	2 111
	(8 055)

ROE by geography for the year ended 31 March 2003

£'000	Southern Africa	UK & Europe	Australia	Israel	USA	Disc. Operation	Total group
Total operating profit**	**68 543**	**22 326**	**5 976**	**3 496**	**1 086**	**(16 669)**	**84 758**
Share of income of associated companies	11 333	–		(35)	52	–	11 350
Tax on profit on ordinary activities	(9 967)	13 704	(2 452)	(427)	–	(6 215)	(5 357)
Profit on ordinary activities after taxation**	**69 909**	**36 030**	**3 524**	**3 034**	**1 138**	**(22 884)**	**90 751**
Adjusted average shareholders' funds	326 645	432 500	43 084	48 289	*	2 104	852 622
Adjusted average tangible shareholders' funds	190 925	244 223	24 744	48 289	*	2 104	510 285
Adjusted tangible shareholders' funds as at 31 March 2003	202 024	258 421	26 184	51 096	*	2 226	539 951
Pre-tax return on adjusted average tangible shareholders' funds	41.8%	9.1%	24.2%	7.2%	*	>(100%)	18.8%
Pre-tax return on adjusted average shareholders' funds	24.5%	5.2%	13.9%	7.2%	*	>(100%)	11.3%
Post-tax return on adjusted average tangible shareholders' funds	36.6%	14.8%	14.2%	6.3%	*	>(100%)	17.8%
Post-tax return on adjusted average shareholders' funds	21.4%	8.3%	8.2%	6.3%	*	>(100%)	10.6%

* The calculations for the US are based on the numbers for the continuing and discontinued operations i.e. average shareholders' funds of £2.1 million and the resultant returns are shown for the US operations as a whole.

** Amounts are shown before amortisation of goodwill and exceptional items.

Total assets

Total assets declined by 11.8% from £16.9 billion at 31 March 2002 to £14.9 billion at 31 March 2003.

The following table sets out the group's assets by geography as at 31 March 2003.

UK GAAP £ millions	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Loans and advances to customers	2 662	1 825	174	236	1	4 898
- Core advances	2 194	1 318	174	236	1	3 923
- Cash and cash equivalents	468	507	–	–	–	975
Other interest bearing assets [1]	1 368	3 233	101	537	42	5 281
Interests in associated undertakings	58	4	–	–	–	62
Long-term assurance assets attributable to shareholders and policyholders	2 645	–	–	–	–	2 645
Intangible fixed assets	119	165	16	–	–	300
Other assets [2]	1 361	374	9	40	(11)	1 773
Total assets	**8 213**	**5 601**	**300**	**813**	**32**	**14 959**

The following table sets out the group's assets by geography as at 31 March 2002.

UK GAAP £ millions	Southern Africa	UK & Europe	Australia	Israel	USA	Total group
Loans and advances to customers	1 948	1 972	118	255	487	4 780
- *Core advances*	1 635	1 110	118	255	131	3 249
- Cash and cash equivalents	313	862	–	–	356	1 531
Other interest bearing assets [1]	1 451	5 436	44	635	50	7 616
Interests in associated undertakings	43	1	–	1	–	45
Long-term assurance assets attributable to shareholders and policyholders	2 422	–	–	–	–	2 422
Intangible fixed assets	149	188	21	–	27	385
Other assets [2]	1 289	311	6	42	61	1 709
Total assets	**7 302**	**7 908**	**189**	**933**	**625**	**16 957**

Notes:

[1] Includes: cash and balances at central banks, treasury bills and other eligible bills, loans and advances to banks, debt securities.

[2] Includes: balance of total assets.

Significant variances over the period can be explained as follows:

- The South African operations experienced a solid growth in all categories of assets largely as a result of the appreciation in the closing Rand/ Pound Sterling exchange rate over the period.
- The assets of the UK operations declined significantly largely as a result of the winding down of the interest rate business during the year.
- The Australian operation benefited from the receipt of a banking licence during the period.
- The Israeli operation experienced a decline in all categories of assets largely as a result of the depreciation in the closing Israeli Shekel/Pound Sterling exchange rate over the period.
- The assets of the group's US operations declined significantly as a result of the closure and sale of a number of the businesses, as discussed on page 12 and 13.

Total assets under administration

Total assets under administration decreased by 8.2% from £44.2 billion at 31 March 2002 to £40.6 billion at 31 March 2003. This was mainly attributable to a decline in assets under management of £1.6 billion across all ranges of third party funds due to depressed equity values and the decline in the level of on-balance sheet assets of the group.

The following table sets out the group's assets under administration by geography as at 31 March 2003.

UK GAAP £ millions	South Africa & Other	UK, Australia, Israel & USA	Total group
Retail	2 224	1 994	4 218
Institutional	5 877	5 630	11 507
Private clients	2 066	6 306	8 372
- Private clients-discretionary	364	2 681	3 045
- Private clients-non-discretionary	1 702	3 625	5 327
Properties managed for third parties	423	14	437
Acceptances on behalf of clients	–	2	2
Scrip lending	–	1 109	1 109
Total third party assets	**10 590**	**15 055**	**25 645**
On-balance sheet assets	8 213	6 746	14 959
Total assets under administration	**18 803**	**21 801**	**40 604**

Note: The Assurance Assets (approximately £1.2 billion) are included in the on-balance sheet numbers but are managed by Investec Asset Management.

The following table sets out the group's assets under administration by geography as at 31 March 2002.

UK GAAP £ millions	South Africa & Other	UK, Australia, Israel & USA	Total group
Retail	1 931	2 232	4 163
Institutional	5 324	6 491	11 815
Private clients	1 696	8 426	10 122
- Private clients-discretionary	420	3 842	4 262
- Private clients-non-discretionary	1 276	4 584	5 860
Properties managed for third parties	241	13	254
Acceptances on behalf of clients	–	3	3
Scrip lending	6	899	905
Total third party assets	**9 198**	**18 064**	**27 262**
On balance sheet assets	7 302	9 655	16 957
Total assets under administration	**16 500**	**27 719**	**44 219**

Note: The Assurance Assets (approximately £0.9 billion) are included in the on-balance sheet numbers but are managed by Investec Asset Management.

Additional information

Number of employees

The tables overleaf set out the number of employees by division and by geography over the four-year period to 31 March 2003. The numbers reflected as at 31 March 2003, will be reduced by approximately 500 people during the first six months of the 2004 financial year, as result of rationalisation processes initiated, but not yet completed during the 2003 financial year.

Number of employees As at 31 March	2003	2002	2001	2000
Private Banking				
South Africa and Other	628	571	542	534
UK and Europe	329	293	319	305
Australia	55	43	74	–
USA	–	–	–	–
Israel	73	51	97	97
Total	**1 085**	**958**	**1 032**	**936**
Private Client Portfolio Management and Stockbroking				
South Africa and Other	144	148	164	149
UK and Europe	400	415	402	407
Australia	–	–	–	–
USA	–	292	430	336
Israel	–	–	–	–
Total	**544**	**855**	**996**	**892**
Private Client Activities Total				
South Africa and Other	772	719	706	683
UK and Europe	729	708	721	712
Australia	55	43	74	–
USA	–	292	430	336
Israel	73	51	97	97
Total	**1 629**	**1 813**	**2 028**	**1 828**
Treasury and Specialised Finance				
South Africa and Other	265	271	300	279
UK and Europe	156	166	128	93
Australia	10	11	–	–
USA	33	7	–	–
Israel	25	48	13	12
Total	**489**	**503**	**441**	**384**
Investment Banking				
South Africa and Other	105	116	147	147
UK and Europe	101	156	140	99
Australia	16	30	–	–
USA	68	111	3	–
Israel	46	49	54	45
Total	**336**	**462**	**344**	**291**

Number of employees As at 31 March	2003	2002	2001	2000
Asset Management				
South Africa and Other	490	512	413	387
UK and Europe	267	245	252	236
Australia	–	–	–	–
USA	–	6	5	7
Israel	14	–	–	–
Total	**771**	**763**	**670**	**630**
Assurance Activities	**490**	**576**	**–**	**–**
Group Services and Other Activities				
South Africa and Other	813	815	678	684
UK and Europe	218	235	176	239
Australia	22	–	–	–
USA	30	272	421	318
Israel	76	90	78	67
Total	**1 159**	**1 412**	**1 353**	**1 308**

Number of employees As at 31 March	2003	2002	2001	2000
By Geography				
South Africa and Other	2 935	3 009	2 244	2 180
UK and Europe	1 471	1 510	1 417	1 379
Australia	103	84	74	–
USA	131	688	859	661
Israel	234	238	242	221
Total number of employees	**4 874**	**5 529**	**4 836**	**4 441**

Prospects

The volatility of external market and economic conditions render performance for the 2004 financial year difficult to predict. The group will continue to assess its performance based on the following key indicators:

- Return on average shareholders' funds.
- Return on average tangible net asset value.
- Cost to income ratio.
- Annuity income as a percentage of total operating income.
- *Non-performing loans as a percentage of total loans and advances.*

integrated global management structure

Investec's management structure, reporting lines and responsibilities have been built around a geographic, product and functional matrix. It is structured around global divisional leaders, global roles and geographic business leaders. This management structure enables the group to meet the challenge of regional responsiveness and global competence. The integrated global model enables the group to take advantage of best economies of scale, leverage resources and core competencies, and exploit synergies across all regions in which the group operates.

The directors believe that the links between its overlapping parts, and the degree of effective integration, make the matrix an effective model. The quality of the links is a result of values-based behaviour and practice, which are key drivers of Investec's culture.

Global roles

Chairman	Hugh Herman
Chief Executive Officer	Stephen Koseff
Managing Director	Bernard Kantor
Corporate Governance and Compliance	Bradley Tapnack
Risk Management	Glynn Burger
Banking, Institutions and Corporate Relations	David Lawrence
Finance	Rayanne Jacobson
Marketing	Raymond van Niekerk
Information Technology	Simon Shapiro
Human Resources	Patsy McCue
Organisational Development	Caryn Solomon
Chief Integrating Officer	*Allen Zimbler*

Product Business Leaders

Private Banking	Private Client Stockbroking	Treasury and Specialised Finance	Investment Banking	Asset Management
Sam Hackner and Steven Heilbron	Geographic	Richard Forlee	Andy Leith and Bradley Fried	Hendrik du Toit

Geographic Business Leaders

South Africa	United Kingdom	Israel	USA	Australia	SE Asia
Andy Leith Glynn Burger David Lawrence	Alan Tapnack Bradley Fried	Alan Tapnack	John Murabito	Geoff Levy	Richard Forlee

geographic representation

1 **United States**

New York

Investec Ernst & Company
Gerber Trade Finance Inc

2 **British Virgin Islands**

Tortola

Investec Asset Management (BVI) Ltd
Investec Overseas Finance (BVI) Ltd
Investec Investment Managers International Ltd

3 **Namibia**

Windhoek

Investec Asset Management (Namibia) (Pty) Ltd
Investec Fund Managers Namibia Ltd

4 **Botswana**

Gaborone

Investec Asset Management Botswana (Pty) Ltd
Investec Bank (Botswana) Ltd
Investec Fund Managers (Botswana) (Pty) Ltd

5 **South Africa**

Cape Town
Durban
Johannesburg
Pietermaritzburg
Port Elizabeth
Pretoria

Investec Bank Ltd
Investec Securities Ltd
Investec Property Group Ltd
Investec Employee Benefits Ltd
Investec Personal Investments (Pty) Ltd
Investec Asset Management (Pty) Ltd
Reichmans Ltd
Investec Fund Managers SA Ltd
Investec Investment Management Services (Pty) Ltd
Investec Analytics (Pty) Ltd
Investec Assurance Ltd
Silica Fund Administration Systems (Pty) Ltd

6 **Swaziland**

Mbabane

Swaziland Portfolio Managers (Pty) Ltd

7 **Ireland**

Dublin

Investec Private Equity Management (Ireland) Ltd
Investec Investment Management Ireland Ltd
Investec Bank (UK) Ltd - Irish branch
Investec Gandon Ltd
Investec Asset Management Ireland Ltd

8 **Channel Islands**

Investec Asset Management Guernsey Ltd
Investec Personal Portfolio Management Ltd
Investec Bank (Channel Islands) Ltd
Theodores Trust and Law Group Ltd
Investec Asset Management Channel Islands Ltd

9 **United Kingdom**

London

Investec Bank (UK) Ltd
Carr Sheppards Crosthwaite Ltd
Investec Asset Management Ltd

10 **Luxembourg**

Investec SA

Investec Finance SA

11 **Switzerland**

Geneva
Zurich

Reichmans SA
Investec Bank (Switzerland) A.G.
Radcliffes Trustee Company S.A.

12 **Israel**

Jerusalem
Tel Aviv

Investec Bank (Israel) Ltd

13 **Mauritius**

Port Louis

Investec Bank (Mauritius) Ltd

14 **Hong Kong**

Investec Hong Kong (Pty) Ltd
Investec Asset Management Asia Ltd

15 **Australia**

Brisbane
Melbourne
Sydney

Investec Wentworth (Pty) Ltd
Investec Australia Corporate Finance Ltd
Investec Bank (Australia) Ltd

investec in perspective

An essential pillar of Investec's operating philosophy is that it does not seek to be all things to all people. The group's core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where the group can compete effectively. Investec's strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in the group's four principal business areas, namely:

- Private Client Activities
- Treasury and Specialised Finance
- Investment Banking
- Asset Management

In addition, Investec's head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding as well as other activities, such as its Property business, Trade Finance and Traded Endowments operations.

The business divisions are effectively managed as autonomous international business segments, enabling them to remain focused on trends and dynamics within their particular industries. Notwithstanding, as a result of the inter-related nature of their target markets and activities, a degree of interaction takes place between each business to ensure clients benefit from dealing with the broader Investec group. The group's services are supplemented by a common thrust consisting of the group's culture, mission and philosophies. This helps the business segments across the jurisdictions to operate as an integrated network.

history of significant events

Since its inception as a leasing company in South Africa in 1974, Investec has expanded through a combination of substantial organic growth and a series of strategic acquisitions. Investec's strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in the Group's four principal business areas namely, Private Client Activities, Treasury and Specialised Finance, Investment Banking and Asset Management.

Three stages of genesis of Investec

Develop business in South Africa

1980-1990

- Investec secures a banking licence in 1980.
- Investec lists on the JSE in 1986.
- Growth is driven organically and via acquisitions.
- Investec focuses on building a strong base from which to internationalise.

Embark on international strategy

1992

- Investec acquires London-based Allied Trust Bank Ltd - first international acquisition.
- Investec embarks on an international drive to boost capability and enhance critical mass in select geographical markets.

London listing

2002

- July 2002 - Investec implements a DLC Structure with listings on the LSE and JSE.

southern africa - history of significant events

	1980 - 1986	1987 - 1991	1992 - 1997
Private Client Activities		Focus on Retail Banking	Obtained corporate membership of the JSE Expanded into stockbroking through the acquisition of Solms & Company *Acquisition of Fergusson* Bros - integrated with other trading activities to form Investec Securities Limited
Treasury and Specialised Finance	Established capital markets trading operations Introduced Foreign Exchange and Interest Rate activities Introduced deposit taking and lending activities	Commenced corporate lending and Structured Finance activities Established an Emerging Markets and Mining Finance unit	Established an Interest Rate Derivatives team Introduced a Financial Products business unit Project and Infrastructure Finance unit formed Introduced Structured Finance activities in Mauritius
Investment Banking			*Organic expansion of* South African Corporate Finance Acquisition of Fergusson Bros, a South African broking business
Asset Management and Assurance		Early years - established local asset management businesses	Acquisition of Sechold

1998 - 1999

Acquisition of HSBC's (Johannesburg) private client stockbroking business

Evolved to full service Private Banking

2000 - 2001

Acquisition of Quyn Martin Asset Management business

Acquisition of Private Client loan portfolio of McCarthy Bank and professional lending book of Mercantile Bank

Established an Equity Derivatives team and a Commodities team

Established a Public Sector Finance unit

Established a private equity division

Acquisition of Fedsure - adds R46bn to funds under management and introduced assurance activities into the group

Reinsurance and transfer of majority of life assurance businesses to Capital Alliance Limited

2002 - 2003

Acquisition of Merrill Lynch's (South Africa) private client business in Cape Town

Acquisition of debtors book of Regal Treasury Private Bank Ltd

Continued rationalisation of the businesses acquired from Fedsure

Reinsurance of the annuity business of IEB with Capital Alliance Limited

Reinsurance and transfer of some of the businesses of IEB to Liberty Group Limited (subject to Competition Commission approval)

united kingdom and europe - history of significant events

	1980 - 1986	1987 - 1991	1992 - 1997
Private Client Activities			Acquisition of Allied Trust Bank in the UK-predominantly Private Banking activities Acquisition of Carr Sheppards in the UK, a private client stockbroking and portfolio management business Established a Private Bank based in Jersey
Treasury and Specialised Finance			Acquisition of London-based Clive Discount Company Ltd and money broking operations of Cazenove & Company Enter stock lending, money markets, repos and foreign exchange
Investment Banking			
Asset Management and Assurance			Embarked on international expansion of asset management businesses

1998 - 1999	2000 - 2001	2002 - 2003
Acquisition of Guinness Mahon (UK, Switzerland & Guernsey Private Banking) Acquisition of Kleinwort Benson's private client book Acquisition of Guinness Mahon - incorporating Henderson Crosthwaite private client business. This business later merges with Carr Sheppards to form Carr Sheppards Crosthwaite	Acquisition of Theodores Trust & Law (Jersey) and Radcliffes Trustee Company (Switzerland), augmenting trust and fiduciary capabilities. Businesses now operate under the name Investec Trust Group	Carr Sheppards Crosthwaite recruits most of the international team from the Gerrard Group
Established Project Finance activities Acquisition of Gandon Capital Markets in Ireland, enhancing international Structured Finance and Treasury Activities	Introduced an European Equity *Derivatives operation* Established a Commodities team	Acquisition of European Capital, *enhancing project advisory and finance* capability Established a Resource Finance presence in London Acquisition of a Structured Finance team from ANZ Investment Bank Exited the money market and repurchase agreement operations
Acquisition of Guinness Mahon, including Henderson Crosthwaite, a UK securities and investment banking house *Acquisition of Hambros PLC, including a* UK-managed private equity portfolio		
Acquisition of Guinness Flight - adds £7bn to funds under management		A strong UK IFA brand in the making Acceptance from UK consultants and multi-managers

australia, israel and usa - history of significant events

	1980 - 1986	1987 - 1991	1992 - 1997
Private Client Activities			Established an operation in Australia Acquisition of a controlling interest in Israel General Bank (subsequently re-named Investec Bank (Israel) Limited)
Treasury and Specialised Finance			Acquisition of a *controlling interest in* Israel General Bank - Treasury, Foreign Exchange and Interest Rate Activities
Investment Banking			Acquisition of a controlling interest in Israel General Bank, including a significant discount execution/trading operation
Asset Management and Assurance			

1998 - 1999

Acquisition of Stuart Coleman & Company (New York) and the Royce Investment Group (Long Island, USA), retail broking firms

2000 - 2001

Acquisition of the private client and clearing arm of Hertzog Heine Geduld Inc. in the US

Foreign Exchange desk set up in New York (subsequently closed)

Established an Equity Derivatives operation in New York (subsequently closed)

Established a Structured Finance unit in Australia

Acquisition of PMG, a US investment banking and research boutique

Acquisition of Wentworth Associates, an Australian corporate finance boutique

2002 - 2003

Sale of the Private Client Stockbroking business in the US to the management of the business

Established a Project Finance unit in Australia

Acquisition of Melbourne-based Chronworth Pty Ltd, a corporate finance advisory boutique

Sale of PMG Advisors and the closure of the research, equity sales and trading businesses in the US

investec in perspective

by geography

	Scope of activity *	% of operating profit ** Investec total: £101.4mn	% of attributable earnings ** Investec total £110.3mn
South Africa and Other (including Botswana and Mauritius)	Asset Management, Assurance Activities, Investment Banking, Private Client Activities, Property Activities, Reichmans International Trade Finance, Traded Endowments, Treasury and Specialised Finance	**Profit: £68.5mn**	**Earnings: £68.1mn**
UK and Europe (including Guernsey, Ireland, Jersey, Switzerland)	Asset Management, Investment Banking, Private Client Activities, Property Activities, Reichmans International Trade Finance, Treasury and Specialised Finance	**Profit: £22.3mn**	**Earnings: £35.0mn**
Australia	Investment Banking, Private Client Activities, Treasury and Specialised Finance	**Profit: £6.0mn**	**Earnings: £3.5mn**
Israel	Asset Management, Investment Banking, Private Client Activities, Treasury and Specialised Finance	**Profit: £3.5mn**	**Earnings: £2.5mn**
United States	Fixed Income Trading, Israeli Nasdaq Equities Trading	**Profit: £1.1mn**	**Earnings: £1.2mn**

* The stage of development of these activities varies between each geographic region. Refer to pages 78 to 124 for a detailed description and operating review of the group's activities.

% of assets ** Investec total £14 959mn	% of NAV ** Investec total £539.9mn	Number of employees ** Investec total 4 874	COI/ROE **	Global management
			COI: 62.6% ROE: 36.6%	SA Joint MDs: Andy Leith and Glynn Burger SA Deputy Chairman: David Lawrence
Assets: £8 213mn	NAV: £202.0mn	Employees: 2 935		
			COI: 88.2% ROE: 14.8%	Alan Tapnack and Bradley Fried
Assets: £5 601mn	NAV: £258.4mn	Employees: 1 471		
			COI: 64.5% ROE: 14.2%	Geoff Levy
Assets: £300mn	NAV: £26.2mn	Employees: 103		
			COI: 76.4% ROE: 6.3%	Alan Tapnack
Assets: £813mn	NAV: £51.1mn	Employees: 234		
			COI: 79.8% ROE: <(100%) incl. discontinued operations	John Murabito
Assets: £32mn	NAV: £2.2mn	Employees: 131		

** Operating profit represents profit before taxation, amortisation of goodwill and exceptional items (excluding discontinued operations). Attributable earnings is shown after taxation and minority interest but before amortisation of goodwill and exceptional items. COI is cost to income ratio. Operating profit, attributable earnings, total assets and COI have been calculated in accordance with UK GAAP. NAV is net tangible shareholders' funds and ROE is return on adjusted average tangible shareholders' funds as calculated on pages 54 to 56. Refer to pages 238 to 243 for detailed segmental information, including comparative figures for the year ended 31 March 2002.

investec in perspective

by business

	Scope of activity *	Geographic representation	Core client base
Private Client Activities	Private Banking	• Principal markets: Australia, South Africa, UK • Other: Botswana, the Channel Islands, Israel, Switzerland	High income and high net worth individuals
	Private Client Portfolio Management and Stockbroking	• Principal markets: South Africa, UK • Other: Australia	Mainly high net worth individuals (includes charities in the UK)
Treasury and Specialised Finance	• Deposit taking, lending, advisory services, structuring and proprietary trading	• Principal markets: South Africa, UK • Other: Australia, Ireland, Israel, Mauritius	Select corporate clients, public sector bodies, financial institutions, banks, financial brokers
Investment Banking	• Corporate Finance • Institutional Research, Sales and Trading • Private Equity • Direct Investments	• Principal markets: Australia, South Africa, UK • Other: Ireland, Israel	Mid to large capitalisation companies, unlisted corporations, fund managers, government and parastatals
Asset Management	Asset Management: Institutional, Retail	• Principal markets: Southern Africa, UK • Other: Europe, Hong Kong, US	Retirement savers via pension fund consultants (institutional) and independent financial advisers (retail)
	Assurance Activities: Investec Employee Benefits	• Principal market: South Africa	Individuals, corporates and institutions
Group Services and Other Activities	• Central Costs • Central Funding • Other Activities: Property Worldwide, International Trade Finance, UK Traded Endowments	• Principal markets: South Africa, UK • Other: Australia, Israel, US	

* The stage of development of these activities varies between each geographic region. Refer to pages 78 to 124 for a detailed description and operating review of the group's activities.

** Operating profit represents profit before taxation, amortisation of goodwill and exceptional items (excluding discontinued operations), as determined in accordance with UK GAAP. Refer to pages 238 to 243 for detailed segmental information, including comparative figures for the year ended 31 March 2002.

% of operating profit ** **Investec total: £101.4mn**	Number of employees** **Investec total: 4 874**	Salient features	Global management
		• SA: Voted as the best private bank *(PWC Survey)* • Global loan portfolio: 1993: £0.6bn → 2003: £2.6bn	Sam Hackner and Steven Heilbron
Profit Pvt Bank: £34.6mn*** **Profit PCSB: £6.3mn*****	**Employees Pvt Bank: 1 085***** **Employees PCSB: 544*****	• SA: largest player • UK: long standing reputation • Total funds under management: 1997: £0.4bn → 2003: £8.4bn	SA: Henry Blumenthal UK: Fred Carr
		• *Strong position in SA* • Building international capability	*Richard Forlee*
Profit: £27.9mn	***Employees: 489***		
		• SA: No1 M&A house *(Dealmakers Survey)* • UK: recognised market positioning	Andy Leith and Bradley Fried
Profit: £17.3mn	**Employees: 336**		
		• SA: market leading position • UK: building recognised platform • Total funds under management: 1991: £41.8mn → 2003: £16.8bn	Hendrik Du Toit
		• Acquired from Fedsure	Ciaran Whelan
Profit IAM: £19.5mn **Profit Assurance: £27.8mn**	**Employees IAM: 771** **Employees Assurance: 490**		
			Geographic
Loss: (£32.0mn)	**Employees: 1 159**		

*** Where Pvt Bank refers to the group's Private Banking business and PCSB refers to the group's Private Client Portfolio Management and Stockbroking business.

private client activities

Includes: Private Banking and Private Client Portfolio Management and Stockbroking

UK GAAP (£'000)	31 March 2003	31 March 2002	% Change
Net interest income	70 817	71 524	(1.0%)
Other income	100 405	99 870	5.4%
Provision for bad and doubtful debts	(12 611)	(9 262)	(36.2%)
Admin expenses and depreciation	(117 700)	(119 643)	1.6%
Operating profit*	**40 911**	**42 489**	**(3.7%)**
Private Banking	34 637	26 869	28.9%
Private Client Portfolio Management and Stockbroking	6 274	15 620	(59.8%)
Operating profit*	**40 911**	**42 489**	**(3.7%)**
South Africa and Other	14 473	12 832	12.8%
UK and Europe	23 273	28 485	(18.3%)
Australia	1 700	(2 655)	>100%
Israel	1 465	3 827	(61.7%)
Operating profit *	**40 911**	**42 489**	**(3.7%)**
Cost to income ratio (%)	68.7%	69.8%	
Number of employees	1 629	1 813	(10.1%)
Private Banking	1 085	958	13.3%
Private Client Portfolio Management and Stockbroking	544	855	(36.4%)

*Before taxation, amortisation of goodwill and exceptional items.

Contribution analysis - % of group total at 31 March 2003

UK GAAP	Operating profit*	Employees	Total assets
Total group	£101.4mn	4 874	£14 959mn
Private Client Activities			21.3%
Private Banking	34.1%	22.3%	
Private Client Portfolio Management and Stockbroking	6.2%	11.1%	

* Before taxation, amortisation of goodwill and exceptional items (excluding the results of the discontinued operations).

Scope of activities

Private Client Activities comprises two businesses: Private Banking and Private Client Portfolio Management and Stockbroking. The group conducts these activities in two principal markets, South Africa and the UK, and has a limited service offering in Australia, Botswana, the Channel Islands, Israel and Switzerland.

Private Banking

- **South Africa:** High net worth individuals (net asset value R50mn+ and investable assets R15mn+), private clients (net asset value R5mn+ and earnings R1mn+) and professionals (earnings R0,5mn+)
- **UK:** Targeted at individuals with a net asset value of £5mn+ and investable assets of £3mn+
- **Australia:** Targeted at individuals with net investable assets of greater than AUD$2 million.

Private Client Portfolio Management and Stockbroking

- **Investec Securities Limited, South Africa:** Targeted at mass affluent and high-income sector and above with R1mn+ to invest
- **Carr Sheppards Crosthwaite, UK:** Targeted at individuals with investable assets of £0,5mn+, and smaller charities (<£20mn)

Management structure

Private Banking

Global Head of Private Banking
Sam Hackner
Steven Heilbron

Australia
Mark Joffe
Tim Johansen
Ivan Katz
Brendan O'Sullivan
Michael Sack

Israel
Yossi Zelnick

South Africa
Steven Heilbron
Paul Hanley
Michael Barr
Colin Franks
Wayne Preston
John Witter

UK and Europe
Steven Heilbron
Leon Blitz
Richard Bowdler-Raynar
Robert Clifford
Michael Cullen
Mort Mirghavameddin
Paul Stevens

Private Client Portfolio Management and Stockbroking

Investec Securities Limited, South Africa
Henry Blumenthal
Jonathan Bloch
Peter Clucas
Paul Deuchar
Donald Glyn
Raymond Goss
Fairfax Gray
Craig Hudson
Cy Jacobs
Steve Liptz
Rodney Marthinusen
Etienne Nel
Angus Robertson
Andy Vogel

Carr Sheppards Crosthwaite, UK
Fred Carr
Nick Bagshawe
Clive Brangwin
David Bulteel
Adam Burr
Steve Elliott
Alun Evans
Chris Hills
Robert Leach
Ian Maxwell Scott
Grant Nowell-Mitchell
Mark Redmayne
Tony Richards
John Yeldham

private banking

Investec provides a range of Private Banking services, targeting select, high income and high net worth individuals in chosen niche markets, primarily in South Africa, the UK and Australia. Investec also has smaller private banking operations in the Channel Islands, Ireland and Switzerland, as well as in Israel.

The products and services provided by the Private Banking business principally comprise:

- Specialised lending activities.
- Trust and fiduciary services.
- Banking services.
- Investment management.
- Private client investment banking.
- Structured property finance.

Investec seeks to position its Private Banking operations in the low volume, high value advisory market. As Investec's Private Banking operations are at different stages of maturity and operate in markets with distinct demographics, the breadth and nature of the products and services offered in each of its markets vary.

Overview of performance

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Net interest income	65 268	65 644	(376)	(0.6%)
Net fees and commissions receivable	49 247	33 563	15 684	46.7%
Dealing profits	5 013	2 607	2 406	92.3%
Other operating income and dividends	471	274	197	71.9%
Provision for bad and doubtful debts	(12 611)	(9 262)	(3 349)	(36.2%)
Admin expenses and depreciation	(72 751)	(65 957)	(6 794)	(10.3%)
Operating profit*	**34 637**	**26 869**	**7 768**	**28.9%**
Cost to income ratio (%)	60.6%	64.6%		
Global loan portfolio (£ millions)	**2 635**	**1 740**	**895**	**51.4%**

*Before taxation, amortisation of goodwill and exceptional items.

The Private Banking division continued its creditable performance, with operating profit before amortisation of goodwill and exceptional items increasing 28.9% to £34.6 million. All of the group's Private Banking operations contributed to this solid performance.

The variance in the operating profit over the period can be explained as follows:

- Net interest income dropped slightly, notwithstanding a healthy growth in advances of 51.4%. This was largely due to the depreciation of the Rand/Pound Sterling average exchange rate masking the underlying growth in South Africa.

- The solid growth in net fees and commissions receivable is attributable to increased lending turnover in all operations. Furthermore, the division continued to benefit from its diverse nature of activities, with structured lending fees, advisory fees, transactional banking fees and retail foreign exchange income experiencing strong growth over the period.
- Dealing profits were positively influenced by the increase in value of certain investments held by the division, which have arisen out of the provision of investment banking services to private clients. The activities of the "Private Client Investment Banking" division are positioned well below the radar screen of the traditional corporate finance and private equity houses, and focus on the active wealthy entrepreneur. Furthermore, the division is well equipped to offer small to medium size businesses the service of partnering their personal and business requirements by providing advisory services and asset acquisition. As a result, the division took certain equity positions in the businesses of these private clients. The equity exposures are within the group's risk parameters and are monitored regularly.
- Administrative expenses grew, largely as a result of a 13.3% increase in headcount over the period and an increase in incentive-based remuneration in line with solid growth in profitability.

Developments

Key business developments over the past year are outlined below.

South Africa

- The Private Bank in South Africa posted a commendable performance as a result of its integrated approach to wealth creation and wealth management.
- Since March 2002, the private client lending book grew by 24.6% in Rand terms to R17.2 billion (2002: R13.8 billion).
- In difficult and volatile investment markets, rigorous investment management processes and comprehensive infrastructure protected client portfolios and maintained assets under administration.
- In transactional banking, critical mass was created, with a substantial increase in the number and usage of account holders.
- The Private Bank continues to focus on product innovation:
  - Launch of Journey card.
  - Significant online banking enhancements.
  - Establishment of "Pinion", a private insurance product aimed at private clients facilitating all personal insurance requirements into one policy.
  - A strategic enhancement during the financial year was the development of a private client investment banking service, which is aimed at wealthy entrepreneurs and focuses on:
    - Funding through the provision of debt and equity.
    - Business advisory services.
    - The creation of specialist investment opportunities for clients wanting to diversify their investment portfolios.
- The division was rated the number one private bank for the third consecutive year in the *PriceWaterhoouseCoopers SA Banking Survey* (2002).

UK and Europe

- Performance across all business areas was solid, with particularly good growth from structured property finance specific to the UK market in the form of mezzanine and senior debt.
- Since March 2002, the private client lending book grew by 17.0% in Pound Sterling terms to £925 million (2002: £790 million).
- Despite a strong bias in the lending book towards commercial and residential property exposures, the book is well secured and the group believes that loan to value ratios of between 60% to 65% are conservative. In terms of various stress tests applied, a reduction of 30% in property values could result in a naked exposure of approximately £12.2 million.
- In line with a detailed strategic review that was undertaken during the period, specialist investment products were introduced as well as the new private client investment banking service.
- The division relocated its banking deposit business call centre to South Africa, generating an annual saving of £1.2 million.
- As part of the division's marketing objective, it started to successfully penetrate specific community groups, niches and segments.
- The division is building an appropriate business and IT architecture, balancing the investments with the scale of the business to facilitate the delivery of its value proposition.

Australia

- Client deposits and overall level of advances have increased substantially since the group was granted a banking licence in August 2002.
- Since March 2002, the private client lending book grew by 40.7% to A$422 million (2002: A$300 million).
- The division continued to enhance its positioning in the investment property finance, wealth advisory and investment management arenas.

Outlook

The Private Bank continues its core philosophy of independent "best advice". In an increasingly commoditised environment, it is important for the Private Bank to build a brand with which the concept of "advice" is clearly associated.

The core strategic focus remains the leveraging of talent pools, products, technology and infrastructure across all geographies, in addition to ongoing product innovation and maintaining a portfolio of businesses. The introduction of new and enhanced products and additions to existing products should assist penetration into target markets.

South Africa

In South Africa, the division has suitably positioned itself in the private banking market through its extensive network and established experience, and expects to continue realising the benefits in this regard. Product innovation, new client acquisition and growing assets under administration remain a priority. In the context of a continually increasing demographic shift, black economic empowerment initiatives remain core.

UK and Europe

The Private Banking businesses in the UK and Europe are still in a growth phase and vast opportunities exist for future development and increased presence and profitability.

The Investment Management business continues to focus on both a client-centric investment consulting approach and on sourcing strategies that are opportunistic and non-traditional. The focus for the Trust businesses is on "high-end" advisory-led services and business development.

The Specialist Lending team will continue to market through professional intermediaries and the Private Client Investment Banking team aims to benefit from investment funding opportunities that arise.

Furthermore, the establishment of a new banking presence in Geneva will enable the development of additional structured products to service targeted clientele.

Australia

In Australia, the Private Bank will continue to concentrate on providing quality advice to the high net worth segment, while developing its product and service offering to ensure a balanced portfolio of businesses.

private client portfolio management and stockbroking

Investec's Private Client Portfolio Management and Stockbroking business offers a range of personal investment and stockbroking services to a client base comprising predominantly high net worth individuals (based on assets under management) in South Africa and the UK. Investec also has limited private client capabilities in Australia.

Overview of performance

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Net interest income	5 549	5 880	(331)	(5.6%)
Net fees and commissions receivable	45 569	58 904	(13 335)	(22.6%)
Dealing profits	55	608	(553)	(91.0%)
Other operating income and dividends	50	3 914	(3 864)	(98.7%)
Admin expenses and depreciation	(44 949)	(53 686)	8 737	16.3%
Operating profit*	**6 274**	**15 620**	**(9 346)**	**(59.8%)**
Cost to income ratio (%)	87.8%	77.5%		
Private client funds under management (£ millions)	**8 372**	**10 122**	**(1 750)**	**(17.3%)**
Discretionary	3 045	4 262	(1 217)	(28.6%)
Non-discretionary	5 327	5 860	(533)	(9.1%)

* Before taxation, amortisation of goodwill and exceptional items.

The Private Client Portfolio Management and Stockbroking division recorded a disappointing performance, with operating profit before amortisation of goodwill and exceptional items of £6.3 million, decreasing 59.8% on the previous year. The division was negatively impacted by lower market prices and reduced demand for equity and related investment products. Notwithstanding, both Investec Securities Limited in South Africa and Carr Sheppards Crosthwaite (CSC) in the UK remained profitable throughout the period, albeit at lower levels than in the prior year. In terms of its strategic review of the US operations, Investec sold its private client retail broking operations to the management of the business at the beginning of the financial period. Further information is provided on page 12 and 13.

The variance in the operating profit over the period can be explained as follows:

- Net fees and commissions receivable declined significantly, as the businesses continued to be negatively impacted by the fall off in markets over the past year.
- The decline in other operating income can be attributed to the profit made on the disposal of

CSC's shareholding in the London Stock Exchange in the prior year (around £4 million). Similar realisations were not repeated in the current year.

- Administrative expenses were positively influenced by various cost cutting initiatives as well as a sharp decline in incentive-based remuneration given declining profitability. The decline in personnel expenses was around £6 million.

Developments

Key business developments over the past year are outlined below.

South Africa

- Total funds under management as at 31 March 2003 were R25.6 billion (2002: R27.3 billion), of which R4.5 billion and R21.1 billion were managed on a discretionary and non-discretionary basis, respectively.
- The recent strength in the Rand led to diminishing Rand values of the asset swap portion of portfolios.
- The division was able to supplement its revenue stream through a number of new investment initiatives.

UK and Europe

- Funds under management fell from £6 billion as at 31 March 2002 to £4.7 billion as at 31 March 2003 on the back of declining market indices. Of the £4.7 billion, £2.9 billion and £1.8 billion were managed on a discretionary and non-discretionary basis, respectively.
- Net new funds under management of £376 million were recorded for the period under review.
- While more than half of the new funds emanated from private clients and trusts, the initiatives on the charities side continued to be beneficial, with the business winning charity portfolio management mandates to the value of more than £100 million.
- At 31 March 2003, CSC administered some £560 million of personal equity plan and individual savings account funds for third parties.
- Prior to financial year-end, and yet to be reflected in the funds under management, CSC was appointed by the Lord Chancellors Department as one of two Panel Private Client Fund Managers to act on behalf of the Public Guardianship Office, the Court Funds Office and the Official Solicitor and Public Trustee.

Outlook

The outlook for the group's Private Client Portfolio Management and Stockbroking businesses is dependent on the overall performance of global equity markets. The group will continue to investigate opportunities to enhance its competitive positioning and profitability and will seek to expand its Private Client Portfolio Management and Stockbroking businesses through select acquisitions.

South Africa

Investec Securities Limited is focusing on identifying ways of diversifying its brokerage income stream by introducing alternative product offerings and leveraging off group services that are appropriate for clients. The conversion of client portfolios into fee paying, fully managed accounts is an ongoing objective, designed to increase annuity revenues. Furthermore, the business continues to rationalise costs wherever possible, while still investing for the future by building systems to improve efficiencies and profitability.

UK and Europe

CSC intends to grow funds under management by maintaining high levels of service and professional performance, supplemented by relatively low-cost marketing efforts.

The strategic focus looking forward will be directed to:

- Concentrating on core activities where the division has critical mass.
- Attracting appropriate high net worth clients.
- Further developing the smaller charities niche market.
- Resuming the push of investment related services.
- Accelerating the collectivisation of smaller portfolios.

While CSC's business model and mix enable the business to be better equipped than most to cope with periods of low volumes and revenues, it would not be immune to the effects of a prolonged severe downturn.

treasury and specialised finance

Includes: deposit taking, lending, advisory services, structuring and proprietary trading in the corporate, project, public sector and institutional markets.

UK GAAP £'000	31 March 2003	31 March 2002	% Change
Net interest income	31 892	57 237	(44.3%)
Other income	60 400	50 583	19.4%
Provision for bad and doubtful debts	(4 258)	(2 132)	(99.7%)
Admin expenses and depreciation	(60 083)	(53 904)	(11.5%)
Operating profit*	**27 951**	**51 784**	**(46.0%)**
Banking Activities	27 409	39 661	(30.9%)
Financial Markets Activities	542	12 123	(95.5%)
Operating profit*	**27 951**	**51 784**	**(46.0%)**
South Africa and Other	31 411	40 466	(22.4%)
UK and Europe	(2 850)	9 726	>(100%)
Australia	(728)	1 273	>(100%)
Israel	118	319	(63.0%)
Operating profit*	**27 951**	**51 784**	**(46.0%)**
Cost to income ratio (%)	65.1%	50.0%	
Number of employees	489	503	(2.8%)

*Before taxation, amortisation of goodwill and exceptional items.

Contribution analysis - % of group total at 31 March 2003

	Operating profit*	Employees	Total assets
Total group	£101.4mn	4 874	£14 959mn
Treasury and Specialised Finance	27.6%	10.0%	49.4%

* Before taxation, amortisation of goodwill and exceptional items (excluding the results of the discontinued operations).

Management structure

Regional Management

Richard Forlee	International
Tom Murray	Ireland
Craig McKenzie	Mauritius
Richard Wainwright	South Africa
David van der Walt	UK

Financial Markets Activities

Interest Rates

Brett Hopkins	South Africa

Foreign Exchange

Patrick de Villiers	International

Equity Derivatives

Milton Samios	International co-head/ South Africa
Peter Alderson	International co-head/UK

Commodities

Paul Plewman	International

Banking Activities

Treasury - Balance Sheet

Clive Sindelman	South Africa
Paula Gray	UK

Treasury - Corporate

Aisling Dodgson	Ireland
Annette Smyth	South Africa
Michael Jameson-Till	UK

Financial Products

Richard Wainwright	International
Mark Currie	South Africa

Structured and Asset Finance

David van der Walt	International
Richard Longes	Australia
Anton Millar	SA Structured Finance
Vusumuzi Mahlangu	SA Public Sector Finance
David Kuming	SA Mezzanine Debt
Alistair Crowther	UK Structured Finance
Paul Unsworth	UK Asset Finance

Project and Resource Finance

José de Nobrega	International
Deon Louw	Resource Finance
Michael Meeser	SA Project Finance
Maurice Hochschild	UK Project Finance
Cosmas Kapsanis	Australia Project Finance

Support Activities

Divisional Compliance and Legal

Pauline Trollip	International

Information Technology

Niël Oberholzer	International/South Africa
Tanis Jardin	UK

Financial Control

Alan Byrne	Ireland
Eureka Redelinghuys	South Africa
Jodi Joseph	UK

Financial Institutions Group

Helmut Bahrs	International/South Africa
Michael Jameson-Till	UK

Introduction

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

The division has eight product areas that are divided equally between Banking Activities and Financial Markets Activities, as set out below.

Banking Activities

Treasury - corporate treasury and asset and liability management

Provides Rand, Sterling, Euro and US Dollar funding to the group, and manages liquidity and interest rate risk on behalf of the group. Provides a broad range of treasury products and services to the corporate market.

Financial Products

Involved in commercial paper and bond origination, securitisation, financial engineering, preference share investments and structures, equities scrip lending, collateralised debt obligation structures, credit derivatives and the development of investment products.

Structured and Asset Finance

Involved in structured and conventional lending, asset leasing and finance, preference share finance, mezzanine debt financing, leveraged buy-out funding, executive share schemes, structured insurance products, and financing solutions for corporate, government and parastatal markets.

Project and Resource Finance

Advisory services, debt arranging and underwriting and equity raising in the mining and resources, energy, infrastructure and industrial sectors.

Financial Markets Activities

Interest Rates

Market maker in interest rate guarantee products, forward rate agreements, interest rate swaps, money market instruments, government and certain parastatal bonds, interest rate options and repurchase agreements.

Foreign Exchange

Market maker in the spot, forward exchange, currency swaps and currency derivatives markets, principally in ZAR and G7 currencies and certain emerging markets currencies.

Equity Derivatives

Market maker in major equity index options, certain single stock options, equity structured products, futures index arbitrage and equity warrants. Provides hedging and structuring services to financial intermediaries, institutions and companies.

Commodities

Market maker in precious and base metals. Provides hedging and structured trades for clients in the spot and derivatives markets.

The division's breadth of operations represents a portfolio of diversified business units. The Banking Activities are characterised by more predictable revenues, while the Financial Markets Activities tend to be more volatile.

Overview of performance

The Treasury and Specialised Finance division posted operating profit before amortisation of goodwill and exceptional items of £27.9 million, a decline of 46.0%. The UK and European operations posted a loss of £2.9 million, while the South African operation's contribution decreased by 22.4% to £31.4 million.

Operating profit* - Banking Activities

The operating profit before amortisation of goodwill and exceptional items of the Banking Activities declined from £39.7 million to £27.4 million. The relatively new Banking Activities performed well in the UK but in South Africa the divisions were unable to repeat the exceptional performance of the previous year. This was largely as a result of fewer transactions closing in the corporate market.

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Net interest income	34 208	65 535	(31 327)	(47.8%)
Net fees and commissions receivable	23 453	13 565	9 888	72.9%
Dealing profits	4 509	(9 164)	13 673	>100%
Other operating income and dividends	451	1 769	(1 318)	(74.5%)
Admin expenses, depreciation, provisions	(35 212)	(32 044)	(3 168)	(9.9%)
Operating profit*	**27 409**	**39 661**	**(12 252)**	**(30.9%)**

*Before taxation, amortisation of goodwill and exceptional items.

The variance in the operating profit over the period can be explained as follows:

- Net interest income declined significantly largely as a result of the depreciation of the average Rand/Pound Sterling exchange rate over the period. Furthermore, the Balance Sheet Management and Financial Products units in South Africa were unable to repeat the performance of the prior year. During this period, both units had benefited from the rate positioning of their assets and the effective implementation of a number of hedging strategies.
- Deal fees grew solidly. The Financial Products unit in South Africa earned increased fees from improved performance in scrip lending and increased activity in the debt origination market. Furthermore, the South African Structured Finance unit experienced an increase in fees. In the UK, the division benefited from a strong performance from the three relatively new banking teams: *Project Finance (December 2001), Structured Finance (July 2002) and Financial Products.*
- Administrative expenses increased largely as a result of additional teams and people employed, particularly in the UK. Furthermore, the Project Finance unit in South Africa made an additional provision for bad and doubtful debts of approximately £2 million.

Operating profit* - Financial Markets Activities

The operating profit before amortisation of goodwill and exceptional items of the Trading Activities declined substantially, with the division making a much reduced profit of £542 000.

The group's Trading Activities experienced a mixed performance.

- The South African businesses performed well, particularly the Interest Rate, Foreign Exchange and Equity Derivatives units.
- The negative performance of the UK operations, other than the Equity Derivatives division that performed well, resulted in a significant scaling down of the group's Trading Activities in the UK.

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Net interest income	(2 316)	(8 297)	5 981	72.1%
Net fees and commissions receivable	1 038	6 394	(5 356)	(83.8%)
Dealing profits	30 945	38 017	(7 072)	(18.6%)
Other operating income and dividends	3	1	2	>100%
Admin expenses, depreciation, provisions	(29 128)	(23 992)	(5 136)	(21.4%)
Operating profit*	**542**	**12 123**	**(11 581)**	**(95.5%)**

* Before taxation, amortisation of goodwill and exceptional items.

The variance in the operating profit over the period can be explained as follows:

- The winding down of the Interest Rate business in the UK had a negative impact on overall performance.
- The South African Trading Activities had a successful year, with the majority of the units contributing to overall performance. These results were partially offset by a decline in profitability of the Commodities unit.
- In the UK, dealing profits declined as the majority of the Trading Activities, in particular the Commodities unit, performed poorly during the period.

Developments

Key business developments over the past year are outlined below.

Banking Activities

Treasury

- The continued conservative approach to liquidity management held the group in good stead, particularly in South Africa where uncertainty with regard to deposit taking among smaller banks continued.
- Revenues were generated from active interest rate management.
- The UK and South African balance sheets are liquid.

Financial Products

- The South African operations performed commendably:
  - o The Debt Origination unit performed particularly well, with a number of high profile corporate debt securities issued.
  - o The unit successfully undertook a R1 billion securitisation of a portion of the Private Bank's home mortgage loan book.
  - o Financial engineering and investment product creation slowed down as a result of difficult market conditions.
- In the UK, the unit made substantial strides in the credit derivatives arena, where it seeks to structure or participate in structures and selling positions to the investor market.

Structured and Asset Finance

- The South African operations experienced lower levels of transaction flow in an environment of great uncertainty.
- Nevertheless, gross lending advances managed to keep slightly ahead of redemptions.
- The UK operations posted solid results, with the addition of an experienced Structured Finance team during the year and a resilient performance from Asset Finance.

Project and Resource Finance

- The Project Finance unit performed well, concluding several key transactions during the period:
  - o In South Africa, the unit was involved in arranging and underwriting debt facilities for the SunCoast Casino.
  - o The unit also arranged and underwrote the debt in the refinancing of the Kelvin power station.
  - o Investec European Capital performed particularly well, concluding the largest hospital PFI project to date in the UK.
  - o In Australia, the newly established Project Finance unit acted as co-lead underwriter to construction contractor Abigroup in the A$2.4 billion Western Sydney Orbital toll road project.
- The results of the Resource Finance business were affected by a specific bad debt provision of approximately £2 million raised.

Trading Activities

Interest Rates

- The successful integration of Securities Investment Bank Limited (a 100% owned subsidiary of the group) with the Interest Rate desk in South Africa led to substantial cost savings without a material reduction in revenues.
- The UK Interest Rate activities were curtailed, with the group's exit from its money market and repurchase agreement operations. This decision was taken as the business was unable to generate a satisfactory return on capital and used significant counterparty lines.

Foreign Exchange

- In South Africa, the volatility in domestic and international exchange rates increased opportunities *for good client business.*
- During the period under review, Investec closed the New York desk and significantly reduced the UK business.

Equities Derivatives

- *In South Africa, warrants volumes decreased and institutional hedging activities were subdued.*
- Investec became the first issuer of equity warrants in the Irish market during the financial year.
- In the UK, the unit successfully maximised returns on structured warrant trades and convertible bond trading, which commenced in the second half of the financial year.

Commodities

- The Commodities unit recorded a loss after a solid performance in the previous year.
- Hedging transactions in the gold market were scarce, while base metals activity was unpredictable.

Outlook

The Treasury and Specialised Finance division remains well positioned in the South African market. The challenge is to uphold this favourable position and expand operations elsewhere in the world.

The non-Southern African operations did not perform well in the past financial year. Major changes were made through cost-cutting initiatives, scaling down of certain operations and discontinuing others. Notwithstanding, the division also continued expanding in areas where it sees long-term profit and *growth potential. A solid platform has been created in the UK.*

The division expects better performance this year and is well placed for opportunities which may arise in the year ahead. Many one-off charges have been accounted for, such as team acquisition costs and retrenchment costs, and the concerted cost-cutting exercise has also yielded positive results.

The division's objectives include:

- Remaining specialised and competing only in areas where the division can be differentiated.
- Ensuring intense management of capital usage and related returns.
- Maintaining focused management on costs of operation.
- Developing sales and distribution capability in Hong Kong through growth of a recently established joint venture.

investment banking

Includes: Corporate Finance, Institutional Research, Sales and Trading, Private Equity, Direct Investments

UK GAAP £'000	31 March 2003	31 March 2002	% Change
Net interest income	4 992	3 207	55.7%
Other income	59 192	101 539	(41.7%)
Provision for bad and doubtful debts	(589)	(437)	(34.8%)
Admin expenses and depreciation	(46 301)	(58 016)	20.2%
Operating profit*	**17 294**	**46 293**	**(62.6%)**
Corporate Finance	(2 039)	16 021	>(100%)
Institutional Research, Sales and Trading	2 597	9 637	(73.1%)
Private Equity	12 132	11 412	6.3%
Direct Investments	4 604	9 223	(50.1%)
Operating profit*	**17 294**	**46 293**	**(62.6%)**
South Africa and Other	5 871	18 567	(68.4%)
UK and Europe	6 915	20 255	(65.9%)
Australia	2 711	2 724	(0.5%)
Israel	1 797	4 747	(62.1%)
Operating profit*	**17 294**	**46 293**	**(62.6%)**
Cost to income ratio (%)	72.1%	55.4%	
Number of employees	336	462	(27.3%)

*Before taxation, amortisation of goodwill and exceptional items.

Contribution analysis - % of group total at 31 March 2003

UK GAAP	Operating profit*	Employees	Total assets
Total group	£101.4mn	4 874	£14 959mn
Investment Banking	17.1%	6.9%	1.7%

* Before taxation, amortisation of goodwill and exceptional items (excluding the results of the discontinued operations).

Scope of activities

Product	Geography	Description
Corporate Finance	Australia, South Africa, UK	• Domestic businesses benefiting from access to an international network • Mid-market focus in the UK and Australia with a penetration into larger clients, specifically in South Africa
Institutional Research, Sales and Trading	Israel, South Africa, UK	• Research operated on an international platform • Blue chip domestic institutional client base
Private Equity	Australia, South Africa, UK	• Income primarily from realisations of third party investments acquired through UK acquisition of Hambros PLC • Small but growing private equity businesses in South Africa and Australia
Direct Investments	Australia, South Africa, UK	• Largely a South African business leveraging off Corporate Finance's market knowledge and deal flow • Focus on quoted companies • Selective, opportunistic approach

Management structure

Joint Global Heads of Investment Banking
Bradley Fried
Andy Leith

Australia
Investec Wentworth
Geoff Levy

Private Equity
John Murphy

Israel
Investec Bank (Israel) Ltd
Yoel Berger

South Africa
Corporate Finance
Malcolm Dods
Kevin Kerr
Hugo Steyn

Private Equity
Thomas Prins

Investec Securities Institutional Stockbroking
Carole Mason
Craig Tate
Kevin Brady

Management Services
Kevin McKenna

UK
Investec Investment Banking and Securities
Perry Crosthwaite
David Currie
Richard Hickinbotham
David Kantor
Neil Montgomery
Nigel Tose

Private Equity
Rob Cohen

International
Ockert Olivier
Clive Richardson

Introduction

The Investment Banking division engages in a range of investment banking activities in two principal markets, the UK and South Africa, with smaller but growing operations in Australia and Israel. These activities comprise Corporate Finance, Institutional Research, Sales and Trading, Private Equity and Direct Investments. The business positions itself across these operations as a super boutique, focusing on specific market niches. It targets clients seeking highly customised service, which Investec offers through a combination of domestic depth and expertise and client centric approach.

The client base of the division includes:

- Major listed and unlisted corporations.
- Fund managers.
- Government.
- Parastatals.

Overview of performance

The prolonged weakness in financial markets and subdued trading volumes had a severe impact on the performance of the Investment Banking division. Operating profit before amortisation of goodwill and exceptional items declined by 62.6% to £17.3 million.

In South Africa, the Investment Banking division reported declining results, largely as a result of the lack of realisation opportunities in the direct investment portfolio from which the division had benefited in the previous year.

In the UK, Investec Investment Banking and Securities posted an operating loss. In the circumstances and given the lack of visible prospects of a market recovery, the division's cost base was significantly restructured. Accordingly, a significant decline in staff numbers and the outsourcing of support activities, such as certain settlement functions, resulted in costs falling from a peak annualised rate of £29 million to £18 million.

Investec Inc. in the US, which was particularly vulnerable to the dramatic decline in equity markets, posted operating losses. Towards the end of the financial year, the group decided it was not prudent to sustain the ongoing losses in the US Investment Banking operations, given the unlikelihood of the establishment of a profitable competitive business in the region. Consequently, a strategic decision was taken to wind down the Investment Banking operations in the US. At the beginning of the 2003 calendar year, PMG Advisors was sold and by the end of May 2003 all Investment Banking activities had ceased operation. The cost of closing this activity is recognised as an exceptional item in the group's 2003 results. Further information is provided on page 12 and 13.

In Australia, Investec Wentworth performed well, notwithstanding difficult market conditions.

Operating profit* - Corporate Finance and Institutional Research, Sales and Trading

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Net interest income	6 166	5 045	1 121	22.2%
Net fees and commissions receivable	34 765	68 964	(34 199)	(49.6%)
Dealing profits	4 392	7 920	(3 528)	(44.5%)
Other operating income and dividends	152	19	133	>100%
Admin expenses, depreciation, provisions	(44 917)	(56 290)	11 373	20.2%
Operating profit*	**558**	**25 658**	**(25 100)**	**(97.8%)**

* Before taxation, amortisation of goodwill and exceptional items.

The variance in the operating profit over the period can be explained as follows:

- Difficult market conditions continued to impact the Investment Banking division, particularly in the UK, where deal fees and commissions fell by £32.5 million. In South Africa, deal fees and commissions declined marginally, with the Corporate Finance division concluding 55 corporate finance deals compared to 65 in the previous year.
- Dealing profits were negatively impacted by a decline of more than 80% in UK market making revenues compared to the prior year.
- Administrative expenses were positively influenced by significant restructuring that took place during the year in the UK, as well as a sharp decline in incentive-based remuneration given declining profitability. The decline in personnel expenses was around £11 million.

Operating profit* - Direct Investments and Private Equity

UK GAAP £'000	31 March 2003	31 March 2002	Variance	% Change
Net interest income	(1 172)	(1 839)	667	36.3%
Net fees and commissions receivable	1 375	397	978	>100%
Dealing profits	4 397	(260)	4 657	>100%
Other operating income and dividends	14 110	24 499	(10 389)	(42.4%)
Admin expenses, depreciation, provisions	(1 974)	(2 162)	188	8.7%
Operating profit*	**16 736**	**20 635**	**(3 899)**	**(18.9%)**

*Before taxation, amortisation of goodwill and exceptional items.

The variance in the operating profit over the period can be explained as follows:

- Net interest payable was positively affected by a reduction in loan balances, following the sale of certain investments in the prior year.
- The division's net fees and commissions receivable increased as a result of certain management and other fees received on transactions concluded during the period.

- Dealing profits increased as a result of the net positive mark-to-market adjustments in the group's private equity and direct investment portfolios.
- Other operating income declined, largely as a result of the approximate net £15 million profit made on the disposal of investments after taking into account impairments, in the previous year. This negative variance was offset by a strong performance from the UK Private Equity division, which benefited from the realisation of the partial disposal of one of its investments amounting to approximately £9 million.

Developments

Key business developments over the past year are outlined below.

Corporate Finance

South Africa

- Investec Corporate Finance continued its strong performance.
- The division focused on group and corporate restructuring activities, shareholder activism mandates and black economic empowerment (BEE) transactions.
- In accordance with Investec's BEE strategy, the division participated in both an advisory and an investment capacity in the acquisition by Peu Investment Group of a 20% equity interest in Capital Alliance Limited for R420 million, and the formation of Tiso Capital Partners.
- The number of corporate finance transactions completed during the period declined to 55 (2002: 65), while the number of sponsor broker deals increased to 45 (2002: 36).
- The division continued to seek creative and effective ways to develop value-added solutions for its clients.
- The division was ranked first in volume and value of transactions in the *Dealmakers Magazine Survey* for Corporate Finance (March 2003). It was ranked second for advising on the highest volume and value of M&A transactions in the *Ernst & Young Survey* (March 2003).

UK and Europe

- The performance of the division was severely impacted by difficult market conditions, reflected in declining fund raisings and advisory work plus lower stock market valuations.
- The number of M&A deals and fund raising transactions completed during the period declined to 13 (2002: 25) and to 10 (2002: 24) respectively.
- Despite this, the retained corporate client list was strengthened, with 13 wins as opposed to six losses.
- The average market capitalisation of the corporate client list is approximately £86 million.

Australia

- Investec Wentworth secured a significant share of transactions, at a time when the level of M&A activity and capital raisings were substantially down in the Australian market.
- The division advised on 20 deals valued at A$2.5 billion during the financial year.

Israel

- During the year, the Corporate Finance and Research division was downsized, given market conditions.

Institutional Research, Sales and Trading

South Africa

- The agency business suffered as a result of the lower average volumes traded on the JSE Securities Exchange of South Africa (JSE).
- The Structured Equity Desk continued its strong performance, with its activities now spanning both the JSE and FTSE.
- The Institutional division of Investec Securities Limited successfully repositioned itself in the marketplace. The division's full service offering, with an emphasis on broad-based market coverage and significantly augmented execution capability, was well received by clients.
- Noteworthy client rankings in the *Financial Mail Survey* (May 2003) indicate that Investec Securities Limited is well positioned to leverage off the credible platform that has been created.

UK and Europe

- Despite low levels of activity, the division's market share in large cap stocks increased from 1.3% to almost 2.2% of UK agency commissions.
- The business expanded its research offering and market making capabilities, both of which enhanced Investec Investment Banking and Securities' profile in the UK market.
- Furthermore, the division continues to work closely with Institutional Stockbroking in South Africa, as demonstrated in the profitable launch of the Structured Equity Desk.

Israel

- Stockbroking commissions were negatively impacted by reduced domestic market activity, although this was partially offset by an encouraging increase in commissions on Nasdaq listed Israeli stocks.
- Falling stock values also affected custody revenues. Although the bank was awarded its first custodian contract by a bank, all previous clients were independent asset managers.

Private Equity and Direct Investments

South Africa

- The Private Equity division enjoyed good quality transaction flow and benefited from an upward revaluation of certain of its investments.
- There was a lack of opportunities in the Direct Investments portfolio from which the division had benefited in the previous year.

UK and Europe

- The Private Equity division benefited from a significant realisation in one of the underlying funds, amounting to approximately £9 million.

- The aggregate book value of the Private Equity and Investment portfolio was £23.4 million (2002: £27.1 million).

Australia

- Weak equity markets provided attractive opportunities, with amongst other things, the division investing A$8 million to acquire a one-third stake in mobile phone retailer, Fone Zone.

Outlook

The outlook for the Investment Banking division is naturally geared towards the state of global equity markets. The primary objective of the division is to secure its current positions and continue to build its operations in each of the markets in which it operates, with a strong focus on enhancing overall profitability.

South Africa

The Investment Banking division in South Africa should benefit, going forward, as a result of a number of international banks scaling down their securities and advisory businesses. Investec Securities Limited is well positioned to take advantage of an eventual upturn in market conditions, although it is difficult to anticipate when any meaningful turnaround will occur. Furthermore, Investec Corporate Finance has a strong position in the market, with well-established relationships with clients and a pipeline of deals that remains steady. The Private Equity division's strategy is to remain niched and continue to focus on transactions where value can be leveraged through the division's involvement and through the implementation of a specific approach.

UK and Europe

In the UK, Investec Investment Banking and Securities believes that its strategic focus combined with the breadth and depth of its coverage have not been materially reduced by the restructuring activities that took place during the period. The division is focusing on a number of revenue initiatives aimed at account management and new corporate client wins. Furthermore, while there is scope for small further gains in Private Equity depending on market conditions, these opportunities are expected to be limited in the next financial year.

Australia

In Australia, the group has made significant progress with building a sound platform for its Advisory and Private Equity businesses. The group currently has two private equity funds and is looking to raise a third one. The weak equity markets provide reasonable opportunities for the division. The division will continue to focus on building a profitable and recognised business by maintaining a solid deal pipeline, aggressively targeting new clients, enhancing brand awareness and further integrating its operations into Investec's international network.

asset management

Includes: Asset Management and Assurance Activities

UK GAAP £'000	31 March 2003	31 March 2002	% Change
Asset Management			
Net interest income	5 376	3 466	55.1%
Other income	84 330	85 199	(1.0%)
Admin expenses, depreciation, provisions	(70 227)	(67 754)	(3.6%)
Operating profit*	**19 479**	**20 911**	**(6.8%)**
South Africa and Other	17 715	18 154	(2.4%)
UK and Europe	1 646	2 439	(32.5%)
Israel	118	318	(62.9%)
Operating profit*	**19 479**	**20 911**	**(6.8%)**
Cost to income ratio	78.3%	76.4%	
Number of employees	771	763	1.0%
Funds under management (£ millions)	16 828	16 268	3.4%
Assurance Activities			
Income from long-term assurance business	27 779	31 079	(10.6%)
Number of employees	490	576	(14.9%)

* Before taxation, amortisation of goodwill and exceptional items.

Contribution analysis - % of group total at 31 March 2003

UK GAAP	Operating profit*	Employees	Total assets
Total group	£101.4mn	4 874	£14 959mn
Asset Management	19.2%	15.8%	
Assurance Activities	27.4%	10.1%	
Asset Management and Assurance			19.7%

* Before taxation, amortisation of goodwill and exceptional items (excluding the results of the discontinued operations).

asset management

Scope of activities

Investec Asset Management is managed as a single international organisation, comprising client-facing strategic business units that are supported by a unified investment team, which leverages off a scalable operations platform. This structure facilitates maximum leverage of experience and expertise across markets and enables central management to direct resources to the best opportunities available.

Executive Committee

Hendrik du Toit	Chief Executive Officer
Kim McFarland	Chief Operating Officer
George Brits	Chief Investment Officer
Mark Samuelson	Head of Institutional Business Development
Nick Mottram	Head of Equities, UK based team
Paul Griffiths	Head of Fixed Income, UK based team
Andy Sowerby	Joint Managing Director, UK Retail
David Aird	Joint Managing Director, UK Retail
Domenico Ferrini	Managing Director, SA Institutional Investments
John Green	Managing Director, SA Personal Investments
John McNab	Chief Investment Officer, SA based team
Gail Daniel	Head of Equities, SA based team

Introduction

Investec Asset Management provides a select range of portfolio management services and products to institutional and retail clients in South Africa and the UK. The company also offers a selection of offshore products to investors in Europe, Asia and the US.

Investec Asset Management seeks to position itself as a manufacturer of a limited number of high quality core products. At present, its core specialities are South African, UK and global equities, fixed income and balanced products. The company also offers a range of absolute return products.

Investec Asset Management uses predominantly non-proprietary distribution channels, thereby limiting potential conflicts of interest. The business continues to invest in its capacity to engage and service these distribution channels.

Overview of performance

Investec Asset Management, in the face of difficult equity market conditions, demonstrated its resilience and continued to build the capacity required to operate effectively. For the business, this was a year of *consolidation in South Africa and significant progress in the UK.*

The transition from a single country fund manager with a limited product range in 1999 to an international fund manager with strong foundations in South Africa and the UK, able to reach into a wide variety of international markets, is complete. A clear structure, solid leadership core and strong staff complement are in place.

Noteworthy developments over the past year include:

- Earnings proved resilient in the most demanding business environment yet experienced by the business.
- *Acceptance from leading UK consultants and multi-managers came earlier than expected.*
- A strong brand in the UK IFA market began to emerge, shown by market share growth.
- The London-based investment team showed excellent investment performance in core propositions (global and UK equities, balanced and fixed income).
- The business achieved a transition from a balanced to a specialist house in South Africa.
- Performance was disappointing against the peer group of South African balanced funds.
- South African specialist performance was excellent.
- The South African retail operations, now called Investec Personal Investments, had a successful year.

Investec Asset Management reported operating profit before amortisation of goodwill and exceptional items of £19.5 million, which represented growth of 4.0% in Rand terms and a 6.8% decline in Sterling terms. Assets under management increased by 3.4% in Sterling terms to £16.8 billion but declined by 20.0% in Rand terms to R210.6 billion.

The variance in the operating profit over the period can be explained as follows:

- In South Africa, the Personal Investments division performed well, with a solid increase in retail fees earned. This was as a result of improved flows (approximately R1 billion/£60 million), endorsing the strategic direction embarked on two years ago, and an increase in funds under management acquired from Fedsure (which was only reflected for 10 months of the 2002 financial year). Despite a reduction in fees and commissions earned, caused by an outflow of funds from former Fedsure clients (approximately R8 billion/£480 million), the Institutional Investments division continued to post a strong performance. This was as a result of performance fees earned and cost containment initiatives.
- The UK and Other International Operations division benefited from a reduction in expenditure (approximately £4 million), largely due to tight cost control, a decline in headcount and minimal salary increases. Despite net inflows to the institutional and retail funds, weak equity market conditions impacted on overall revenue. "Deal fees" (once-off fees) were the most significantly affected, with retail once-off fees declining due to lower initial fees, while several once-off *transactions from the prior year (for example, restructuring costs and investment trust initial* commission on a new trust) were not repeated in 2003.

Funds under management - £16.8 billion

Business type	Geographic (sourced)	Asset class
Retail: 26%	South Africa: 55%	Hedge funds: 0.8%
Institutional: 74%	UK & Other: 45%	Equity: 38.4%
		Fixed income and cash: 60.8%

Movements in funds under management (FUM)

£ millions	Total	Institutional	Retail	SA	UK and Other
FUM 31 March 2002	**16 268**	**11 943**	**4 325**	**8 141**	**8 127**
Net client gains/losses	(373)	**(656)	283	(414)	41
New clients and funds	1 883	1 672	211	715	1 168
Disinvestments and funds closed	(1 871)	(1 862)	(9)	(757)	(1 114)
Existing client movements	(385)	(466)	81	(372)	(13)
Market/Forex movement	933	*1 191*	*(258)*	*1 576*	*(643)*
FUM 31 March 2003	**16 828**	**12 478**	**4 350**	**9 303**	**7 525**
% of total FUM		74%	26%	55%	45%

** 73% due to structural outflows from the Assurance book

Developments

Key business developments over the past year are outlined below.

South African Institutional Investments

Investec Asset Management services the South African institutional market and is one of the two largest managers of segregated institutional mandates in South Africa. Products include balanced as well as specialist mandates, defined by asset class or risk objective.

- The business made a successful transition from balanced to specialist manager, providing expertise in the listed equity and fixed income market.
- Despite a largely market-induced decline in funds under management over the last year, South African assets (excluding those acquired from Fedsure) have doubled since internationalisation (1998).
- Balanced portfolios did not perform in line with historic standards.
- There were significant mandate wins in the specialist equity area.
- *The Tiso Private Equity Fund was launched successfully in a joint venture with Tiso Capital.*
- International assets showed excellent relative performance.
- Overall performance during the year was sound, with more than 75% of the specialist funds in both asset weighted and number of portfolio terms outperforming their benchmarks.

South African Personal Investments

Investec Asset Management is a leading player in the South African unit trust and portfolio product industry. The business has a dominant retail market positioning, with an 11% unit trust and a 22% portfolio product market share.

- Following the integration of the Fedsure businesses acquired, the division repositioned itself under the brand Investec Personal Investments, to reflect its focus on investment rather than administration. This external focus proved to be extremely beneficial, with a 30% increase in sales market share.
- Retail fund performance was excellent, and several awards were won, both for individual funds and the entire range:
  - *Standard & Poor's* award for the Best Larger Group Over Five Years for the third consecutive year.
  - Investec Asset Management remained in the top three in the *Plexus Survey of fund families.*
  - Investec Asset Management was first in the *Plexus Survey for offshore fund sales* in South Africa.
- Close co-operation with the institutional division will release efficiencies and create opportunities in the long term.
- The division remains vulnerable to a continuation of the current equity bear market.

Investec Asset Management in the South African unit trust industry

	31 March 2001	31 March 2002	31 March 2003
Investec Asset Management funds under management (R millions)	13 394	19 965	18 484
Total industry size (R millions)	124 337	176 338	174 075
Market share (%)	11%	11%	11%
Size ranking in industry	3rd out of 29	2nd out of 29	4th out of 29
Industry gross sales (R millions)	114 197	130 939	142 793
Investec Asset Management % of gross industry sales	16%	10%	13%

All figures include Money Funds but exclude Fund of Funds
Source: Association of Unit Trusts
Industry sales for the twelve-month periods

Investec Asset Management in the South African portfolio product industry

	31 March 2001	31 March 2002	31 March 2003
Investec Asset Management funds under management (R millions)	10 593	19 313	15 732
Total industry size (R millions)	58 125	77 024	72 337
Market share (%)	18%	25%	22%
Industry gross sales (R millions)	18 524	19 864	23 736
Investec Asset Management % of gross industry sales	21%	18%	25%

All figures include Money Funds but exclude Fund of Funds
Source: Linked Investments Service Providers Association
Industry sales for the twelve-month periods

UK Institutional

Investec Asset Management provides portfolio management services to its UK client base, and has a leading position in the UK public sector Sterling fixed income market. The division manages balanced, fixed income and equity portfolios. Global balanced and global equity funds are also offered to its South African client base.

- Over the past year, the division made significant progress in establishing its position in the UK institutional market:
  - It raised over £950 million in new assets and penetrated the "buy" lists of several major investment consultants.
  - Investec Asset Management won several landmark mandates, including its first consultant driven pension fund and multi-manager mandates, and gained a foothold in the defined contribution pension market.
  - This satisfactory market entry was achieved much earlier than expected.
- The division's growing market presence and investment performance were recognised with a number of award nominations. This list includes runner up for *Global Investor's One to Watch for 2003*.

UK Retail (including European sales)

The division offers a comprehensive portfolio of own and externally managed OEICs to the upper end of the onshore UK funds market.

- It continued to grow market share despite the global bear market in equities and pressure on intermediaries, its primary distribution channel.
- The division increased funds under management with the acquisition of £90 million of funds from Hargreaves Lansdown, a large intermediary.
- There were gross sales of £315 million into the division's onshore range (a 29% increase on 2002).
- Investec Asset Management achieved recognition on several fronts, featuring strongly in a large industry survey of independent financial adviser buying patterns. It was also awarded for investment performance, service and its leading web site.

Investec Asset Management in the UK retail fund industry

	31 March 2001	31 March 2002	31 March 2003
Investec Asset Management funds under management (£ millions)	519	649	666
Total industry size (£ millions)	244 394	242 281	188 267
Size ranking in industry	*74th out* of 151	*62nd out* of 136	*58th out* of 129
Industry net retail sales (£ millions)	15 750	8 206	6 842
Investec Asset Management % of net industry sales	0.8%	2.2%	2.7%
Industry gross retail sales (£ millions)	34 151	27 475	26 839
Investec Asset Management % of gross industry sales	0.5%	0.9%	1.2%

Source: Investment Management Association
Industry sales for the twelve-month periods

Offshore funds

Investec Asset Management's offshore fund ranges are domiciled in Guernsey and Dublin. These funds are distributed in Investec's two core markets, South Africa and UK, as well as via select channels into the offshore territories of Asia, Europe and the US.

- The portfolio of funds won numerous awards last year, including *Best Offshore Group at the Standard & Poor's Offshore Fund Awards.*

Asia and US

- The marketing and sales of Investec Asset Management's offshore funds continued to make progress, despite difficult equity markets and Hong Kong's weak mutual fund market that necessitated the closure of the division's Asia-based investment team.
- Over the financial year, market share of fund sales in Hong Kong increased by 80% to 2.8%.
- As part of the effort to establish a Greater China sales platform, a small sales office was opened in Taiwan, where the initial sales experience bodes well for the future.
- Over the past year, the US division was reorganised to meet its objectives and, as a consequence, the small, sub-scale, no-load mutual fund family was disposed of.

International retail fund performance

		Quartile Rank		
To 31 March 2003	**One year**	**Two years**	**Three years**	**Five years**
Global Equity Funds				
IAF Global Growth Fund	1st	1st	1st	2nd
GSF Global Equity Fund	1st	1st	1st	2nd
UK Equity Funds				
GSF UK Equity Fund	1st	1st	1st	2nd
UK Blue Chip Fund	1st	1st	1st	1st
UK Smaller Companies Fund	1st	1st	1st	1st
UK Opportunities Fund	1st	1st	1st	2nd
UK Value Fund	1st	1st	1st	1st
Balanced Funds				
IAF Global Balanced Fund	1st	1st	1st	1st
GSF Global Balanced Fund	1st	1st	1st	1st
UK Cautious Managed Fund	2nd	1st	1st	1st
Global Bond Funds				
IAF Global Bond Fund	1st	1st	1st	1st
GSF Global Bond Fund	1st	1st	2nd	2nd
SF Global Bond Fund	1st	1st	1st	2nd

Outlook

The same core management team that built the business from scratch in South Africa is still at the helm, strengthened over the years by additional highly talented people who share the same vision. Despite difficult markets, experience and management stability enable Investec Asset Management to retain its focus on real issues, namely investment performance, client retention and sales. The division's leading position in South Africa provides a strong base from which to engage competitors domestically and internationally.

The company bought, and decisively turned around, a UK-based business amid one of the most testing bear markets in the last century. Since the acquisition of Guinness Flight in 1999, Investec Asset Management has focused on the UK as a large, second domestic market. In order to achieve this, Investec Asset Management has assembled and retained world-class equity and fixed income skills and has focused the business on a relatively small number of core investment propositions. Today, Investec

Asset Management is endorsed by the industry's most prestigious distributors and continues to deliver outstanding investment performance.

Investec Asset Management's long-term orientation, the determination to win and ability to retain key people, have historically set it apart from the competition. For 12 years, management has been building an asset management success story. It was never plain sailing, but these conditions are the most challenging yet. The 13th year will be tough, but if management remains focused on its clearly articulated objectives, the foundation for the next growth phase of Investec Asset Management will have been laid.

assurance activities

Head of Assurance Activities

Ciaran Whelan

Overview of performance and key business developments

The group's South African life assurance activities, conducted by Investec Employee Benefits (IEB) reported operating profit before exceptional items and amortisation of goodwill of £27.8 million, a decline of 10.6%.

Operational earnings increased significantly from £15.5 million to £51.7 million. These results were positively influenced by further restructuring of the business and its investment portfolios, particularly in the first half of the financial year. However, since embedded value accounting has been implemented, the net movement in the value of in-force business is accounted for in the profit and loss account, with the result that the current year's operational earnings were offset by a negative adjustment of £23.9 million, compared to a positive movement of £15.6 million in the prior year.

Towards the end of the financial year the group concluded a deal with Liberty Group Limited (Liberty) whereby certain of the liabilities of the retirement fund administration business and the existing disability claimants business were reinsured with Liberty with effect from 31 March 2003 (the deal is still subject to approval by the Competition Commission). As a result of the actuarial reassessment of policyholder liabilities and the value of the in-force business at the year end, the effect of the deal with Liberty was to generate a profit of approximately £11 million, included in the operational earnings mentioned above, offset by a reduction in the value of in-force business of approximately £7 million.

The rationale behind this transaction was to:
- Reduce Investec's exposure to administration intensive businesses, which require significant infrastructure and ongoing investment; and
- Transfer liabilities of approximately £290 million to Liberty.

Post the implementation of the transaction IEB will mainly comprise:
- A Risk Only division.
- An Investment Only division.

The Risk Only division provides death and disability benefits on a standalone basis where another company is responsible for the member administration. The management of disability claims and the provision of various disability and underwriting services is also offered.

It is IEB's intention to aggressively grow this line of business and to become a significant player in this market without the legacy of huge administration systems. Investec is confident that this line of business will be successfully integrated into the group as the nature of this business fits into the group's core competencies of risk management. The division is in the process of setting its strategy for the Risk Only division and is currently revising its products and operating procedures in line with client feedback.

The Investment Only division is effectively an asset management function. IEB will continue to manufacture appropriate investment and risk products to distribute to its client base.

Salient financial features for IEB

UK GAAP £'000	**31 March 2003**	**31 March 2002**
The embedded value comprises:		
Net tangible assets of life company including surplus	273 072	156 096
Reallocated to investments in associated undertakings	(50 824)	(34 098)
Elimination of intercompany balances	(120 833)	(81 371)
Value of in-force business	7 113	26 489
	108 528	**67 116**
Income from long-term assurance business comprises		
Premium income	306 110	201 731
Investment income	13 920	93 637
Total income	320 030	295 368
Operating expenses	(21 003)	(28 211)
Policyholders' benefits paid	(419 310)	(449 183)
Decrease in technical provisions	457 680	206 597
Re-insurance premium expense	(277 387)	–
Operating profit	60 010	24 571
Tax charged to technical account	(8 296)	(9 055)
Surplus attributable to shareholders	51 714	15 516
Value of in-force business	(23 935)	15 563
Income from long-term assurance business	**27 779**	**31 079**

No current taxation has been provided on the surplus attributable to shareholders due to the availability of brought forward taxation losses.

Re-insurance premium expense of £277 million for the year ended 31 March 2003 (2002: Nil) relates to the re-insurance of certain policyholder liabilities with Capital Alliance. This is offset by an equivalent decrease in related technical provisions.

Salient financial features for IEB

UK GAAP	31 March 2003	31 March 2002
Assumptions		
The economic assumptions are based upon a long-term view of economic activity and are therefore not adjusted for market movements which are considered to be short-term. This approach is considered to be the most appropriate given the long-term nature of the portfolio of products and the business is located in South Africa. The economic assumptions are derived by adding appropriate long-term risk/equity margins to the benchmark gilt i.e. R153 South African government bond. The principal economic assumptions which have been used for the periods under review are as follows:		
Risk-adjusted discount rate (%)	13.4	16.5
Return on equities (gross of tax) (%)	12.4	15.5
Return on fixed interest securities (gross of tax) (%)	10.4	13.5
Return on property investments (gross of tax) (%)	11.4	14.5
Return on cash held (gross of tax) (%)	7.4	10.5
Inflation rate (%)	6.4	9.5
Qualifying capital (net of inadmissible assets) (£ millions)	276.5	14.6
Statutory capital adequacy requirement (CAR) (£ millions)	23.6	53.6
CAR cover (times)	11.7	2.7

Further financial information for IEB can be found on page 267 and 268.

group services and other activities

Includes: Central Costs, the Central Funding of Investec and Other Activities

UK GAAP £'000	31 March 2003	31 March 2002	% Change
Net interest income	14 330	15 595	(8.1%)
Net fees and commissions receivable	11 084	23 253	(52.3%)
Dealing profits	(3 841)	15 266	>(100%)
Other operating income and dividends	14 607	2 947	>100%
Provision for bad and doubtful debts	(810)	(2 818)	71.3%
Admin expenses and depreciation	(67 357)	(87 937)	(23.4%)
Operating profit*	**(31 987)**	**(33 694)**	**5.1%**
International Trade Finance	1 123	2 425	(53.7%)
Property Worldwide	5 986	5 782	3.5%
US Clearing and Execution Activities	1 041	2 054	(49.3%)
UK Traded Endowments	(8 945)	2 531	>(100%)
Other Activities	(795)	12 792	>(100%)
Central Funding	6 279	(7 356)	>100%
Central Costs	(37 471)	(39 130)	4.2%
Operating profit*	**(31 987)**	**(33 694)**	**5.1%**
South Africa and Other	(28 706)	(39 301)	27.0%
UK and Europe	(6 658)	3 865	>(100%)
Australia	2 293	(110)	>100%
Israel	(2)	(82)	97.6%
USA	1 086	1 934	(43.8%)
Operating profit*	**(31 987)**	**(33 694)**	**5.1%**
Number of employees	1 159	1 412	(17.9%)

* Before taxation, amortisation of goodwill and exceptional items.

Management structure

Chief Integrating Officer
Allen Zimbler

Corporate Governance and Compliance
Bradley Tapnack

Corporate Social Investment
Lisa Kropman

Economics Research
Carole Mason

Facilities
Craig Gunnell

Group Finance
Rayanne Jacobson

Human Resources
Patsy McCue

Information Technology
Simon Shapiro

Investor Relations
Ursula Munitich

Secretarial and Tax
Selwyn Noik and Richard Vardy
Justin Cowley and Nipan Malde

Marketing
Raymond van Niekerk

Organisational Development
Caryn Solomon

Risk Management
Glynn Burger

Investec Property Group
South Africa
Sam Leon
Sam Hackner
Ronnie Sevitz
Norbet Sasse
David Donald

UK
Paul Stevens

ReichmansCapital
Howard Tradonsky
John Wilks
Robin Jacobson

Traded Endowments
Rob Cohen

Contribution analysis - % of group total at 31 March 2003

UK GAAP	Operating profit*	Employees	Total assets
Total group	£101.4mn	4 874	£14 959mn
Group Services and Other Activities	(£32.0m)	23.8%	7.9%

* Before taxation, amortisation of goodwill and exceptional items (excluding the results of the *discontinued operations).*

Overview of performance

Group Services and Other Activities posted an operating loss of £32.0 million.

The variance in the operating profit over the period can be explained as follows:

- Net interest income and net fees and commissions receivable were negatively impacted by the poor performance of the US operations and the subsequent sale of the clearing and execution business to Fiserv.
- The significant decline in dealing profits can largely be attributed to the poor performance of the Traded Endowments business in the UK. The business posted an operating loss as a result of a fall off in business activity and bonus rates cuts announced by life insurance companies.
- The Group Services and Other Activities division benefited from an increased return on an investment portfolio originally acquired from Investec Employee Benefits and on other long-standing investments. These developments resulted in an increase in operating income of approximately £10 million.
- Administrative expenses were positively influenced by the winding down of the US business and the subsequent sale of the clearing and execution business to Fiserv.

Description of activities and developments

Central Costs

Central Costs is made up of functional areas that provide services centrally across all of the group's business operations. Consistent with Investec's philosophy of operating as a single organisation, Central Costs provide integrating mechanisms between the business operations. As these services do not form part of the four operating divisons, their costs are generally not allocated to any of those divisions.

Investec's principal Central Costs, relating to the operations and control of its business, are Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group Marketing and Organisational Development. Other group support services include: Head Office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Information Center, Regulatory and Facilities.

Central costs of £37.5 million (2002: £39.1 million) are allocated as follows:

- South Africa - £19.3 million (2002: £25.1 million).
- UK and Europe - £16.7 million (2002: £14.0 million).
- Australia - £1.5 million

Group Risk Management and Corporate Governance and Compliance

These functions are discussed in detail on pages 125 to 157 and pages 158 to 184 respectively.

Group Information Technology

Investec's Group Chief Information Officer is accountable for the overall development of the technology direction of Investec. The role involves the co-ordination of the information technology resources across Investec's operations and ensuring that all areas of the group's operations have the appropriate processes and controls.

The various information technology applications are electronically integrated through the central financial and risk systems. Each division is responsible for ensuring best practice and appropriate governance standards in the operation of each of its information technology areas. These standards, which include business resumption and security, are monitored and considered by Group Operational Risk and Investec's Internal Audit divisions.

The information technology division is structured so that each area has an established information technology capability with a Chief Information Officer who reports in a matrix fashion to the division as well as to the Group Chief Information Officer. This matrix structure is designed to ensure that the group is agile enough to deal with the ever-changing business environment.

Developments

- A Group Information Security Officer was appointed to focus on enhancing all aspects of the security of the information assets of the group, including reviewing and upgrading the disaster recovery and response procedures.
- The division rolled-out a comprehensive standardised IT risk assessment model that enables it to identify, monitor and mitigate many of the technology risks faced by the group.
- Major upgrades and enhancements were made in terms of the South African online banking systems. This has included a new facility for online statements and other documents that are produced by the group.
- The division initiated a number of projects aimed at relocating business functions from the UK to South Africa in order to lower the cost base of the group and these are expected to deliver significant savings in the coming year.

Group Finance

In line with Investec's objective to provide its stakeholders with meaningful and accurate information on which to base their investment decisions, Group Finance, working closely with Investor Relations, aims primarily to ensure that Investec operates in accordance with the highest standards of financial reporting discipline and control. This includes compliance with international best practice for accounting policies, disclosure and adherence to applicable statutory requirements.

The division operates through a combination of local and central management. Each of the four operating divisions and geographic businesses has its own finance function. These functions interlink and are responsible for monitoring compliance with statutory, regulatory and management reporting standards. Group Finance overlays these divisional and regional functions. It is ultimately responsible for defining, reviewing and analysing all financial information prepared by the divisional and geographic functions, the consolidation of group-wide information, the management and reporting of group capital, the setting of disclosure standards and the dissemination of financial information to internal management and forums for onward submission by Investor Relations.

In addition, Group Finance is responsible for the control and integrity of the finance operating systems worldwide to ensure that all financially related information is provided in the most effective, automated and consistent manner.

Investor Relations

Investor Relations is responsible for ensuring appropriate communication with stakeholders. Regular contact is maintained with domestic and international institutional shareholders, fund and asset managers, analysts and rating agencies through a comprehensive investor relations programme. This includes meetings with executive management, investor road shows, presentations to the investment community, communication by email, regular telephone conferences and liaison with private shareholders in response to their enquiries.

Investor Relations regularly reports back to the operating divisions, the group executive and the board on various matters or concerns raised by stakeholders. Furthermore, the division maintains a comprehensive investor relations web-site, which ensures that all stakeholders readily have access to historical and current information, including credit ratings, financial results and share price information.

Group Marketing

Building the Investec brand is the primary function of Group Marketing which has members in the two main operating areas of the group, that is, Johannesburg and London. The division takes responsibility for group advertising, sponsorship, events and promotions, publicity, e-branding, brand management and marketing strategy. Well-defined brand controls cover all branded material, such as printed collateral, advertising, events, e-commerce, signage and interior design. In addition, the group marketing staff provide strategic and tactical marketing services to the various business units who in some cases also have divisional marketing operatives.

Investec has a monolithic brand architecture and is focused on building equity in the primary brand over the long term. This Investec brand is positioned as Out of the Ordinary, which is a reflection of the personality and self-image of the organisation. Elements included in this Investec psyche are: passion, performance, focus and creativity. This positioning is communicated through all the brand and communication elements and also serves as the requisite standard of performance for the organisation.

Investec advertising makes use of a zebra icon as a visual tool to get immediate recognition and stand out from competition in the cluttered world of marketing communication. The style utilised is different from the more traditional financial communication styles associated with the majority of our direct competition. The Zebra campaign runs in the UK, South Africa and Australia, with more limited exposure in Ireland, Mauritius, Hong Kong and the US.

Human Resources

As the key enabler of human capital, the Human Resources division is positioned to facilitate superior business performance through the provision of innovative initiatives designed to maximise the group's internal resources and capabilities.

From a global perspective, the Human Resources division is operationally aligned through the South African and UK operations. Local and global human resources forums, comprising human resources professionals and representatives from the business units, convene regularly to ensure the development of human resources best practice and the alignment of human resources strategy with business strategy.

While the approach in aligning human resources and business strategy remains flexible in order to accommodate the geography and business focus of the respective divisions, on a global level the Human Resources division operates through four core areas of activity:

- Recruitment, focusing on equal opportunity employment.
- Compensation and benefits, emphasising employee needs.
- The staff share schemes, based on a philosophy of material employee ownership.
- Employee relations, focusing on achieving a balance between efficient operation of the business and fair employment practice.

Human Resources works for the well being and development of employees, so helping to ensure that the group's human resources remain a core competitive advantage.

Organisational Development

Organisational Development comprises a global team of specialists that provide independent support and consultancy for management. A key aim is to assist Investec to achieve its strategic objectives by *managing transformation as an ongoing, consultative process, rather than as a planned event. The focus* is on facilitating processes that ensure learning, sustainability and the capacity to thrive. Organisational Development is committed to the creation of an entrepreneurial, collegiate environment in which people are encouraged to engage in open dialogue and debate in the interests of achieving extraordinary performance.

Organisational Development focuses on:

- Ongoing diagnosis of factors influencing organisational effectiveness.
- Designing and implementing processes to address factors inhibiting organisational performance.
- Facilitating strategy as a process, not a plan, and ensuring its assisting with implementation of strategic objectives through ongoing consultation and facilitation of customised processes with all business units.
- Building awareness of "cultural risk" and facilitating the understanding and practice of Investec's values, philosophies and culture.
- Facilitating effective working relationships between individuals and teams across business units, product areas and geographies.
- Facilitating processes to integrate organisations and teams which are acquired.
- Developing leaders.
- Facilitating processes to enable teams to work together locally and across borders.
- Managing organisational change in a way that is strategically aligned and culturally appropriate.

Central Funding

Investec has a business model of maintaining a central pool of capital, to ensure that economies of scale for corporate investments, funding and overall management are obtained.

Investec employs various sources of funding, the determination of which depends on the specific financial and strategic requirements it faces at that time. The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to the four operating divisions.

Investec's Capital Committee manages the group's central capital pool in order to assist in effective capital management governance. Further information on the Capital Committee is provided on page 53.

Overview of performance

The Central Funding division achieved a significant improvement in its performance, posting operating profit before amortisation of goodwill and exceptional items of £6.3 million. The division benefited from effective capital management facilitated through the group's restructure, as well as increased returns on shareholders' funds within Investec Employee Benefits (IEB), whose earnings were included for a full year in the current period as opposed to ten months in the prior period. The year on year increase in operating profit before amortisation of goodwill and exceptional items of £13.6 million can largely be explained as follows:

- Increase in margin income earned on the IEB shareholders' portfolio (+ £5 million).
- Profit on unwinding of interest rate instruments recognised in 2002 not repeated in 2003 (- £4 million).
- Mark-to-market losses on the shareholders' portfolio in the UK (- £1.8 million).
- Increase in return on an investment portfolio originally acquired from Investec Employee Benefits and on other long-standing investments (+ £10 million).

Other Activities

Other Activities comprise two types of operations:

- Those that are better managed separately due to the specific expertise that would be diluted if incorporated and split across the business operations.
- Those that do not yet fall into one of Investec's four principal business divisions and have been grown organically by Investec or retained following acquisition due to their profitability and diversifying effect on the group's income streams. These operations include Property Worldwide (in South Africa and the UK), International Trade Finance and Investec's UK Traded Endowments business.

Property Division

The services provided by the property division in South Africa include management of property investment funds (listed and unlisted), property trading and development, property administration and listed property portfolio management. In South Africa, assets under administration have grown to approximately R8.7 billion by the financial year end, an increase of 18%, making the division one of the largest property managers in South Africa.

The property division in the UK manages a portfolio of commercial properties inherited from the acquisition of Berkeley Hambro in 1998. As at 31 March 2003, the UK property portfolio had a book value of £29.6 million.

Developments

The world-wide property divisions continued to perform well posting an operating profit before amortisation of goodwill and exceptional items of £6.0 million (2002: £5.8 million).

South Africa

- The division has two JSE listed Property Loan Stocks under its management and it is now the second largest manager of listed property vehicles in the South African market. Metprol and

Growthpoint have a combined market capitalisation of approximately R2.4 billion comprising 13.68% % of the combined Property Loan Stock and Property Unit Trust sectors of the JSE.

- The Property Trading and Development division continued to perform well and successfully penetrated the market in developing properties and on-selling into the investment market for capital profit in its chosen niches of retail, industrial and commercial property. It has also successfully moved into residential land conversion coinciding with the growth in that market.
- The listed Property Asset Management division was established during the year through the strategic acquisition of Provest, one of South Africa's best recognised portfolio asset managers of listed property, servicing both institutional and private clients.
- The Property division is well positioned to continue to penetrate the market. The positive sentiment surrounding South African property, driven by a falling interest rate environment and the current attractive returns relative to other asset classes, provides many opportunities for the division.

UK

- The property investment market remained buoyant driven by the low interest rate environment and poor performance of other asset classes.
- The division consolidated its position on existing projects in an environment of weaker tenant demand.
- The property division is increasingly involved in the mezzanine finance for the commercial property lending of the Private Bank.

International Trade Finance

Investec acquired its International Trade Finance business, ReichmansCapital, in South Africa in 1990. The division's clients are small to medium sized owner managed businesses. The division offers trade, asset and debtor finance to provide clients with working capital, funding for the acquisition of assets and to facilitate growth.

Developments

- Operating profit before amortisation and goodwill of £1.1 million (2002:£2.4 million).
- Reasonable performance from ReichmansCapital with solid growth in the division's book, despite the strengthening of the Rand during the period.
- The division focused on organic growth and exploiting opportunities in existing target markets.

Traded Endowments

Investec's traded endowments business, which operates in the UK, was acquired in June 2001 as part of the acquisition from Fedsure. This business involves the purchase of with-profit endowment policies in the secondary market at a price above their surrender value yet below the asset value. These policies are then sold to investors who want to diversify their investment portfolios with an insurance product. Most of Investec's traded endowments clients are UK-based independent financial advisors and a limited number of funds.

Developments

- The business posted an operating loss of £8.9 million as a result of a fall off in business activity and bonus rates cuts announced by life insurance companies.
- The business was significantly rationalised with headcount being reduced from 138 to 38.

risk management

Management structure

Global Head of Risk
Glynn Burger

Australia
Alan Chonowitz

Israel
David Catz

USA
John Murabito

Southern Africa
Robin Jacobson

UK and Europe
Ian Wohlman

Introduction

Investec recognises that risk management is critical to its operations and, therefore, continuously seeks to comply with international best practice. The group has an extensive risk management process in place, to identify, understand and manage the risks associated with its business.

Investec monitors and controls its risk exposure through a variety of separate but complementary market, credit, liquidity, operational and legal risk reporting systems. In this way, Investec aims to ensure that it assumes a tolerable risk and reward profile in its pursuit of growth in all its business areas. Furthermore, Investec continues to embed a culture of risk awareness, control and compliance in its day-to-day activities.

While each business unit is primarily responsible for managing risks associated with its business, a centralised division, Group Risk Management (which forms part of Group Services), independently monitors, controls and reports on Investec's risk, as mandated by the Board of Directors. Group Risk Management has well-developed operational divisions in South Africa and the UK, as well as smaller risk divisions in other geographies.

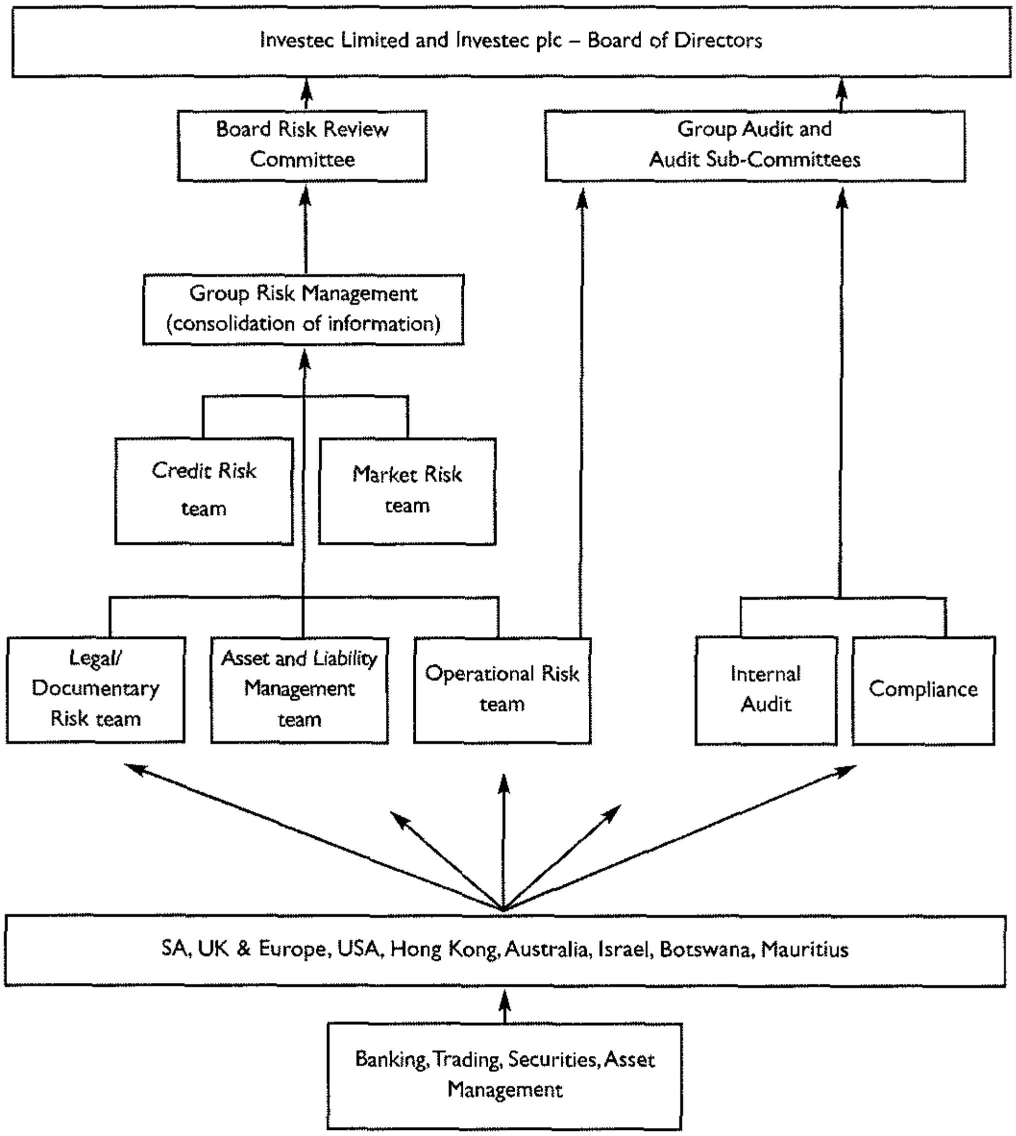
The primary objectives of Group Risk Management are:

- To be the custodian of Investec's risk management culture.
- To set or approve risk parameters and limits across the group and seek to ensure that these are consistently implemented and adhered to.
- To aggregate and monitor Investec's exposures across risk classes.
- To co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions.
- To give the boards reasonable assurance that the risks to which Investec is exposed are identified and, to the extent possible, managed and controlled.
- To facilitate various risk committees as mandated by the Board of Directors.

Group Risk Management operates within a matrix structure, in line with Investec's management approach, to ensure that all risks across the group are dealt with using the appropriate processes. Investec seeks to ensure that Group Risk Management divisions which have international responsibility, are locally responsive yet globally aware. The objective is that all initiatives and businesses operate within Investec's defined risk parameters and objectives.

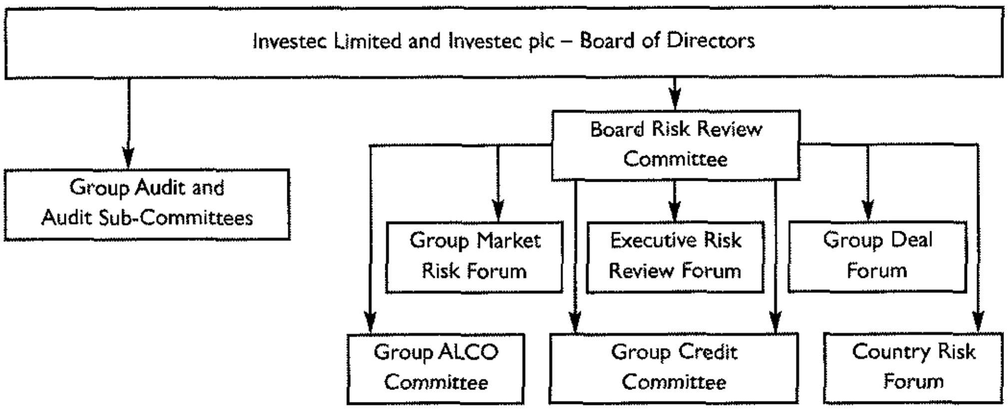
Group Risk Management has grown into a function that aims to meet the international needs of Investec and has continually focused on improving its risk management techniques. Over the past few years, a process of enhancing risk management information and implementing consolidated risk management reporting has been in progress. This is most evident from a UK and South African perspective. The effectiveness of any bank's policies and procedures for managing risk, however, can never be completely or accurately predicted or fully assured.

Risk management framework



Risk management committees and forums

Investec has established various committees and forums to identify and manage risk at both a business unit level in various locations and at a group level, as shown in the diagram and described more fully below. These committees and forums operate together with Group Risk Management.



Committees	Function
Board Risk Review Committee *Members: executive and non-executive directors; senior management* *Chairman: Stephen Koseff (CEO)* *Frequency: monthly*	The Board Risk Review Committee acts as an agent of the board to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec. It also ensures that the risk management structure is adequate with sufficient resources and budget and will report exceptions to the board. It also ratifies exposure limits for market and credit risk. In addition, the committee ensures that there is an ongoing process of risk and control identification, particularly regarding changes to business objectives and the bases of measuring risk.
Executive Risk Review Forum *Members: executive directors and senior management* *Chairman: Stephen Koseff (CEO)* *Frequency: weekly*	The forum generally meets weekly to review and evaluate the most significant risks Investec faces in the ordinary course of business (credit, market, liquidity, operational, legal and reputational). It ensures that limits are adhered to and agreed recommendations to mitigate risks are implemented. It receives a weekly report from Group Risk Management to assist it in the review and recommendation process.

Committees	Function
Group Credit Committee *Members: executive and non-executive directors; senior management* *Chairman: Glynn Burger (Global Head of Risk)* *Frequency: weekly*	This committee considers and approves the granting of credit to counterparties in excess of the mandates granted to divisional and other credit forums on a global basis. Specifically, the committee sets Investec's maximum counterparty exposures.
Country Risk Forum *Members: executive and non-executive directors; senior management* *Chairman: Glynn Burger (Global Head of Risk)* *Frequency: ad hoc*	This forum considers and manages risks associated with the countries in which Investec assumes exposure. New countries are reviewed as and when required.
Group Market Risk Forum *Members: Global head/s of risk, market risk and the trading desks; senior management; members of the market risk teams; other members of Group Risk Management* *Chairman: Glynn Burger (Global Head of Risk)* *Frequency: monthly or ad hoc if required*	This forum manages market risk by identifying and quantifying risks, on the basis of current and future expectations and ensuring that trading occurs within defined parameters.
Group Asset and Liability Committee *Members: executive and non-executive directors; senior management; financial officers; Global Treasurer; Global Head of Asset Liability Management* *Chairman: Glynn Burger (Global Head of Risk)* *Frequency: monthly or ad hoc if required*	The committee sets and reviews Investec's funding and liquidity framework and policies and ensures compliance with these. It also mandates the regional Asset and Liability Committees to manage liquidity risk in line with Investec's parameters.
Group Deal Forum *Members: executive and non-executive directors; senior management* *Chairman: Glynn Burger (Global Head of Risk)* *Frequency: weekly*	This forum considers, approves and mitigates the risks inherent in any acquisition, disposal or other non-standard transaction that Investec is considering.
Group Audit and Audit Sub-Committees *Members: executive and non-executive directors; senior management; external auditors* *Chairman: Donn Jowell (non-executive director)* *Frequency: at least six times per year*	The duties and responsibilities of the Audit Committee are described on page 171 and 172. In addition, the Internal Audit, Compliance and Operational Risk departments report to the Audit Committees.

Board level risk management information

The executive and non-executive directors are widely represented on the various risk management committees and forums of the group (see above). Directors' involvement in these committees and forums is indicative of a "hands on" style, which facilitates a detailed understanding of the day-to-day activities of Investec.

Detailed risk information is provided to the Board of Directors both in South Africa and the UK. Reports from management to the board provide a balanced assessment of significant risks and the effectiveness of the risk management procedures and systems in managing these risks. The risk management reports generally include:

- Balance sheet management review, including the group's liquidity position. The analysis is presented by region and includes a high level summary and detailed supporting schedules.
- Market risk review, including a desk by desk analysis of the positions on book, value at risk and expected tail losses.
- Credit exposure reports, including large exposures, level of arrears, sector analysis, draw downs, provisions and recoveries.
- New credit facilities approved during the period.
- Property investments, corporate finance information (underwriting commitments) and group investments.
- Operational risk information.

Assessment of risks, policies and procedures

In the ordinary course of business operations, Investec is exposed to a number of risks, including credit, market, asset and liability management, operational, legal and reputational risk. The process set up to measure, monitor and mitigate these risks is described below.

Credit risk

The Credit Risk team of Group Risk Management, supervised by the Group Credit Committee, measures and manages the extension of credit.

Credit risk represents the loss Investec might incur if a counterparty or issuer of securities or other instruments Investec holds fails to perform its contractual obligations to Investec. Credit and counterparty risk is incurred both in the traditional areas of banking and by virtue of Investec's trading activities.

Credit philosophy, policy and process

Consistent adherence to the group's credit philosophy and credit policies seeks to ensure the integrity of the loan book. The policies are designed to combine best practice methodologies with practical ground level management techniques. The fundamental principles Investec uses to manage credit risk include:

- A clear definition of the group's target market.
- A quantitative and qualitative assessment of the creditworthiness of the group's counterparties.
- Appropriate credit granting criteria.
- An analysis of all related risks, including concentration.
- Prudential limits.
- Regular monitoring of existing and potential exposures once facilities have been approved.
- A high level of executive and non-executive involvement in decision-making and review.

The credit process operates as follows:

- The credit process has been approved by the board.
- The credit philosophy and policies are developed and guided centrally by Group Risk Management in co-operation with Investec's executive directors and operational management.
- The process is decentralised (within prescribed limits) throughout the regions in which the group operates.
- The central and regional credit forums have been established with predetermined authority levels and quorums for conducting business.
- All credit decisions are forum based.
- Members of the forums are nominated credit officers, drawn from senior management, executive and non-executive directors, and are independent of those extending credit. Sector and industry specialists are included where appropriate.
- Facilities, irrespective of size, are extended on the basis of consensus. No facilities are established on the judgement of only one credit officer.
- Outcomes are based on unanimous, and not majority, views.
- All facilities are assessed on the basis of formal written proposals.
- Although external assessments may be used as credit tools, all credit decisions are based on Investec's own credit process and analysis.
- Limits are set per counterparty and groups of connected counterparties, with reference to aggregate exposure, taking into account different types of exposure both in the banking and trading book, and on and off the balance sheet. The limits set are detailed by product, with a maximum tenor specified.
- Limits are reviewed at least annually.

In addition to the Group Credit Committee, the following specialist forums have been established to assist in measuring and monitoring credit risk:

- Intensive Care Committee, which manages assets at risk.
- Watch List Committee, which oversees and manages exposures in arrears that require additional attention and supervision.
- Country Risk Forum, which considers and manages risk associated with the countries in which Investec assumes exposure.

Measuring and monitoring credit risk

For banking products (such as loans), the calculation of credit exposure is clear. The amount that the organisation can potentially lose is the net amount of money that has been lent to the counterparty plus any accrued interest, net of security at market value. For treasury products, this calculation is more difficult. Investec has to consider both what it stands to lose should the counterparty default at inception of the trade, plus any changes in this amount as it moves through time towards the ultimate maturity of the deal or financial instrument.

The group uses the key principles of equivalent lending risk (ELR) to monitor and measure credit exposures. ELR is a term specific to Investec and is defined in-house as:

> ***"An attempt to translate the credit risk on treasury products into banking product equivalent terms i.e. what size/value loan has the same credit risk as the treasury product being evaluated."***

There are two components to the calculation of ELR, namely, current cumulative mark-to-market and potential future credit exposure (PFE). Investec incorporates a measure of PFE because the credit *exposure of treasury products is strongly correlated to the volatility of the relevant market factors.* Since it is difficult in many instances to reduce credit exposure once it has been incurred, it is necessary to adjust the exposure at inception of the deal to take into account potential future movements in amounts owed by counterparties as a result of market movements.

The philosophy behind the ELR methodology is that Investec will use both historical data and future expectations to determine the expected ruling market price for the product under review, both at maturity and over the life of the product.

Improving techniques to measure and monitor credit risk

The group's Credit Risk team has considerably enhanced its methods for measuring and monitoring credit risk, at both a product and portfolio level, across the group. RICOS, a global credit risk management system from Algorithmics, has been implemented over the last four years in South Africa. Other system related developments include the implementation of a new credit administration system (iCAS). This is a global intranet-based application that has been developed to manage preparation, approval and compliance with specific conditions during the credit proposal administration process.

A primary objective of the analytics and methodology area of credit risk has been to develop an internal credit risk model. An internal credit scoring/rating model has been implemented for corporates in South Africa. In addition, the group has incorporated the Credit Monitor Model from the KMV Corporation, a default probability model, in order to assess credit risk exposures under stressful conditions. Through a combination of information from Credit Monitor and RICOS, the Credit Risk team is able to calculate individual risk values, for example, expected loss values per transaction per counterparty. To provide aggregate risk measures on a portfolio basis, the group has also purchased Portfolio Manager from the KMV Corporation. This software provides the supplementary information such as macro-economic variables, default correlation data and sovereign related quantities that are required to measure credit risk on a portfolio basis. The software also provides a mechanism that can be used to determine the economic capital requirements of the bank and the resulting capital allocation framework to be used for risk-adjusted pricing and other strategic purposes.

Additional work is being undertaken on an internal credit rating model to ensure the most efficient use of regulatory capital under the New Basel Capital Accord (Basel II) proposals. Further information is provided on page 152.

Credit risk classification system and provisioning policy

Investec's board approved policy incorporates the following:

- An exposure is classified as non-performing when there is a prospect of non-recovery of interest or capital or it is deemed imprudent to bring interest to account. This definition is in accordance with regulatory requirements.
- Exposures in arrears are continually scrutinised. Based on this scrutiny, if it becomes evident that the account requires additional supervision and attention, it will be included in the managed book and fall under the Watchlist Committee, comprising members of the Group Credit Committee and the Credit Risk team. Unless there are reasonable prospects of recovering interest and capital in full, the accounts are classified as non-performing. Each individual exposure that is in arrears is assessed on its merits and classified accordingly.
- The Watchlist Committee assesses perceived and/or actual deterioration in a counterparty's credit risk profile. The "watchlist" is managed and monitored on an ongoing basis, with review by the relevant board(s) and the Board Risk Review Committee.
- Interest is charged on non-performing accounts. The corresponding amount is not brought to income but credited to a suspended interest provision.
- A specific bad debt provision is made when there is a probability that Investec will not be able to collect the full amount of capital and interest due.
- The amount of the provision is determined after taking into account:
  - The value of the asset or other collateral securing the debt.
  - The value of other assets owned by the debtor after considering secured and unsecured liabilities.
  - The value of any sureties or guarantees given for the debt.
  - The amount, if any, already raised as a provision for suspended interest.
- General provisions augment specific provisions and provide cover for loans which are impaired at the balance sheet date but which will not be identified as such until some time in the future.
  - The group's general provision has been determined taking into account the structure and the risk characteristics of the group's loan portfolio.
- A number of complex and changing factors are collectively weighed by management in determining the adequacy of provisions. These factors include management's view of the extent of existing risks in the loan portfolio and prevailing economic conditions.

Quality of the group's loan portfolio and provision levels

Some of the more pertinent details on the quality of the group's loan portfolio are shown on subsequent pages.

Loans and advances to customers by loan type: 31 March 2003

Corporate and public sector	44.8%
Commercial property	24.2%
Residential mortgages	12.4%
Other secured private bank lending	10.9%
Lease and instalment debtors	3.9%
Other loans and advances	3.8%

Loans and advances to customers by geography: 31 March 2003

South Africa and Other	54.3%
UK and Europe	37.3%
Australia	3.6%
Israel	4.8%

Total provisions by geography: 31 March 2003

South Africa and Other	60.1%
UK and Europe	26.3%
Australia	3.3%
Israel	10.3%

Gross non-performing loans by geography: 31 March 2003

South Africa and Other	49.9%
UK and Europe	28.4%
Australia	8.2%
Israel	13.5%

Asset quality, specific and general provisions

UK GAAP £'000	31 March 2003	31 March 2002
Total loans and advances to customers	4 981 210	4 844 707
Less : cash equivalent debtors	975 238	1 530 257
Core loans and advances to customers	4 005 972	3 314 450
Managed book*	(107 481)	(73 587)
Net loans and advances to customers	3 898 491	3 240 863
Average net loans and advances to customers	3 569 677	3 306 779
Consolidated profit and loss provision charge	18 308	14 668
Specific provisions	30 813	27 252
General provisions	52 171	36 975
Total provisions	82 984	64 227
Gross non-performing loans*	60 677	38 124
Security	(36 132)	(11 821)
Net non-performing loans	24 545	26 303

Adequacy of provisions

Consolidated profit and loss provision charge as a % of average loans and advances to customers	0.50%	0.44%
Specific provisions as a % of core loans and advances to customers	0.77%	0.82%
General provisions as a % of net loans and advances to customers	1.33%	1.14%
Total provisions as a % of core loans and advances to customers	2.07%	1.94%
Total provisions as a % of gross non-performing loans	136.76%	168.47%
Total provisions as a % of net non-performing loans	338.10%	244.11%
Gross non-performing loans as a % of core loans and advances to customers	1.52%	1.15%

* As defined on page 133.

The table below presents the group's loans and advances to customers by loan type:

UK GAAP £'000	31 March 2003	31 March 2002
Category analysis		
Corporate and public sector	2 233 061	2 714 679
Commercial property	1 203 448	870 443
Residential mortgages	618 020	447 822
Other secured private bank lending	541 362	425 004
Lease and instalment debtors	194 946	158 619
Other loans and advances	190 373	77 291
Margin lending	–	150 850
	4 981 210	4 844 708
Problem country exposure		
Total advances to problem countries	42 493	53 516
Problem country risk provisions	–	–

The advances are secured by 100% pledge over the assets with additional risk cover in the form of Credit Guarantee Insurance Corporation (CGIC) commercial CGIC political cover and cash collateral.

The table below sets out certain information on the non-performing loans (NPL's) by geography as at 31 March 2003.

UK GAAP £'000	Gross NPL's	Security	Net NPL's
South Africa and Other	30 266	9 980	20 286
UK and Europe	17 223	13 636	3 587
Australia	4 996	6 208	(1 212)
Israel	8 192	6 308	1 884
Non-performing loans	60 677	36 132	24 545

Provision charge as a % of average loans and advances to customers

2000	0.75
2001	0.54
2002	0.44
2003	0.50

Gross non-performing loans as a % of core loans and advances to customers

2000	2.10
2001	1.65
2002	1.15
2003	1.52

Total provisions as a % of core loans and advances to customers

2000	2.54
2001	2.29
2002	1.94
2003	2.07

Total provisions as a % of gross non-performing loans

2000	117.25
2001	134.06
2002	168.47
2003	136.76

Market risk

Market risk refers to the potential for change in the market value of a portfolio of financial instruments (including derivatives) caused by adverse movements in market factors such as interest and foreign exchange rates; equity, bond and commodity prices; and volatility and credit spreads.

Market risk exists where the group has taken on principal trading positions. These positions result from proprietary trading, market making, arbitrage, underwriting and investments in the commodity, foreign exchange, equity, capital and money markets. Investec actively trades in the following major markets:

South Africa	UK	USA	Israel
Domestic money market			Money market
Domestic capital markets	Domestic capital markets	Bonds	Capital markets
Equity and equity indices	Equity and equity indices		
Foreign exchange	Foreign exchange		Foreign exchange
Commodities	Commodities		

Investec's Market Risk team, supervised by the Group Market Risk Forum, manages market risk by *identifying and quantifying risks, on the basis of current and future expectations, and ensuring that* trading occurs within defined parameters.

Management and monitoring of market risk - role of the Market Risk team

The Market Risk teams act independently from those involved in the trading activities of the group. The team manages and reviews the group's market risk across all geographic locations on a day-to-day basis. All trading positions are marked-to-market daily. All appropriate risk measurement indicators, values and metrics are calculated using automated processes.

Risk reports for the group are produced automatically for each desk daily through the overnight batch run of RiskWatch, a sophisticated market risk management software package from Algorithmics. These reports broadly cover:

- Open position exposures per product relative to limits approved by the board.
- Value at Risk (VaR) versus limits.
- VaR at entity level, at product type level and in aggregate (see table on page 140).
- Expected Tail Loss (see table on page 141).
- Profits and losses, which are analysed to determine whether there are any unusually large movements and to ensure that all sources of revenue are understood.

Numerous other reports are generated daily for the various portfolios, to facilitate the understanding and management of market risk.

The market risk managers are responsible for the detailed analysis of these reports and the consequent identification of any significant issues or potential problem areas. Issues are discussed with the trading desks daily. The risk managers are actively involved in the review and implementation of methodologies to reduce risk exposures.

Management and monitoring of market risk - establishment of appropriate limits

The group manages trading risk through the establishment of appropriate limits. These limits are determined by the group's risk appetite both for the markets and/or products traded, the liquidity and maturity of the market and the group's desired risk/return profile.

The Group Market Risk Forum and the boards, through the Board Risk Review Committee, approve trading limits. In addition, trading book policy statements, which have been prepared and approved by the boards for the group entities, also comply with relevant regulatory requirements. The statements outline the scope of trading activities, the trading limits in place and the procedures for monitoring risk limits.

Salient features for the establishment of limits are as follows:

- In general, there are two limits that are set, namely, a 95% one-day VaR and a set of stress test limits (usually a 95% sensitivity and a 15 Standard Deviation disaster sensitivity).
- In determining the magnitude of a limit given to a trader, special consideration is given to the disaster stress. The limit will be set conservatively so that a disaster will not endanger the financial condition or reputation of the group nor the separately regulated entity.
- Limits may also be quoted on a non-statistical basis if this adds value to the process. These limits include product limits, tenor/term limits, notional limits, liquidity limits, buckets and Greeks (Delta, Theta, Rho and Vega).
- Scenario analysis is also performed to evaluate disaster scenarios. This is done by applying relevant market crises of the past to current portfolios, for example, the events around 11 September 2001 and the Rand crisis of December 2001.
- Limits are reviewed at least annually by the overall Group Market Risk Forum, but may be reviewed at the discretion of this forum following periods of significant market volatility.
- Trading limits are set at a global level and then sub-allocated at a desk and product level so that the sum of the sub-allocated limits can never be greater than the global limit. Thus the global limits reflected for each major type of market risk are the summation of the limits across product groups.

Market Risk forums

The various Market Risk forums (see above) are key to the management of market risk, and meet weekly and cover all locations.

The issues primarily dealt with at the forums include:

- Market risk of new products, including the associated valuation of the products.
- New and revised product, dealer and desk limits.
- New dealing policies.
- Feedback on various risk issues.
- Discussion of key risks and concerns.
- Limit excesses.
- Requests for research and analysis of issues affecting product profitability.
- Operational risks.
- Approval of all new products and strategies.

Measurement of market risk

Investec measures market risk using a combination of historically simulated VaR and stress testing. VaR is a summary measure of potential losses, based on experience in the relevant markets over a given time horizon with a specified confidence level. A series of stress tests are applied to determine the market risk for parallel shifts and twists in the underlying yield curves, for basis risk between yield curves and for extreme market conditions. Daily reports are produced containing this VaR and stress test information. Daily profitability is also analysed to ensure that sources of revenue are understood.

The tables below represent the group's VaR for its trading book at the year ended 31 March 2003 and 31 March 2002, for a 95% confidence level and a one-day holding period, assuming no mitigating action is taken. This means that there is a one in 20 chance that daily losses will be at least as large as the reported VaR amount. The consolidated VaR is calculated using exponentially weighted historical simulations. VaR, however, does not indicate how much the group can expect to lose in these cases. Expected Tail Loss (ETL) quantifies the amount the group can expect to lose when the VaR threshold is exceeded.

The table for the year ended 31 March 2003 reflects the group's consolidated VaR and the VaR for the two listed entities emanating out of the implementation of the group's Dual Listed Companies structure. As it is not possible to present the data for the year ended 31 March 2002 in the same format, the table for the year ended 31 March 2002 presents a consolidated view of the VaR exposures by type of market for the UK and SA operations, while the rest of the group's geographical operations are presented on an aggregated basis.

VaR 95% (one-day)

31 March 2003

£'000	Investec Limited	Investec plc	Consolidated
Interest rates	164	9	163
Equity	273	282	376
Foreign exchange	552	36	556
Commodities	–	57	
Consolidated*	695	299	840
Limits (Aggregated)	2 997	2 700	5 697
Highest	1 100	870	1 370
Lowest	660	240	920
Average	960	450	1 300

31 March 2002

£'000	Southern Africa & Other	UK & Europe	Consolidated UK & SA	USA	Israel	Group aggregated
31 March 2002						
Interest rates	476	455	637	25	9	671
Equity	83	363	380	38	–	418
Foreign exchange	422	138	490	8	21	519
Commodities	–	193	193	–	–	193
Consolidated*	879	508	982	71	30	1 083
Limits (Aggregated)	2 878	3 348	6 226	309	124	6 659
Highest	1 220	910	1 437	112	94	1 643
Lowest	589	498	879	33	21	923
Average	1 036	774	1 297	79	29	1 406

* The consolidated VaR is significantly lower than the sum of the VaR figures for each traded market. This is due to offsets which take place as a result of the correlation between the various asset classes.

ETL 95% (one-day)

31 March 2003

£'000	Investec Limited	Investec plc	Consolidated
Interest rates	221	14	221
Equity	355	347	433
Foreign exchange	712	41	730
Commodities	–	69	69
Consolidated	**856**	**346**	**968**

The portfolio stress tested under extreme market conditions will result in a maximum loss of £10.3 million based on a one-day holding period.

31 March 2003

£'000	Investec Limited	Investec plc	Consolidated
Interest rates	1 230.0	67.5	1 297.5
Equity	2 047.5	2 115.0	4 162.5
Foreign exchange	4 140.0	270.0	4 410.0
Commodities	–	427.5	427.5
Consolidated	**7 417.5**	**2 880.0**	**10 297.5**

Market risk - derivatives

The group enters various contracts for derivatives, both as principal for trading purposes and as customer for hedging foreign exchange, commodity, equity and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The tables below reflect the group's derivative trading portfolio at the end of the financial year on the basis of the notional principal and the fair value of all derivatives.

The notional principal indicates Investec's activity in the derivatives market and represents the aggregate size of total outstanding contracts at the year-end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at year-end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Notional principal 31 March 2003	£'mn
Foreign exchange derivatives	7 465
Interest rate derivatives	162 638
Equity and stock index derivatives	1 268
Commodity derivatives	3 401
Credit derivatives	125

Fair value 31 March 2003	Positive £'mn	Negative £'mn
Foreign exchange derivatives	436	378
Interest rate derivatives	558	512
Equity and stock index derivatives	94	111
Commodity derivatives	85	57
Credit derivatives	–	–
Effect of netting	(696)	(696)
Net fair values	477	362

Further information in this regard can be found on pages 288 to 291.

Balance sheet risk management

The Balance Sheet Risk Management team manages the risk reward relationship that exists between liquidity and interest rate risk. This relationship arises from the term, structure and concentration of the assets and liabilities on Investec's balance sheet, dynamically adjusting to changing economic conditions.

The techniques employed combine traditional gap analysis and dynamic modelling. These include quantitative models and stress tests designed to measure the range of possible future liquidity needs and potential distribution of net interest income over a range of scenarios. The modelling process is supported by ongoing technical and economic analysis. The objective is to identify and quantify undesirable risks, which are mitigated by the implementation of appropriate on and off balance sheet strategies.

Investec maintains, wherever possible, a diversified, high quality surplus liquidity position in the short term, placing liquidity as a priority over short-term profit, and further excludes taking material interest rate and currency mismatches. This philosophy is required for all relevant subsidiaries of the group.

Role of the Asset Liability Management committee

Balance sheet risk management is carried out by the Asset Liability Management committee (ALCO), which manages the risks represented by the term and structure of the group's balance sheet.

ALCO performs the following functions:

- Sets the group's funding and liquidity policy and ensures compliance with it. The policy covers domestic and foreign currency funds and sets out sources and amounts of funds necessary to ensure continuation of Investec's operations without undue interruption, in accordance with the regulatory requirements pertaining to the jurisdiction.
- Approves limits pertaining to the liquidity gaps and interest rate exposure regarding the structural / commercial banking book, given current market conditions.
- Implements the methodology, techniques and processes used to measure the liquidity and interest rate exposure.
- Directs the development of scenarios covering risk factors and assumptions in view of expected economic conditions and market circumstances.
- Independently examines the external economic and interest rate outlook, positioning in an interest rate cycle, term structure of interest rates and other socio-economic factors, together with current asset and liability mix, projected balance sheet growth, future funding requirements and liquidity projections.
- Manages the sensitivity of income to risk factors in such a way that the net interest income remains materially neutral to adverse movements in interest rates.
- Sets investment, funding and hedging strategies and funding targets to be implemented by Treasury, in line with the cash flow projections, thus managing the risk reward relationship that exists between liquidity and interest rate risk on an ongoing basis.

An ALCO committee is represented in all locations where the group has a banking licence. The regional ALCOs are mandated by their respective Boards of Directors and Group ALCO to manage the regional liquidity risk on a basis consistent with pre-approved principles and policies, and the regional regulatory requirements. Detailed policies cover domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of Investec's operations without undue interruption, while complying with the regulatory requirements of the jurisdiction.

Different levels of the balance sheet risk management functions are carried out in the group's different geographies. The size, materiality, complexity, market maturity, access to stable funds and depth of the markets in the region will determine the level of risk management sophistication required in the location. In addition, the specific applicable statutory requirements further dictate certain policies for each region.

Investec's liquidity position is also reported to the Executive Risk Review Forum, the group executive, the Board Risk Review Committee and the Board of Directors.

Liquidity risk

Liquidity risk is the risk that the bank does not have sufficient cash to meet its financial obligations, especially in the short-term.

Liquidity risk is defined by the contractual maturity cash flow mismatch between assets and liabilities. Sources of liquidity risk include unforeseen withdrawal of demand deposits, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset timeously with minimal risk of capital loss, unpredicted customer non-payment of a loan obligation and a sudden increased demand for loans.

Investec bases its liquidity management processes on four essential steps:

- The maintenance of a stock of readily available high quality liquid assets and near cash.
- The preparation of cash flow projections (assets and liabilities), including strategy and contingency planning.
- Measurement and control of Investec's funding requirements corresponding to the forecast cash flow mismatch.
- Management of Investec's access to funds in the market at the level of the cash flow estimates.

Group and regional ALCOs manage liquidity risk through monitoring and/or implementing the following policies and process:

- The group closely manages its liquid asset position in line with relevant regulatory guidelines and the relevant legal entity's liquidity policy.
- Investec holds surplus prudential liquidity in excess of its statutory requirements.
- The Balance Sheet Risk Management team independently models cash flow projections and the resultant liquidity mismatch, on both a static and dynamic basis, under a range of business scenarios. Each region has further established a business strategy and contingency plans covering the "going concern" and "name crisis" scenarios.
- ALCO monitors and analyses the trends in customer behaviour of the assets and liabilities contributing to the liquidity mismatch. In so doing, it independently measures and manages the cash flow forecasts and funding requirement, in relation to the external market within each legal entity and globally.
- Investec constantly reviews its capacity to raise funds in the wholesale market, the availability and reliability of standby facilities and its securitisation programme for parts of its loan portfolio.
- Investec further limits the value of deposits it will take from an individual client, both on a monthly maturity basis and in aggregate, so as not to become reliant on a single source of funds.
- Investec acknowledges the importance of its retail and private client base as the principal source of stable and well-diversified funding for its private banking risk assets.

Interest rate risk

Interest rate risk is the risk that interest rates paid to depositors and yields earned from loans change at different times, with varying degrees of certainty.

Interest rate risk is defined as the impact on the net interest earnings, as a result of increases or decreases in the levels of interest rates and/or changes in the shape of the term structure of interest rates, when these changes are applied to Investec's balance sheet.

Investec bases its interest rate risk management processes on four fundamental steps:
- Measurement and analysis of traditional interest rate mismatch gaps detailing the sources of interest rate exposure.
- Dynamic Earnings-at-Risk simulation covering a wide range of scenarios within the following categories:
  - *Investec's interest rate forecasts and "house" view.*
  - Imposed yield curve stress tests on the observed interest rate profile.
  - Stochastic interest rate scenarios giving rise to a distribution of possible earnings.
- *Technical interest rate analysis and economic review of fundamental developments and trends.*
- Management of interest rate risk by ALCO, having been alerted to both the structural causes and yield curve scenarios that give rise to undesirable risks. This is mitigated through the implementation of appropriate on and off balance sheet strategies.

Information on the group's repricing profile, which represents the sensitivity of assets and liabilities to interest rate movements, can be found on page 304 and 305.

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems or from external events. This definition reflects the definition of operational risk as outlined by Basel II and as adopted by the group and is expected to develop and respond to emerging operational risk management practices. Legal and Documentation Risk is managed as a distinct risk class, as discussed below.

The key benefits of sound operational risk management practices are considered to be:
- Enhanced risk consciousness through the identification and assessment of operational risks.
- Appropriate evaluation of and response to incidents and losses.
- Predictive operational risk indicators support management decisions.
- Efficiency in operations.
- Appropriate mitigation actions and tools, including insurance.
- Maintenance of stakeholder confidence and group reputation.
- Suitable, considered responses to emerging issues.
- Share price support.

Operational risk is inherent in the activities of a financial institution. Sound corporate governance practices influence the need to identify, monitor and appropriately mitigate operational risks in order to minimise the incidence and value of unexpected losses, promote risk consciousness and support market confidence.

The recent spate of corporate failures and new regulatory initiatives, such as Basel II, has increased the focus of stakeholders and regulators on operational risk. Basel II is planned to be effective from January 2007 and will require demonstrable operational risk practices, quantification of operational risk regulatory capital and enhanced disclosures.

Business unit management is primarily responsible for the management of operational risks. Management of the group's principal businesses are responsible for planning, controlling and reporting to the Board of Directors on key business objectives, significant internal risks, external environmental factors and incidences and events that could affect their respective business performance.

The Group Operational Risk division reports to the Board Risk Review Committee and the Group Audit Committee. In addition, the division reports emerging risk issues, which in its opinion may escalate into risk issues if not appropriately mitigated by management, to the Audit and Compliance Implementation Forum. This forum was established in the year under review in South Africa, to mirror the UK forum. The purpose of the forum is to strengthen the control environment and facilitate timely interventions to mitigate emerging risks.

Group Operational Risk Management is responsible for:

- Promoting and facilitating consistent and systematic operational risk management practices across the group.
- Assisting in identifying, assessing, mitigating, measuring, monitoring and reporting operational risks.
- Enhancing the management of operational risk in the group.
- Demonstrating sound operational risk management practices in terms of supervisory expectations.
- Meeting Basel II operational risk practices and qualifying criteria.

A key focus of the division is to perpetuate and enhance the culture of operational risk, control and compliance consciousness throughout the group, in order to ensure that relevant risks are identified and managed. In this way, the division is able to support senior management and the board in their responsibility to implement sound governance processes, including risk management and internal control monitoring, that are adequate and effective relative to the nature and complexity of the operations of the group.

The primary focus areas for operational risk are:

Processes

- Identifying, assessing, mitigating and documenting significant risks.
- Maintaining adequate and effective internal controls.
- Ensuring timeous and accurate processing of transactions.
- Monitoring unauthorised transactions.

- Maintaining sound financial disciplines, ensuring accurate and timely reporting.
- Incident tracking and evaluation.
- Assessing and approving new products.

People
- Maintaining the ability to attract, retain and develop the appropriate skills and talent.
- Instilling the group values and culture.
- Promoting and sustaining employee equity within the group.
- Providing a healthy, safe and secure operating environment.
- Implementing suitable sanctions for inappropriate behaviour.
- Supporting consistent and fair employee practices.

Systems
- Ensuring appropriate investment in technology to support the operations of the group.
- Ensuring continued availability of technology to ensure ongoing operation in the event of disruption, through an integrated business resumption plan that is regularly tested and monitored.
- Maintaining a secure operating environment to protect and ensure integrity of data and information.
- Maintaining appropriate processes and controls to manage changes to technology systems.

External events
- Ongoing monitoring of criminal activity, emerging issues and trends.
- Investigating fraudulent activities.
- Initiating legal proceedings against perpetrators of fraud.
- Recovering and protecting assets of the group.
- Monitoring outsourced services, which are subject to performance agreements.
- Monitoring external macro-environmental events and developments and assessing and responding to potential impacts.
- Responding to developing expectations and emerging risks with regard to corporate social responsibility.

Significant loss events or incidences are reported to the board on a regular basis.

Reputational risk

Reputational risk is the risk caused by damage to an organisation's reputation, name or brand. Such damage may be a breakdown of trust, confidence or business relationships. Reputational risk may arise as a result of other risks manifesting and not being mitigated.

Various policies and practices are in operation to mitigate reputational risk. These include a strong group values statement that is regularly and proactively reinforced. In addition, the group subscribes to *sound corporate governance practices, which require that activities, processes and decisions are based* on secure and carefully considered principles. As an international banking group, leading practices are a desired outcome. This is particularly relevant in client acceptance rules, anti-money laundering policies and processes, and risk management practices.

Investec is acutely aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance reviews, as well as the Group Risk Management processes.

Legal and documentation risk

Legal and documentation risk is defined as the risk that contracts the group enters into with its clients will not be enforceable, especially with respect to events of default by a client i.e. that the documentation will not give rise to the rights and remedies anticipated when the transaction was entered into, particularly when security arrangements have been agreed.

Investec's legal teams, supported, where appropriate, by competent external legal advisers, seek to ensure that the documentation Investec enters into provides it with appropriate rights and remedies.

risk management year in review

In what remains a difficult operating environment the group risk management policies and procedures kept abreast of market developments. Key developments over the past year are outlined below.

Market risk

- As discussed elsewhere in this report, the group streamlined and restructured many of its trading operations during the period of review:
  - The UK Treasury withdrew from trading in the repo and money markets
  - Proprietary trading activity in foreign exchange and commodities was curtailed in the UK.
  - Trading within the group's US operations was substantially reduced.
- Investec started a backtesting programme to establish the accuracy of the division's VaR model as a reliable predictor of market risk.
- Investec aims to seek approval from the South African Reserve Bank during 2003 to use its internal model (VaR model) to calculate and allocate regulatory capital.

Balance sheet management

- There was continued standardisation of the balance sheet risk management policy, process and risk measures on a group-wide basis, thus improving the risk control framework and overall cost control.
- The group commenced with the implementation of new software, RiskPro, to replace the existing ALMAN system. The new system is designed to support better risk management of balance sheet risks.
- Progress has been made on identifying, analysing and monitoring balance sheet risks on static and dynamic basis.
- A Liquidity Management forum (subset of ALCO) was established, comprising senior executives, to focus on daily reporting of a wide range of balance sheet risk management issues.

- Investec remains a net provider of funds in the interbank market in South Africa and its percentage of fixed term funding remains substantially higher than the market average.
- The group continues to hold prudential liquidity requirements of 20%, well above regulatory requirements of 0% in the UK and 7.5% in South Africa.

Operational risk

Group operational risk management continued to develop during the year under review. International industry and supervisory developments are monitored to enable the group to respond appropriately to emerging leading practices.

Board risk and control assessment process

- *Significant focus was placed on this issue.*
- The process, which commenced in 2001, matured in 2003.
- Significant risks were identified, controls were evaluated and key indicator data is being collated.
- Inherent risks were scored in terms of the likelihood of occurrence and its impact.
- Controls were assessed in terms of design strength and implementation performance. The risks and controls were scored and a residual risk profile developed. Higher residual risks are then subject to an appropriate action plan.
- The process was completed during the second half of the year through a facilitated workshop conducted for each significant business unit.
- An executive risk assessment process was completed with senior executives, focusing on risks affecting the group, including strategic risks.
- These assessments are reviewed by senior management and the board, through the Audit Committee and Board Risk Review Committee, and support the board internal control representations and the board regulatory reporting obligations.
- Internal Audit and External Audit reviewed the process and outputs to support the report of the board, as set out in the Corporate Governance section of this report (pages 158 to 180). This process supports the report by the Board of Directors required in terms of regulations 38 and 39 of the South African Banks Act.

Technology risk

- Technology risk management practices of the group were enhanced during the period under review.
- The key information technology (IT) operations in the group undertook an externally facilitated IT risk assessment and benchmarking programme.
- The programme evaluates IT activities against predetermined expectations, identifies the residual risk profile and facilitates the implementation of appropriate mitigation actions.

Business continuity risk

- This remains a significant focus of operational risk management.
- The availability of systems and the ability to successfully restore technology platforms, resume operations and continue operating core business processes are essential for the group in the event of disruption to operations.
- The group-wide business continuity programme includes a bi-annual integrated practice and evaluation of technical recovery and business resumption plans against established recovery objectives.

- Significant systems and operations were assessed as recoverable with ongoing inclusion of other areas.
- A Crisis Management committee, with key executives as members, is in place to consider and direct activities in the event of a disruption to normal business activities.
- Plans are reviewed regularly for relevance and appropriateness. Enhancements to the process are regularly considered.

Information security risk

- This programme, which addresses the risk that data integrity and confidentiality may be compromised, continued to develop.
- The group appointed an Information Security Officer (ISO) responsible for implementation of information security initiatives.
- The Group Operational Risk division supports the ISO in identifying and assessing information security risks and promoting sound information security risk management practices.
- No significant information security risks materialised during the period.
- Risk management practices associated with changes to systems were enhanced and a revised policy and practice was implemented to manage and integrate associated risk considerations, such as business continuity and shared applications, in the change management process.

Documented processes, risks and controls

- The programme to maintain documented processes, risks and controls at business process level continues to evolve in South Africa, and forms the basis of the ongoing risk and control assessment process, including management self-assessment.
- Internal and external audit teams use this documentation to assess and evaluate risk management processes.
- Consideration is being given to the group-wide rollout of this initiative.

Incident and loss event tracking

- This was selectively implemented and will be rolled out across the key business units.
- Various pools of data exist detailing events and incidences which form the basis of internal incident and loss event data.

Financial crime and fraud risk

- This risk is addressed by the Forensic Risk Management team, which is part of the Operational Risk Management division.
- The key focus areas are investigating fraud incidences, maintaining a database of events and incidences, evaluating themes and emerging issues, promoting awareness of issues and supporting business units in the recovery of assets. Incidents increased during the year under review.
- Investec could be a target of organised crime syndicates. Any cases identified are thoroughly investigated and actively pursued through the legal and judicial processes, to obtain convictions.
- Terrorist financing activities received focus in the current year and regulatory requests to review "terrorist names" were attended to. These reviews did not highlight any matters of concern.
- The Financial Intelligence Centre Act (FICA) came into operation during the year under review.

- Investec has for some time had an anti-money laundering policy in place, based on international leading practices. Together with Group Compliance, the anti-money laundering policy was reviewed to ensure conformance with FICA, staff received appropriate training, and processes to report suspicious and threshold transactions were implemented.
- All matters to be reported to the FIC are investigated by Forensic Risk Management and reviewed by Group Legal before reports are made.
- Requests for information from regulatory and investigation agencies as well as requests in terms of the Access to Information Act were centralised in Forensic Risk. This was done to facilitate consistency, completeness and objective overview in responding to such requests.

Other developments

- Basel II developments (see below), as well as industry related operational risk management initiatives, continue to be monitored in order to assess their impact on operational risk management trends, expectations and the proposed capital adequacy requirements for operational risk.
- Internal Audit reports and recommendations are reviewed for indicators of operational risk.
- External insurance cover is in place to cover catastrophic and significant material losses.
- A key element of sound operational risk management is the adoption and endorsement of governance standards that apply in jurisdictions in which the group operates. In particular, the risk management principles of the South African King II "Code of Corporate Practice and Conduct" and the "London Combined Code", especially the "Turnbull Guidance" relating to the accountability and audit principles of the code, form the foundation of risk and control governance practices throughout the group.

Future developments

Significant areas of focus in the forthcoming year will be:

- Further enhancement of the risk identification process.
- Development of the indicators of operational risk.
- Collection and analysis rollout of incident and loss event data.
- Consideration of appropriate technology solutions to facilitate the management of operational risk.
- Assessment and implementation of Basel II sound practices and qualifying criteria.
- Continued focus on financial crime and fraud mitigation activities.
- Enhancement and further embedding of the business continuity programme.
- Addressing of the impact of direct and indirect social and environmental risk, as part of the broader corporate social responsibility programme of the group

Developing issues - Basel II

The proposed Basel Capital Accord (Basel II), with a planned implementation date of early 2007, focuses on three pillars:

Pillar 1 Capital adequacy - outlines new proposals for risk-based regulatory capital adequacy requirements for credit risk and the introduction of regulatory capital requirements for operational risk.

Pillar 2 Supervisory review - sets out supervisory expectations and qualifying criteria to enable the adoption of advanced risk sensitive approaches to the determination of regulatory capital.

Pillar 3 Market discipline - details the public disclosure and reporting practices, both quantitative and qualitative, that will inform stakeholders and support the approaches adopted.

Basel II is designed to recognise the quality of risk management and internal control practices of the group in adopting more sophisticated approaches to allocating capital, and rewards the quality of practices with a lower regulatory capital requirement. Internationally active banks are expected to migrate towards the adoption of the advanced approaches. This adoption is required to be supported by data that has proven rigour and is demonstrable, and evidenced by proven internal processes that are embedded in daily operations.

The group monitored Basel II developments. A global Basel Implementation Forum was established to monitor, evaluate and facilitate consistent implementation across the group. Local forums support this process.

In South Africa, the group participated in the SARB Banking Supervision supported Basel II Quantitative Impact Study (QIS 3) study. This process assisted the group in evaluating key implementation issues as part of a supervised exercise and facilitated South African industry input into the international Basel II process.

The group is represented on all the committees of the SARB Accord Implementation Forum (AIF). The AIF will assess, recommend and formulate matters of national discretion in the implementation of Basel II.

The Financial Services Authority (FSA) conducted an operational risk discovery visit at Investec Bank (UK) in late 2002, which was designed to assist in formulating the UK supervisory approach to operational risk. Its findings were favourable and recommendations are being addressed.

Consultative Paper 3, which was issued in April 2003 and is intended to be the final accord, was reviewed and plans are being established.

The group supports the implementation of the accord within the context of international expectations, but having consideration for the specific regulatory imperatives of the developing social and emerging economy in South Africa. The group anticipates being in a position to adopt an appropriate advanced approach, with emphasis on the enhancements in business operations that can be obtained by adopting leading principles and practices.

Additional risk information

The implementation of the group's Dual Listed Companies structure did not alter Investec's attitude towards risk management, nor its underlying risk management procedures and philosophies. As the group's primary reporting currency changed to Pounds Sterling, the salient financial and statistical information included in this section was presented on this basis. The group, however, is also required to present its financial information in SA GAAP and denominated in Rands. General risk information, presented in accordance with SA GAAP and denominated in Rands, can be found on pages 381 to 384.

internal audit

The role and objectives, authority and responsibility of the Internal Audit division is formally defined in a charter, which was approved by the Audit Committee and is reviewed annually.

Investec's Internal Audit division seeks to effectively provide an independent, objective assurance and consulting function, designed to add value and improve the group's operations.

- The division's primary role is to provide independent assurance that business processes are adequate to identify and monitor significant risks, and that the control environment is effective to manage these risks within acceptable limits, given cost-benefit considerations. By doing so, it will reduce existing levels of risk through enhanced controls and protection of Investec's reputation.
- The division also assists the group in accomplishing its objectives by employing a systematic, risk-focused, disciplined approach to evaluating and improving the effectiveness and appropriateness of the risk management, control and governance processes.

As a result of the regulatory reporting responsibilities arising from Investec's Dual Listed Companies structure, there are two "group" Internal Audit divisions, each reporting to their respective Audit Committees:

- Brigid Schrieder (based in Johannesburg) is responsible for Investec Limited.
- Mark Thompsett (based in London) is responsible for Investec plc.

The Heads of Internal Audit operate independently from executive management, report to the Chairmen of the Audit Committees. They have unrestricted access to the Chief Executive Officer and the Chairman of the board. For administrative and co-ordination purposes, they report to the Global Head of Corporate Governance and Compliance.

Control failures are reported, in terms of an escalation protocol, to the relevant Audit and Compliance Implementation Forum where rectification procedures and progress are monitored, as well as to the appropriate Audit Committee.

The Internal Audit division proactively reviews its scope, focus and resources to meet the increasingly demanding and evolving corporate governance and regulatory expectations facing financial institutions.

To this end, the division aims to align its strategic focus with the business and to understand what activities create the most value for stakeholders. Together with other assurance providers, it identifies significant operating changes, issues and concerns and takes a partnership approach with business unit management, Compliance and Risk Management.

The division operates under an annual audit plan that is based on a formal group-wide risk assessment, as well as issues raised by the respective Audit Committees and management. The appropriate Audit Committee approves this plan annually. Given the group's dependence on IT systems, there is an increased focus on auditing technology risks. The risk-based audit approach adopted by the division will be complemented by the board's risk assessment process, as required by the South African King II "Code of Corporate Practice and Conduct" and the UK "Turnbull Guidance".

corporate governance and compliance

Global Head of Corporate Governance and Compliance
Bradley Tapnack

compliance

Introduction

As a result of the regulatory reporting responsibilities arising from the implementation of Investec's Dual Listed Companies structure, there are two independent "group" Compliance divisions. Each Compliance division has the responsibility of ensuring that compliance risk is adequately managed within its listed entity. Compliance risk is defined as the risk of non-compliance with the spirit and the letter of all relevant statutes, regulations, supervisory requirements and industry codes of conduct to which the group is subject. Both divisions carry out their responsibilities under terms of reference approved at board level.

A Group Compliance Officer, who has a direct reporting line to the relevant Chief Executive Officer and the Global Head of Corporate Governance and Compliance, manages each Compliance division:

- Geoff Cook (based in Johannesburg) is responsible for Investec Limited.
- Gerard Hague-Holmes (based in London) is responsible for Investec plc.

The Compliance divisions operate independently from executive management and have unrestricted access to the Chief Executive Officer and the Chairmen of the relevant Audit Committees.

The compliance divisions of both Investec Limited and Investec plc are structured on a decentralised operating model that consists of a central Group Compliance division supported by specialist operational compliance functions within the relevant operating entities. The operational Compliance functions report both to the head of the relevant operating unit and to the relevant Group Compliance Officer, as part of a matrix management reporting structure.

The Compliance divisions of Investec Limited and Investec plc work closely together to ensure that compliance risk is managed consistently throughout the broader group.

Investec follows a policy of constructive engagement with its regulators. Compliance risk is addressed through the development and implementation of effective compliance processes. These include providing advice and training on regulatory matters, developing policies and procedures affecting regulatory issues, and monitoring adherence to these policies and procedures through the implementation of a risk-based monitoring methodology.

Developments

Southern Africa

During the past year, the South African regulatory landscape continued to evolve, with the introduction of a significant number of new acts, regulatory requirements and codes of conduct. The most notable were the introduction of anti-money laundering legislation and regulation, bringing South Africa in line with the Financial Action Task Force requirements, legislation and codes regulating persons providing financial advisory and intermediary services, and material enhancements to existing legislation governing collective investment schemes.

Corporate governance also came under scrutiny. This resulted in the South African Reserve Bank commissioning a review of corporate governance practices in the five largest South African banks, which included both Investec Bank Limited and Investec Limited. All the banks were found to have sound corporate governance practices and no serious breaches of governance. Investec intends to implement all significant recommendations made in the review.

In response to the increased regulatory focus on compliance risk management, the scope of the Compliance division was restructured to include non-financial services matters. As a result of the increased compliance risk universe, responsibility for ensuring compliance was delegated to the relevant operating personnel who report thereon to the Group Compliance Officer.

The Compliance division also sought to manage compliance risk through obtaining high level representation on relevant industry bodies that were invited to participate in the development of the draft legislation and industry guidelines.

Education forms an important part of the compliance process and employees therefore received anti-money laundering training, to ensure that they are aware of their regulatory obligations. Regulatory concerns on conflicts of interest were also addressed, with the implementation of a number of policies and guidelines.

Mauritius

The Compliance division in Mauritius was formalised as part of the group restructuring exercise and in response to the changing regulatory environment. Processes to identify and manage compliance risks were developed and implemented, notably anti-money laundering and banking secrecy and confidentiality.

UK

Significant developments occurred in the UK regulatory environment, with the FSA issuing more than 50 consultation papers. A number of these papers (particularly those on conflicts of interest, bundling and soft commission) will have an impact on the way that Investec develops its Investment Banking and Asset Management business in the UK. Management is actively considering the proposals in the papers and their impact on the business.

While none of the UK regulated entities were adversely affected by the FSA's investigations into endowment policy miss-selling, there was a limited impact from the FSA's investigations into pension miss-selling. The group did not experience material loss as a result of this investigation.

The FSA's investigations into the industry's sales of split capital funds continue. Investec entities involved believe that they acted wholly appropriately and it is too early to determine a potential material impact on the group as a result of the industry-wide investigations.

United States

In the US, the SEC gave much attention to the conflicts arising between investment banking and research. While none of the regulatory actions affected the group directly, it responded positively to the changes made to the regulations by reviewing and revising its internal processes.

Australia

Last year, the Australian Prudential Regulation Authority approved a banking licence for Investec Bank (Australia) Limited. While this was a significant step in the development of the business, it also meant an increase in regulatory scope. This increase was addressed in the annual compliance plan and the revision of a number of internal policies and procedures.

Israel

Further to a Bank of Israel directive issued to the banking industry, Investec Bank (Israel) appointed a Compliance Officer in early 2002. The Bank of Israel issued further directives requiring compliance officers to conduct a review of internal processes that affect client protection. The Bank of Israel also requires banks to upgrade their internal procedures on the prevention and detection of money laundering. The Compliance division of Investec Bank (Israel) is addressing both these matters, together with local management.

corporate governance

For information on Corporate Governance, see pages 158 to 180.

additional information

Credit ratings

In general, Investec was assigned strong ratings for credit quality, capacity for timely repayment and financial strength. Historically, rating agencies tended to focus on rating the combined Investec group or just the significant banking entities within the group, namely Investec Bank Limited or Investec Bank (UK) Limited. In terms of the implementation of Investec's Dual Listed Companies structure, however, Investec Limited and Investec plc are treated separately from a credit point of view. Therefore, over time, one will expect to see ratings being accorded to both companies. The group is currently engaged in discussions with the rating agencies, in this regard. The ratings as at 31 March 2003 are set out below.

Ratings for the former Investec Group Limited (now Investec Limited)

Capital Intelligence Ratings	
Foreign currency - long-term rating	BBB-*
Foreign currency - short-term rating	A3*
CA Ratings	
Short-term local currency debt rating	A-1+
Long-term local currency debt rating	A+
Fitch	
Individual rating	B/C
Support rating	5
International short-term	F3*
International long-term	BBB*

Ratings for Investec Bank Limited

Capital Intelligence Ratings	
Foreign currency - long-term rating	BBB-*
Foreign currency - short-term rating	A3*
Domestic strength rating	A-
Fitch	
Individual rating	B/C
Support rating	4
Domestic short-term	F3*
Domestic long-term	BBB*
Global Credit Ratings	
Short-term rating	A-1+
Long-term rating	A+
Moody's	
Bank financial strength	C-
Long-term bank deposit	Baa2*
Short-term bank deposit	Prime 2*

Ratings for Investec Bank (UK) Limited

Fitch	
Individual rating	C
Support rating	5
Short-term rating	F2
Long-term rating	BBB+
Global Credit Ratings	
Short-term rating	A2
Long-term rating	A-

* constrained by the sovereign rating for South Africa

directors' responsibility and corporate governance

"Investec has long had an entrenched corporate culture, which emphasises above all the need to conduct the affairs of the group in accordance with the highest standards of corporate ethics. Good corporate governance is shown in the group's values of integrity, responsibility and risk consciousness."

- Stephen Koseff, Chief Executive Officer

Corporate governance environment and the year in review

Investec is an international organisation and, as such, is required to comply with an extensive range of diverse legal, regulatory and governance requirements.

During the year under review, the increased spate of corporate failures both domestically and internationally continued to heighten the focus on corporate governance practices. In this regard, a number of developments took place in the jurisdictions in which the group operates:

- The South African King II "Code of Corporate Practices and Conduct" (King II) became effective.
- The South African Reserve Bank initiated an independent review by Advocate Myburgh of the governance practices of the five largest banks (including Investec) in South Africa (the Myburgh Review).
- In the UK, the Higgs Review (on the role and effectiveness of non-executive directors) and the

Smith Report (Audit Committees combined Code guidance) were released.
- The UK Directors' Remuneration Report Regulations 2002 became effective.
- The JSE Securities Exchange South Africa (JSE) and the London Stock Exchange (LSE) enhanced their listing requirements.
- The Sarbanes Oxley Act in the USA was enacted in July 2002.

Investec implemented significant measures to formalise and enhance its corporate governance following the implementation of its Dual Listed Companies (DLC) structure, with listings on the JSE and LSE (see pages 4 to 6). In terms of the implementation of this structure, the group reviewed and assessed governance practices for conformance to leading practices. Furthermore, because Investec has two primary listings, it is required to observe the extensive requirements applicable to public listed companies in the UK and South Africa.

The recommendations of the Myburgh Review of governance practices in the South African banking industry as they specifically apply to Investec were accepted and the group addressed and will continue to address the matters raised and recommendations made. The review concluded that South African banks showed high standards of corporate governance. Following the group's internal assessment process and in terms of the formal report of the Myburgh Review, the areas identified as requiring attention are outlined below.

Position of the Chairman

The Myburgh Review concluded that the Chairman, Hugh Herman, was not an independent non-executive director. The group does, however, consider Hugh Herman to be a non-executive director. In order to address the matter, the board and the Remuneration Committee agreed on and implemented the following:

- The Chairman's remuneration package will comprise solely of an overall fee of £250 000, will be commensurate with services provided and overall level of responsibilities, and will not include incentive bonuses.
- Time spent on Investec matters will be reduced, as will time spent at the Investec offices.
- Hugh Herman will continue to have no executive responsibilities.

Size of Investec Bank Limited board

The Myburgh Review considered the board of Investec Bank Limited to be oversized. This matter was reviewed and the composition addressed with consideration of the skills, expertise and strategic focus of the bank. The revised board is set out on page 212.

Director Affairs Committee

The Banks Act Amendment Bill proposed the establishment of a Director Affairs Committee to assist the board in governance practices, director continuity and nomination. The group is of the view that the existing Chairman's Committee and supporting processes address these matters. Should this become mandatory, the group will implement the committee as required.

Key international emerging governance issues, which Investec is consciously addressing, revolve around:
- Board composition, performance and reward practices.
- Identification and response to risks, both known and anticipated.
- Confidence and trust in public disclosures and reporting.
- Corporate social responsibility and the impact of activities, both directly and indirectly, on communities and stakeholders.

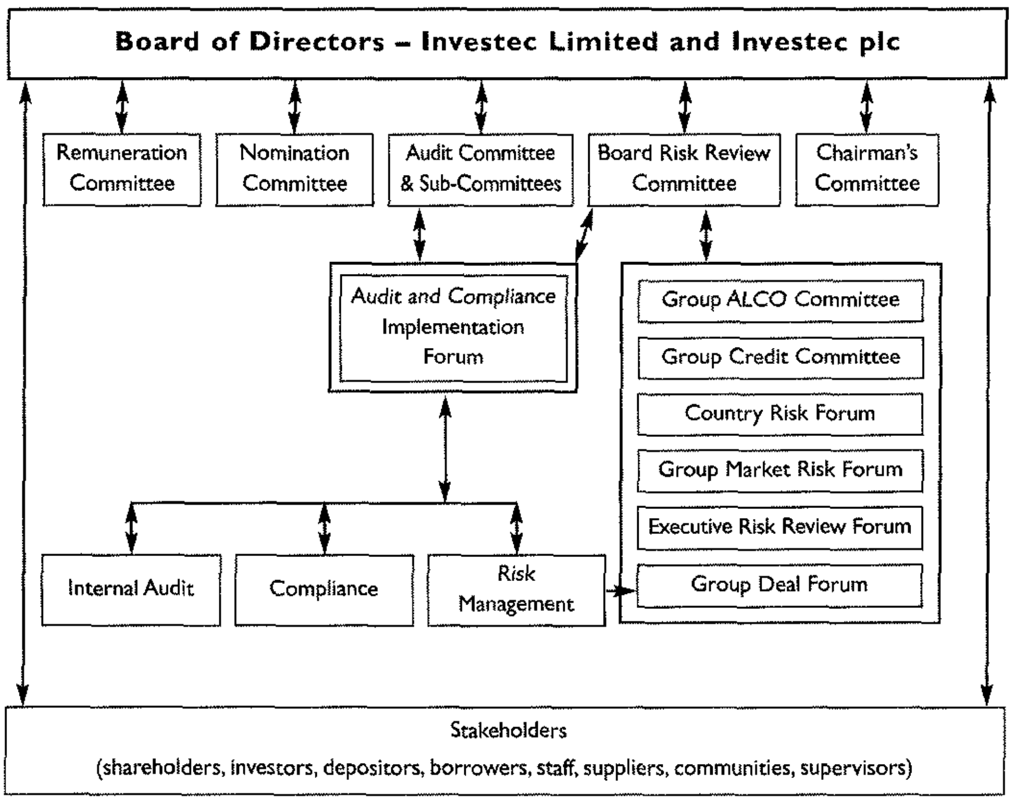
Corporate governance practices and conduct at Investec

Responsibility

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited consolidated financial statements, accounting policies and the information contained in the annual report.

In discharging this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks faced by the group, which was in place for the year under review and up to the date of approval of the annual report and accounts. The process is implemented by Investec management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board, which are referred to below.

Corporate governance structure



Corporate governance

Investec considers sound corporate governance practices to be fundamental to the operation of a banking group. Corporate governance, in essence, is the formal maintenance of the necessary balance between entrepreneurial thrust and enterprise, and prudential restraint, within the boundaries of sound business practices and regulation.

The board retains responsibility for the overall process and structure of corporate governance of the group. In addition, the group has a division dedicated exclusively to corporate governance issues. Adherence to good corporate governance practices, however, is also considered to be a responsibility of each business area, as well as all employees world-wide. Sound corporate governance therefore continues to be instilled in the group's values, culture, processes, functions and organisational structure. The group has over time created (and continues to refine) the structures necessary to formalise oversight and to ensure that the values remain embedded in all businesses and processes. These structures include Investec's written Statement of Values, which serves as its Code of Ethics and has always been a pillar of Investec's culture.

The group's values and philosophies form the framework against which behaviour, practices and activities are measured to assess the characteristics of good governance. Governance at Investec is not about checklist conformance. Rather it is about substance and embedded practices that are challenged regularly for their effectiveness and relevance.

The characteristics of good corporate governance subscribed to by Investec are founded on:

- **Fairness:** understanding and recognition of the broader stakeholder community.
- **Accountability:** forums and management structures promote accountability for decisions and actions.
- **Responsibility:** strong values and internal processes support identification and escalation of issues and the implementation of appropriate responses and corrective action.
- **Transparency:** timely communication of financial and non-financial matters allows for a clear understanding of the economic performance of the group.
- **Discipline:** commitment by senior management to sound governance practices, and consistent behaviour in line with the values of the group.
- **Independence:** an ethos, processes and structures allow for conflicts of interest and undue influence to be prevented and challenged.
- **Social responsibility:** understanding of the direct and indirect impacts of the group's operations on communities and environments and acting in a responsible and ethical manner.

The pillars of good governance at Investec are considered to revolve around the following key practices and processes:

- **Board and board practices** that demonstrate a sound governance environment with appropriate decision-making, oversight and reward structures that promote long-term shareholder value.
- **Management structure and skills** that support and drive the implementation of the strategic objectives for the benefit of stakeholders.
- **Internal control environment** and associated assurance processes to prevent or detect with reasonable assurance errors, fraud, misappropriation and other unacceptable processes.
- **Risk management** processes to identify and regularly assess risks, measure and monitor key risk information, mitigate risks identified and respond to risks that materialise.

- **Corporate social responsibility** programme and disclosure that reflects an understanding of the social, environmental and economic impacts of the group's activities and the management initiatives to maximise opportunities.
- **Stakeholder engagement** that is proactive in managing and communicating developments and expectations in order to promote and support long-term investment.
- **Disclosure** of financial, non-financial and risk issues as appropriate, in accordance with generally accepted practices, to enable a clear understanding of risk and investment profiles.

A balance and alignment of various processes and practices with the teams that drive and support these pillars is key to the achievement of an effective and efficient governance process.

In addition, risk and control consciousness, compliance awareness, oversight and supervision processes are core to ensuring that a considered and diligent approach is inherent in the daily activities and transactions of the group.

Sound governance practices enable the group to anticipate and respond proactively to developing issues, which in turn enhances Investec's ability to:

- Balance entrepreneurial flair with independent and objective oversight.
- Maintain confidence in the group by clients, counterparties, shareholders and regulators.
- Sustain the reputation of the group and the brand.
- Ensure liquidity and support levels to meet group demands.
- Satisfy supervisor and regulator objectives and minimise systemic risk to the industry.
- Promote stakeholder value by protecting assets and minimising losses.
- Ensure proactive, transparent and timeous communication with stakeholders, which enhances the reliability of information.
- Operate in a sustainable manner with a long-term vision.
- Operate in compliance with the laws and regulations of the jurisdictions in which the group operates.

Board opinion

The board is of the opinion that Investec conforms substantially to King II, except as disclosed, in particular the independence of the non-executive Chairman and of the Chairman of the Audit Committee, Donn Jowell.

In addition, the group has adopted the "Turnbull Guidance", containing principles for consideration by directors on the implementation of the Accountability and Audit Principles of the UK Combined Code on good governance and best practice. This requires management and the board to assess the risk management and internal control environment, identify key risks and risk information and indicators, embed a culture of risk awareness and control consciousness, obtain assurance of implementation of risk management processes and review the governance processes. This guidance aligns with the risk management practices contained in King II.

Investec plc commenced trading as a UK listed company on 29 July 2002. Prior to this date, Investec was not subject to the UK Combined Code requirements. The board considers that the company is in compliance with the above principles as at the date of this report. The board expects that the company will continue to comply with these principles on this basis throughout the financial year ending 31 March 2004.

Other international business units operate in accordance with the governance recommendations of their jurisdiction, but with clear reference at all times to group values and culture.

The group recognises its responsibility as a financial institution to conduct its affairs with prudence and integrity and to safeguard the interests of all stakeholders, thereby maintaining its reputation and therefore public confidence. Investec will continue to monitor and review practices and respond to developing trends in a pragmatic and proactive manner. Furthermore, Investec is committed to maintaining sound corporate governance practices in each jurisdiction in which the group operates. Detailed below are the Investec practices and conduct, which support the board's opinion.

Board of Directors

Composition

For the year under review, the same people constituted the Investec plc and Investec Limited boards. The boards comprised four executive and nine non-executive directors. The board is balanced so that no individual or small group can dominate decision making. Subsidiary boards are similarly balanced.

Board size is subject to review and assessment. As recommended by the Myburgh Review, the board of Investec Bank Limited was reviewed and restructured as set out above.

The boards of Investec plc and Investec Limited are separate and subject to legal obligations particular to each respective company. The boards comprise the same persons who are authorised, as board members, to manage Investec as if it were a unified economic enterprise.

Biographical details of the directorate are provided on pages 209 to 211.

All board members are suitably experienced, have a clear understanding of their role in corporate governance and are not subject to undue influence from management or outside concerns. Non-executive directors are individuals of high calibre with diverse backgrounds and expertise. They provide objectivity and independence to board deliberations and decision-making processes.

Demographic representation was and continues to be addressed as part of the strategic positioning of the group.

Executive directors are encouraged to hold other non-executive directorships, but only to the extent that these do not interfere with their immediate management responsibilities.

Independence of non-executive directors

The majority of the non-executive directors are considered to be independent of management and do not have any other relationship which could materially interfere with the exercise of their independent judgement. Hugh Herman, Donn Jowell, Ian Kantor and Mangalani Peter Malungani are not considered to be independent. The directors consider that Sam Abrahams and Peter Thomas are independent, notwithstanding the compensation they receive to sit on a number of Investec's compliance and review committees (such as the DLC Audit Committee, Group Credit Committee, Board Risk Review Committee and various audit sub-committees) in an advisory capacity as non-executive directors.

John Abell was appointed senior independent non-executive director. The board believes that he brings valuable continuity, perception and experience to the board.

Appointment and selection

The Nomination Committee is chaired by Hugh Herman and its other members are Sir Chips Keswick and Sam Abrahams. In accordance with the Combined Code and King II, all members of the Nomination Committee are non-executive directors. The Nomination Committee met once during the year and going forward it is intended that the committee will have two meetings a year.

The Nomination Committee is responsible for nominating candidates to fill board vacancies and for making recommendations on board composition and balance. In exercising this role, the directors take account of the guidance put forward in the Combined Code and King II. The selection and nomination process is formal and transparent. Prior to appointing a new director, the board investigates the candidate's background thoroughly. Board appointments are based on a required mix of skills, experience and demographics to ensure the ongoing success of the group.

The board has charged the Nomination Committee with the task of recommending proper processes to deal with succession planning of the board and will address this once the outcome of the Higgs Review is final.

It was announced on 20 June 2003 that Mr. Geoffrey MT Howe, formerly a Managing Partner of solicitors Clifford Chance LLP and Managing Director of Robert Fleming Holdings Limited, and Miss. Haruko Fakuda OBE, formerly Chief Executive of the World Gold Council, will be appointed to the boards of Investec Limited and Investec plc as independent non-executive directors, with effect from 21 July 2003.

New directors may hold office only until the next annual general meeting, at which they retire and become available for re-election. All directors are subject to retirement by rotation and re-election by shareholders at least once every three years. The dates on which the directors were appointed to the boards of Investec Limited and Investec plc can be found on page 189.

All non-executive directors, on appointment, are familiarised appropriately with the operations of the group, senior management and its business environment and are inducted in terms of their fiduciary duties and responsibilities.

Details of directors' service contracts and remuneration packages can be found in the remuneration report on pages 185 to 203.

Board self-evaluation

Board effectiveness is subject to regular self-evaluation, which is co-ordinated by the Head of Corporate Governance and Compliance. Self-evaluation addresses the King II Code of Practice, the Combined Code and other sound practices, including statutory responsibilities.

Directors' contributions are subject to ongoing review.

Role and responsibility

The board retains full and effective control of the group and is ultimately accountable and responsible for the performance and affairs of the group. This includes the responsibility for reviewing and guiding corporate strategy, understanding the key risks faced by the group, and determining the risk tolerance of the group and the processes in place to mitigate these.

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

In discharging its responsibilities, the board is supported by members of Investec management, who are required to implement the board plans and strategies. The board monitors management's progress in this regard on an ongoing basis.

Furthermore, the board, directly or through its sub-committees:

- Continually assesses both the quantitative and qualitative aspects of the group's performance through a comprehensive system of financial and non-financial monitoring. This involves an annual budget process, detailed monthly reporting and management strategic and operational updates.
- Approves the annual budgets and business plans.
- Monitors the group's compliance with relevant laws, regulations and codes of business practice.
- Monitors the group's communication with all stakeholders.
- Identifies and monitors key risk areas and key performance indicators.
- Reviews processes and procedures to ensure the effectiveness of the group's internal systems of control.

The board is accountable to all Investec's stakeholders for exercising leadership, integrity and judgement in pursuit of its strategic goals and objectives, and to achieve long-term sustainable growth and prosperity for the group.

All directors are regularly kept abreast of statutory, regulatory, accounting, non-financial and industry developments, which may affect the activities of the group. Furthermore, non-executive directors have unrestricted access to management, including the Company Secretaries, and to such information, records and documents as are needed to carry out their duties and responsibilities comprehensively and effectively. To facilitate this, non-executive directors participate in key board sub-committees and other forums, as indicated elsewhere in this section. Furthermore, all directors are entitled to take such independent professional advice as is necessary to fulfill their duties, at the group's expense.

Board meetings

Board meetings are scheduled at the commencement of each calendar year and, in terms of the requirements of the group's DLC structure, the number of meetings must be scheduled equally in the UK and South Africa in any calendar year. Directors are provided with full board papers to enable them to consider in advance the issues on which they will be requested to give decisions.

Management has an obligation to provide the board with appropriate and timely information. Board packs typically include:

- Monthly management accounts.
- Status reports from Group Risk Management, Compliance and Internal Audit.
- Report and minutes of the DLC, Investec Limited and Investec plc Audit Committees.
- Report of the Chief Executive Officer, which includes an update on financial and non-financial aspects and developments within the group.
- Reports from the key operating divisions, which include an update on their overall performance and other non-financial aspects and developments.
- Reports on the group's shareholder composition and movements therein.
- Report from the Investor Relations division, which includes an update on various stakeholder issues.
- Reports on proposed acquisitions.
- Reports on significant regulatory issues.

Prior to the implementation of the DLC structure the Investec Group Limited board met on two occasions. The Investec Limited and Investec plc boards met five times each during the year, following the implementation of the group's DLC structure. All members were present at these meetings, except for the circumstances stated below:

- Sir Chips Keswick was unable to attend one meeting.
- Mangalani Peter Malungani was unable to attend two meetings.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate, so that no individual has unfettered powers of decision making. Both the Chairman and Chief Executive Officer are appointed by the board. The board is led by the Chairman, Hugh Herman. The board appraises the Chairman's performance annually. The Chief Executive Officer is Stephen Koseff, who is responsible to the board for the implementation of its strategies and policies. The Chairman of the board and the non-executive directors review the performance of the Chief Executive Officer annually.

Company Secretary

The Company Secretary of Investec Limited is Selwyn Noik, who is considered to be suitably qualified and experienced and was appointed by the board in February 1994. The Company Secretary of Investec Limited is responsible for the duties stipulated in section 268(G) of the South African Companies Act, 1973.

The Company Secretary of Investec plc is Richard Vardy, who is considered to be suitably qualified and experienced and was appointed by the board in June 2002. Richard Vardy was appointed as Secretary for Investec Bank (UK) Limited in 1996.

Both the Company Secretaries are supported in their role in the group's corporate governance process by the Head of Corporate Governance and Compliance and are empowered by the board so that they may fulfill their duties properly.

In addition to statutory duties, the Company Secretaries are required to provide the directors of the board, collectively and individually, with guidance on how their responsibilities should be properly discharged in the best interests of the group. The Company Secretaries play an important role in the induction of new directors and also assist the Chairman and Chief Executive Officer in determining the annual board meeting plan. Furthermore, the Company Secretaries are required to ensure that the directors are aware of all legislation relevant to, or affecting, the group, and report at any meetings of the shareholders of the group or of the group's directors, any failure to comply with such legislation.

All directors have access to the advice and services of the Company Secretaries, whose appointment and removal is a matter for the board as a whole.

Management

Global business unit heads, geographic management, and heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Investec's management structure, reporting lines and the division of responsibilities have been built around a geographic, divisional and functional matrix, as depicted on page 63.

Furthermore, each strategic business unit has its own executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

Executive managers are required to provide the board with appropriate and timely financial and non-financial information necessary for it to fulfill its responsibilities.

On an operational level, below the Investec Limited and Investec plc boards are two principal forums: the Global Operations Forum and the Global Group Management Forum (Global GMF). In addition, there are regional management forums in the UK and South Africa.

Global Group Management Forum

The Global GMF meets bi-monthly, alternating between the UK and South Africa. The purpose of this forum is to identify and discuss key strategic and policy issues and opportunities facing the divisions, geographic operations and Investec as a whole. Typically, acquisition proposals, critical Investec projects, and other key growth and development recommendations are raised and debated at the Global GMF and approved by the directors. The Global GMF serves as an effective integrating mechanism, allowing for constant feedback and input from all members. The forum gives the group's management teams the opportunity to remain in touch with developments in the group as a whole. This helps to minimise duplicated effort and to enhance synergies across businesses and geographies.

The Global GMF also provides a forum for communication between senior management and the executive directors.

The members of the Global GMF are:

Name	Title	Joined Investec	Residence	Age
Stephen Koseff	Chief Executive Officer	1980	South Africa	51
Bernard Kantor	Managing Director	1980	UK	53
Glynn Burger	Global Head of Risk Management *and Joint Managing Director of Investec's* South African operations	1980	South Africa	46
Fred Carr	Head of Private Client Portfolio Management and Stockbroking - UK	1997	UK	58
Perry Crosthwaite	Head of Investment Banking - UK	1998	UK	54
Steve Elliott	Executive Director Carr Sheppards Crosthwaite	1989	UK	49
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	UK	42
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's UK operations	1999	UK	37
Sam Hackner	Global Head of Private Banking	1989	South Africa	47
Rayanne Jacobson	Global Head of Finance	1996	South Africa	34
David Lawrence	Deputy Chairman of the group's South African operations responsibility for banking, institutions and corporate relations	1996	South Africa	52
Andy Leith	Joint Managing Director of Investec's South African operations and Joint Global Head of Investment Banking	1994	South Africa	43
Geoff Levy	Chief Executive Officer of Investec's Australian operation	2001	Australia	44
Patsy McCue	Global Head of Human Resources	1984	South Africa	41
Simon Shapiro	Global Head of Information Technology	1990	South Africa	45
Caryn Solomon	Global Head of Organisational Development	2000	UK	49
Alan Tapnack	Joint Regional Head of Investec's UK operations and Head of Investec's Israeli operations	1991	UK	56
Bradley Tapnack	Global Head of Corporate Governance and Compliance	1986	South Africa	56
Hendrik du Toit	Global Head of Investec Asset Management	1991	UK	41
Raymond van Niekerk	Global Head of Marketing	2001	South Africa	40
Allen Zimbler	Chief Integrating Officer	2001	UK	53

Global Operations Forum

The Global Operations Forum meets monthly, with half the meetings in the UK and half in South Africa. The key role of this forum is the implementation of Investec's strategy and global operational responsibility and co-ordination.

The members of the Global Operations Forum are:

Name	Title	Joined Investec	Residence	Age
Stephen Koseff	Chief Executive Officer	1980	South Africa	51
Bernard Kantor	Managing Director	1980	UK	53
Glynn Burger	Global Head of Risk Management and Joint Managing Director of Investec's South African operations	1980	South Africa	46
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's UK operations	1999	UK	37
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	UK	42
Sam Hackner	Global Head of Private Banking	1989	South Africa	47
Andy Leith	Joint Managing Director of Investec's South African operations and Joint Global Head of Investment Banking	1994	South Africa	43
Hendrik du Toit	Global Head of Investec Asset Management	1991	UK	41
Allen Zimbler	Chief Integrating Officer	2001	UK	53

Regional Management Forums

Investec has Regional Management Forums in each of the principal geographies in which it operates. The forums meet fortnightly and are responsible for the day-to-day management of their respective geographies. Each forum plays a key role in communications and in the sourcing of debates and ideas that are ultimately presented to the relevant boards. The two principal Regional Management Forums are based in the UK and South Africa.

Various other formal and informal processes promote interactive dialogue and independent review between group management and the non-executive directors.

Succession planning

Succession planning is initiated at management level, where the depth, scope and diversity of talent is identified and nurtured. This ensures that the group maintains a substantial pool of talent from which senior management and executives can be selected when required.

The executives have identified successors for key executive management positions.

Board sub-committees

A number of board sub-committees assist the board in the discharge of its duties. The features of these committees are as follows:

- The sub-committees all have specific terms of reference that include roles and responsibilities, and are accountable to the board.

- Sub-committee members have the requisite skills commensurate with the committees' objectives and scope of activity.
- Non-executive board members have been assigned to all of the sub-committees.
- Various members of management are invited to attend sub-committee and board meetings whenever appropriate.
- The board sub-committees are free to take independent outside professional advice at the expense of the company as and when necessary.

Sub-committees provide regular reports on their activities to the board.

The board sub-committees are outlined below.

Chairman's Committee

The Chairman's Committee is responsible for consultation on and implementation of the group's strategy. Responsibility for the day-to-day operations of the business is delegated to senior management, as described above. The committee is chaired by Hugh Herman (Chairman of the board and a non-executive director). Members of the Chairman's Committee are:

- Glynn Burger (Group Risk and Finance Director).
- Donn E Jowell (non-executive director).
- Bernard Kantor (Managing Director).
- Stephen Koseff (Chief Executive Officer).
- David M Lawrence (executive director - Investec Bank Limited).
- Bradley Tapnack (executive director - Investec Bank Limited).

The Chairman's Committee met twice during the financial year and going forward it is intended that the committee will have four meetings a year.

Nomination Committee

The Nomination Committee is discussed under "appointment and selection" above.

Remuneration Committee

The Investec combined group Remuneration Committee is chaired by John Abell and the other members are Sir Chips Keswick, George Alford and Peter Thomas. In accordance with the requirements of the Combined Code and King II, all members of the Remuneration Committee are independent non-executive directors.

Information on the Remuneration Committee's role and responsibilities and details of directors' remuneration are set out in the directors remuneration report on pages 185 to 203.

Audit Committee

The former Investec Group Limited Audit Committee was reconstituted in terms of the implementation of the group's DLC structure. The reconstituted Investec combined DLC group Audit Committee (referred to in this section as the DLC Audit Committee) is chaired by Donn Jowell and its other members are George Alford and John Abell. In accordance with the requirements of the Combined Code and King II, all members of the DLC Audit Committee are non-executive directors and a majority of the voting members are independent directors. Donn Jowell is not considered to be an independent non-executive director, but the other members are considered to be independent. In addition, Sam Abrahams (a non-executive director) is a non-voting member of the DLC Audit Committee who attends meetings of, and lends his experience to, the Committee.

Furthermore, in terms of the DLC structure, Investec Limited and Investec plc have individual Audit Committees that share similar responsibilities to the DLC Audit Committee and report to the DLC Audit Committee. The members of the Audit Committee of Investec plc are John Abell (Chairman), George Alford and Sir Chips Keswick. All the members are non-executive directors and are considered to be independent in terms of the Combined Code. The members of the Audit Committee of Investec Limited are Donn Jowell (Chairman), Sam Abrahams and Peter Thomas. All the members are non-executive directors and the majority are considered to be independent in terms of King II.

A number of senior managers are invited (or required by the various Audit Committee charters) to attend the Audit Committee meetings. These include the Chief Executive Officer of the group, members of the Finance, Operational Risk, Internal Audit and Compliance divisions, and the Chief Technology Officer. Representatives of the respective firms of external auditors have permanent invitations and attend meetings as a matter of course. In addition, the Chairman of the various Audit Committees has the right to call in any other employee of the group who is able to assist the committee on an ad hoc basis.

The committees are responsible for, among other things:

- The review and recommendation for the board's approval of Investec's combined consolidated and individual company reports and accounts and other published financial reporting documents.
- Review of the appropriateness of the combined group's and individual companies' accounting policies and the application thereof.
- Overseeing of Investec's external audit process in the review of reports and accounts.
- Consideration of the external audit scope, fees and audit findings.
- Review of Internal Audit plans, capacity and capability, and the reliance by external audit on the work and findings of Internal Audit.
- Review of non-audit services provided by the group's auditors.
- Focus on Investec's compliance with legal requirements, accounting standards and the relevant listing requirements.
- Measures to maintain effective systems of internal financial control and for reporting non-financial operating data.

The ultimate responsibility for reviewing and approving the annual and half-yearly report and accounts of the combined group and individual companies will remain with the boards.

The risk and compliance managers, internal auditors, respective firms of external auditors and non-executive directors all have unrestricted access to the Chairman of each Audit Committee and to one another. They submit formal reports to the committee at its meetings throughout the year. In addition, the various supervisory and regulatory bodies meet with the Chairmen of the various Audit Committees at least annually.

The DLC Audit Committee met six times during the financial year. Four of these meetings were held prior to the implementation of the group's DLC structure. The Investec plc Audit Committee has been operational since the implementation of the group's DLC structure and met four times during the financial year, with all its members present at all the meetings. The Investec Limited Audit Committee has been operational since the implementation of the group's DLC structure and met three times during the financial year, with all its members present at all the meetings.

Audit and Compliance Implementation Forum

During the year, the group established an Audit and Compliance Implementation Forum in South Africa, to mirror the forum in the UK. The Chairman of the forum is Bradley Tapnack (Global Head of Corporate Governance and Compliance) and other attendees include key executive directors and heads of Risk Management, Internal Audit and Compliance. Non-executive directors attend by invitation.

The purpose of the forum is to appropriately address and discuss matters:

- Which are considered to be of higher risk.
- Where management is accepting a higher residual risk.
- Where there is a dispute between management and the parties listed above.
- Where management's response to issues raised is not considered appropriate.

The forum performs a key role in enhancing risk and control consciousness and the associated control environment of the group.

The forum met three times during the financial year.

Board Risk Review Committee

The Board Risk Review Committee is chaired by Stephen Koseff (Chief Executive Officer) and comprises:

- Sam E Abrahams (non-executive director).
- Glynn Burger (Group Risk and Finance Director).
- Richard Forlee (Global Head of the Treasury and Specialised Finance division).
- Donn E Jowell (non-executive director).
- Bernard Kantor (Managing Director).
- David M Lawrence (executive director - Investec Bank Limited).
- Alan Tapnack (executive director).
- Bradley Tapnack (executive director - Investec Bank Limited).
- Peter R S Thomas (non-executive director).

The purpose of the committee is to ensure that:

- All decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec.
- The risk management structure is adequate, with sufficient resources and budget, and exceptions are reported to the board.
- Exposure limits for market, counterparty and credit risk are ratified.
- There is an ongoing process of risk and control identification, particularly for any changes to business objectives.

The Board Risk Review Committee defines the processes by which internal financial control and risk is assumed, measured and monitored. The independent Group Risk Management division provides the expertise, processes and techniques to monitor these risks.

A number of committees are dedicated to aspects of risk management and report directly to the Board Risk Review Committee and the Board of Directors. These include the Group ALCO Committee, Group Credit Committee, Country Risk Forum, Group Market Risk Forum and Group Deal Forum. Details of these committees can be found in the section on Risk Management on page 128 and 129.

The Board Risk Review Committee meets monthly.

There is a clear distinction between the governance and implementation of risk processes. The former is vested in the Board of Directors and the board committees, while the implementation of risk processes is the responsibility of management, who report to the committees regularly. Management has unrestricted access to the board committees.

Executive Risk Review Forum

The Executive Risk Review Forum, which supplements the Board Risk Review Committee, consists of executive directors and senior management and meets weekly. Its mandate is to review and evaluate the significant risks faced by the group, ensure adherence to risk limits, report limit breaches, and ensure implementation of and adherence to agreed risk mitigation recommendations.

Group Risk Management

Risk management is critical to Investec. The group strives to understand and measure risks in order to make considered judgements and decisions and to limit loss situations. The board is responsible for the total process of risk management and the system of internal control and has implemented a number of committees (as mentioned above) to assist in this regard.

An independent Group Risk Management division, which is accountable to the board, is responsible for implementing, designing and monitoring the process of risk management and integrating it into the day-to-day activities of Investec.

The board has reviewed and approved the group's risk strategy and philosophies, together with executive directors and senior management, and is responsible for the ongoing assessment of the effectiveness of the group's risk management processes. Furthermore, the group continues to embed a culture of risk awareness, control and compliance in its activities.

The effectiveness of any bank's policies and procedures for managing risk can never be completely or accurately predicted or fully assured. The board is of the view that there are sufficient ongoing processes, which have steadily improved over the years, for identifying, assessing and monitoring the significant risks faced by the group. These processes were in place for the year under review and up to the date of approval of the annual report and financial statements.

For further details on the group's risk management process, see pages 125 to 157.

Internal control

Controls are reviewed and evaluated regularly for appropriateness and effectiveness. The Board Risk Review Committee and the Audit Committees assist the board in this regard (as discussed above). Best practices are reinforced through active risk management processes and initiatives.

The board has the overall responsibility for the group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, not eliminate, significant risks faced by the group and was in place for the year under review. It is recognised that such a system can only provide a reasonable, and not absolute, assurance against material misstatement or loss.

The group adopted the guidance "Internal Control: Guidance for Directors on the Combined Code" *(Turnbull Guidance) issued by the Institute of Chartered Accountants in England and Wales in 1999.* This requires the board, through its appropriate management and agreed control processes, to:

- Assess the control and risk management environment.
- Identify risks and risk information.
- Embed a culture of risk awareness and control consciousness.
- Obtain assurance of implementation of risk management processes.

This is achieved within the group through a combination of risk identification, evaluation and monitoring process, appropriate decision and oversight forums, and various control functions such as the Risk Management, Internal Audit and Compliance divisions. These ongoing processes were in place *throughout the year under review.*

As part of the process, the overall Investec business was broken down into strategic business units. Through establishment of a network of local risk champions, each unit was empowered with the responsibility and accountability for management of its own risk. Each business unit now follows a consistent risk assessment process through workshops facilitated by Group Risk Management. Objectives to achieve shareholder value are defined, and the risks to these objectives and controls for each risk are identified and evaluated.

The action plans and risk and control issues arising from this process are reviewed regularly at the relevant executive and management committees based at a business unit level.

The Internal Audit division is independent and reports directly to the various Audit Committees operating under an approved charter. On an ongoing basis, any material shortcomings in control effectiveness are noted in internal audit reports for each business unit. Effective mechanisms are in place, in order to ensure that appropriate corrective action is taken to remedy control weaknesses highlighted by the Internal Audit and Compliance divisions.

The group's significant risks are reviewed weekly by the Executive Risk Review Forum and monthly by the Board Risk Review Committee. The purposes of these committees are set out above.

Significant and material breaches of prescribed controls are reported to the Board Risk Review Committee. Reports from the control functions, the Audit Committees and the Board Risk Review Committee are reviewed at each board meeting.

Internal financial control

Financial controls throughout the group focus on critical risk areas. These areas are, as appropriate, identified by operational management, confirmed by group management, monitored by the board, reviewed by Group Risk Management, assessed by the risk assurance functions of Internal Audit and Compliance, and evaluated by the independent auditors.

Internal financial controls are based on established policies and procedures (see "Role and responsibility" above). Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified and that an appropriate segregation exists between duties and independent review. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken.

The directors consider that the group's system of internal financial control is adequately designed to:

- Provide reasonable, although not absolute, assurance of both the integrity and reliability of financial information.
- Identify and appropriately mitigate significant risks.
- Safeguard, verify and maintain accountability of assets.
- Prevent and detect fraud.
- Support business objectives and sustainability under normal and adverse operating conditions.
- Ensure compliance with applicable laws and regulations.

Internal and external audit

An Internal Audit division is based in each significant jurisdiction in which the group operates. Internal Audit operates independently from executive management, with unrestricted access to the Chairmen of the various Audit Committees. The Audit Committees review the mandate, authority, resources, scope of work and effectiveness of Internal Audit annually. The review also includes an assessment of the work conducted by internal and external audit. For further details on the group's Internal Audit division, see page 153 and 154.

The group's external auditors are Ernst & Young and KPMG. The group encourages consultation between external and internal auditors within defined parameters that does not in any way impair the independence of any party.

Group Compliance

Investec has an independent Group Compliance function within its risk management framework, which is responsible for assisting management in complying with statutory, regulatory, supervisory and policyholder protection rule requirements. The Compliance division has unrestricted access to the Chairmen of the various Audit Committees. For further details on the Group's Compliance function, see pages 154 to 156..

The group responds proactively and pragmatically to new regulatory developments in order to promote sound practices and minimise the impact of regulatory risk.

Communication, disclosure, transparency and relations with stakeholders

The Board of Directors subscribes to a philosophy of providing meaningful, transparent, timely and accurate financial and non-financial information to its primary stakeholders, which include shareholders, employees, rating agencies, regulatory bodies, clients and industry investment analysts. This is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

Investec endeavours to present a balanced and understandable assessment of the group's position by addressing material matters of significant interest and concern. The group also seeks to highlight the key risks to which it considers itself exposed and the responses to minimise the impact of the risks. Another objective is to show a balance between the positive and negative aspects of the activities of the group, in order to achieve a comprehensive and fair account of its performance.

The board recognises the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all the group's stakeholders and building lasting relationships with them.

All shareholders are encouraged to attend the AGM and any other shareholder meetings of Investec, and to raise issues and participate in discussion on items included in the notice of the meeting. The AGM provides an opportunity for the board to communicate with shareholders and for shareholders to put their questions across in person. The chairpersons of the Audit, Remuneration and Nomination Committees attend the AGM to respond to relevant questions.

At general meetings, a schedule of the proxy votes cast is available to all shareholders. Investec proposes a separate resolution on each substantially separate issue and does not bundle resolutions together inappropriately. The shareholders are specifically requested to approve the group's report and accounts and its remuneration report.

The group has an Investor Relations division, which is responsible for ensuring appropriate communication with its stakeholders. Regular contact is maintained with institutional shareholders, fund and asset managers, analysts and rating agencies through a comprehensive investor relations programme. This includes meetings with executive management, investor road shows, presentations to the investment community, communication by email, regular telephone conferences and liaison with private shareholders in response to their enquiries. The Investor Relations division reports back regularly to the operating divisions, the group executive and the board on various matters and concerns raised by stakeholders.

The group responds proactively to all requests for explanation or additional information raised by shareholder representative bodies, in order to enable shareholders to better understand the group and its operations.

Significant announcements are released directly to the market via the services offered by the London and Johannesburg Stock Exchanges, thereby ensuring fair treatment of all stakeholders.

Furthermore, the group maintains a comprehensive investor relations web site, which ensures that all stakeholders readily have access to historical and current information, including credit ratings, financial results and share price information. The contact details of the Investor Relations division are provided at the beginning of this report.

The group's Marketing team, in close co-operation with the executive and the Investor Relations division, liaises with the media to ensure that the public is kept fully informed. The group also employs external public relations specialists to assist in this regard.

The group's ongoing commitment to provide timeous, detailed and relevant disclosure to its stakeholders was rewarded during the year, when it received the following awards:

- Best Investment Analyst Society Presentation - Investment Analysts Society of Southern Africa.
- Rated in the excellent category (just outside the top 10) of the top 100 listed companies on the JSE - Ernst & Young Excellence in Financial Reporting Award.
- Third place for the best investor relations web-site among JSE top 40 companies - South African IR Magazine Awards.
- Second place for best crisis management (in relation to the way in which the group handled the rumours surrounding the decline in its share price during February and March 2003) - South African IR Magazine Awards.

Investec's communication policy focuses on ensuring that all employees worldwide are kept informed of its aspirations and activities. The group produces a quarterly magazine, Impact, for all its employees, which provides information on the latest happenings within Investec. Furthermore, the group has a comprehensive intranet site in South Africa and the UK, which provides employees with prompt communication on group developments and topics of interest. Urgent notices are sent out to all staff through the group's internal email systems.

Communication between the board, the group executive and senior management is facilitated by the Global GMF and the regional management forums, as discussed on pages 167 to 169.

Regulation and supervision

The group is subject to external regulation and supervision by various South African and international statutory bodies and regulators. In terms of the DLC structure, the South African Reserve Bank (SARB) Banking Supervision Department is the lead supervisor of the combined Investec group comprising Investec Limited and Investec plc. The SARB is also the supervisor of Investec Limited, while the Financial Services Authority in the UK is the supervisor of Investec plc. The group strives to achieve open and active dialogue with its regulators and supervisors, to comply with the various regulatory and supervisory requirements. Processes are in place to respond proactively and pragmatically to emerging issues. The group reports to regulators and supervisory bodies regularly. Where appropriate, the group participates in industry committees and discussion groups to maintain and enhance the regulatory environment in which it operates.

Financial reporting and going concern

Investec operates under a DLC structure (see pages 4 to 6), which requires compliance with the corporate and accounting regulations of both the UK and South Africa.

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

Values and code of conduct

Organisational integrity is covered in detail in Investec's *Journey to Sustainability 2003 report*.

The group has a strong organisational culture of entrenched values, which forms the cornerstone of the expected behaviour of the group towards all stakeholders, both internal and external. These values are embodied in a written Statement of Values, which serves as the group's Code of Ethics and is continually reinforced. The group's Code of Ethics is updated from time to time. Investec's values demand that the directors and employees of the group conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust. Conflicts of interest are required to be disclosed.

The group regularly conducts values workshops across the entire group, to review with all members of staff the values, their meaning, relevance and importance in the daily operations of the group.

The group views all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such, all new employees are invited to attend induction processes at which the group's philosophies, values, culture, risk management and compliance procedures are explained and discussed. Furthermore, the group's Organisational Development team plays an important role in facilitating the understanding and ongoing practice of the group's values, philosophies and culture.

Investec continually strives to conduct its business with uncompromising integrity and fairness so as to promote complete trust and confidence in the banking industry. In addition to the group values, acceptable business practices are communicated through the Human Resource practices manual, which is available online on the group's intranet.

Dealings in securities

Investecs' policy on Personal Account Dealing is based on the position paper and guidelines issued by the regulators and is based on international best practice. The policy includes the following features:

- It prohibits trading by staff for speculative purposes (and therefore requires a minimum 30-day holding period for securities).
- The group's Compliance division is required to sign-off on all employee dealings in securities.
- The group's Compliance division facilitates the compilation of a restricted list and imposes a closed period for staff dealing in Investec securities prior to the publication of the financial statements. In *terms of this "closed period" policy, directors, officers, participants in the share incentive scheme and* staff who may have access to price sensitive information are precluded from dealing in Investec shares approximately two months prior to the release of the group's interim and financial results.

The group's Compliance division administer compliance with the group's Personal Account Dealing policy. Each employee is required to sign an undertaking on this policy, whereby they agree to disclose all their personal and connected party accounts. The policy, furthermore, requires that all staff dealings be facilitated through an approved brokerage account.

Details of directors' dealings in Investec shares in accordance with the JSE and UK listings requirements, are made publicly available.

Employee participation and skills

Investec aspires to be one of the world's great specialist banking groups and its success depends on its employees. Investec recognises that its people are its most important asset. Its philosophy, therefore, is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation, and demonstrate compatibility with Investec's philosophy and core values. Investec has a flat, integrated structure, where individuality is encouraged.

The directors believe that, ultimately, Investec's success depends on its people working together in the interests of clients. For this reason, Investec strongly emphasises the processes of recruitment, education and development. To this end, Investec has an internal business learning centre which, together with the various divisions, offers a wide range of training programmes aimed at enhancing employee potential. The group's culture values employee participation in the decision-making process, and encourages communication throughout the group, achieved in part by encouraging wide participation in formal forums and processes.

Material employee ownership

Material employee ownership is one of Investec's fundamental philosophies. As at 31 March 2003, management and staff held an effective interest in Investec of approximately 20%. Ownership of the group is devolved on employees through the various share options and leveraged equity schemes, and participation in ownership by all employees is actively encouraged. The purpose of these schemes is to promote an "esprit de corps" within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all employees to share in the risks and rewards of the group.

Information on the various schemes can be found in the remuneration report on pages 185 to 203.

Sustainability reporting

Corporate reporting is moving continuously towards greater transparency, accountability and integrity, as a foundation for good governance. It is becoming increasingly important for companies to focus on the qualitative measures of corporate reporting, which cover the social, environmental and economic aspects of the business. The group is aware of the requirement, as laid out by King II and other international guidelines, to report on its "triple bottom line" and other integrated sustainability reporting issues.

Investec's Journey to Sustainability 2003 was produced as a separate report accompanying the Annual Report for 2003. The report shows in detail Investec's commitment to enhanced corporate responsibility, stakeholder accountability and creditable performance reporting. Further detail is also provided on pages 181 to 184.

sustainability review

Introduction

Corporate reporting is moving continuously towards greater transparency, accountability and integrity, as a foundation for good governance (see also Corporate governance on pages 158 to 180). It is becoming increasingly important for companies to focus on the qualitative measures of corporate reporting, which cover the social, environmental and economic aspects of the business.

Investec recognises the value that arises from meaningful interaction with stakeholders and embarked on a process to entrench sustainable growth and corporate responsibility in the group's culture and business model. As Investec's understanding of corporate social responsibility deepened, its approach *evolved from passive philanthropy to a more comprehensive corporate citizenship programme.* Accordingly, the group is establishing a responsible sustainability process, based on a pragmatic approach that emphasises benefits for all stakeholders. These include shareholders, clients, employees, local communities and the wider society.

Investec's *Journey to Sustainability 2003* has been produced as a separate report accompanying the Annual Report for 2003. The report shows in detail Investec's commitment to enhanced corporate responsibility, stakeholder accountability and creditable performance reporting. A summary of the report follows.

Black Economic Empowerment

Investec recognises that employment equity and the pursuit of black economic empowerment (BEE) are pivotal elements of the sustainability process in South Africa. They involve economic and social transformation and, ultimately, aim to achieve sustainable development for the country as a whole. The group's empowerment strategy was developed over a number of years by its BEE Forum, which is driven by senior management and senior black professionals in the organisation.

As part of this process, Investec underwent a process to transform the organisation from within and to help black owned and managed companies to establish and develop. Investec acknowledges, however, that it also needs to address the transformation of strategic decision-making bodies throughout all levels of the organisation.

Accordingly, after the 2003 year-end, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso), Peu Investment Group (Peu) and the Entrepreneurship Development Trust. In terms of the transaction, Tiso, Peu, the broad-based Entrepreneurship Development Trust and an Investec Employee Share Trust collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

In summary, the components of Investec's BEE strategy include: employment equity, human resource development (including income differentials and skills development), procurement, enterprise development, corporate social investment, and ownership and control. Investec's approach to BEE embraces each of these aspects, which are addressed in Investec's *Journey to Sustainability 2003* report.

In essence, the group's approach to empowerment and sustainability reflects a spirit of entrepreneurship, manifest throughout Investec's approach to business, employees and society.

Business

Investec consistently strives to ensure that clients receive quality products and services by improving technology, enhancing service and taking cognisance of the individual requirements of all stakeholders. The group encourages debate and the free flow of ideas to ensure employees seek innovative, entrepreneurial solutions to clients' requirements.

As a company specialising in Investment Banking, Treasury and Specialised Finance, Private Client Activities and Asset Management, Investec is committed to investing in, creating and developing significant and sustainable businesses. The group believes that there needs to be a balance between economic imperatives, the needs of society and their combined impact on the environment.

The most significant sustainable impact that Investec's business can have, directly or indirectly, is achieved through the provision of financial services to corporate and private clients. The group believes that it has a unique ability to identify talented entrepreneurs and assist them in building sustainable and meaningful businesses.

Furthermore, Investec is committed to developing sound sustainable procurement practices that meet the challenges of the environment in which the group operates. This is being done within the context of the commercial and strategic intentions of the group and the expectations of stakeholders.

Employees

Investec, as a services-orientated business, relies on the health, motivation and performance of its employees. The group's philosophy is to employ the highest calibre individuals, who show integrity, intellect and innovation.

Investec strives to inspire entrepreneurship among employees through, for instance, a flat, integrated structure, where individuality is encouraged. This, together with the group's culture, values and human resources practices, creates a working environment that stimulates extraordinary performance. In this way, employees are able to be positive contributors to the group, clients and their communities. The Human Resources division also plays a crucial role in sustaining strong performance by ensuring the well-being, fair treatment and development of employees.

While Investec's values embrace equal opportunity and value diversity, circumstances in South Africa have also highlighted the need for a special focus on employment equity issues. As such, employment equity is one of the pillars of the group's black economic empowerment strategy.

In the past 18 months, an important goal was to continue to maintain the impetus of "employment equity-mindedness" within the bank, which relates to both an awareness of and commitment to employment equity, as well as integrating it into the business. This was achieved partly through increasing management accountability for employment equity and placing employment equity on the corporate agenda. In addition, an important focus is promoting equal opportunity within the workplace and the group is committed to diversity, which is viewed not only as a social responsibility but a business advantage for the future.

Investec's HIV/AIDS philosophy emphasises a commitment to treating all employees with fairness, dignity and compassion; ensuring that individuals with HIV or AIDS are not unfairly discriminated against; and managing the HIV and AIDS epidemic in the workplace.

Society

As Investec grows internationally, it nevertheless remains committed to re-building the society from which it originated. This occurs concurrently with understanding and ensuring synchronisation with the context of the countries in which the group is expanding. Accordingly, corporate social investment (CSI) remains dedicated to projects in South Africa, which now include involvement from employees around the world.

In South Africa, Investec has shifted its social investment philosophy to align more closely with changes in the political, economic and social landscape, as well as with its core business strategies and resources. Investec's offices in the UK, the US, Australia and Israel are also developing social investment projects to address their particular social needs and which are aligned to the group's values and philosophies.

Worldwide, the group's CSI focuses on the creation and development of entrepreneurial initiatives that are sustainable, have a measurable impact and empower people by equipping them with quality education and entrepreneurial skills. In South Africa, historically disadvantaged groups are a particular focus. Not only are these initiatives widely recognised to be one of the most effective ways of breaking the poverty spiral. They also enable Investec to harness the group's collective skills and thus have the greatest impact on society. A notable achievement in this sphere is the conception and development of The Business Place, a cluster of businesses that support entrepreneurs, in the inner city of Johannesburg.

Along with entrepreneurship, Investec believes that relevant, innovative and top-quality education is crucial to the prosperity of the nation. To this end, the group invested substantially in CIDA City Campus, a tertiary institution that uses innovative teaching techniques to educate previously disadvantaged students, as well as in secondary and tertiary education, both in urban and rural areas.

Investec also makes significant donations to projects and charities concentrating on health and welfare, environmental conservation and crime prevention. Spending on health and welfare focuses on the HIV/AIDS pandemic.

Environment

Investec recognises that it has a direct and indirect impact on society and the natural environment in which it operates. The group has an impact on the environment internally through its operational activities and externally through its business activities. Accordingly, the group believes that it is in the long-term interests of the business, staff, shareholders and broader stakeholders to embed a tangible commitment to sustainability into all its activities.

Commitment to sustainability

Investec is firmly committed to the transformation process in South Africa and actively embraces the challenge of translating the concept of sustainable development into operational practice and reality. The group's commitment to empowerment and its entrepreneurial spirit are integral to the way it operates, helping it to grow and enhance sustainable development in businesses, among employees and across society.

directors remuneration report

Statement from the Chairman of the Board Remuneration Committee

The remuneration report has been prepared by the Remuneration Committee (referred to in this section as the Committee) and has been approved by the Board of Directors.

The board believes that a properly constituted and effective Remuneration Committee is key to improving the linkage between directors' pay and performance, with the ultimate aim of enhancing the group's competitiveness.

The primary purpose of the Committee is to determine the group's policy on the remuneration of executive directors and the specific remuneration packages for each executive director. The Committee is made up exclusively of non-executive directors, and executive directors are not involved in determining their own remuneration packages.

This report describes the group's current remuneration policy and details the directors' remuneration for the 2003 financial year.

The report is intended to comply with the provisions of the London Combined Code, the UK Directors' Remuneration Report Regulations 2002, the UK Financial Services Authority Listing Rules, the South African King II "Code of Corporate Practice and Conduct" and the JSE Securities Exchange South Africa (JSE) Listing Rules. In addition, the board recognises that the proposals made in the Higgs Review on non-executive directors may be incorporated into the revised London Combined Code and, where relevant, changes may be made to comply with the possible new code provisions once they have been finalised.

Furthermore, the auditors are of the opinion that the auditable part of this report on pages 195 to 203. has been properly prepared, in accordance with the Directors' Remuneration Report Regulations 2002.

John Abell

Chairman, Board Remuneration Committee

Composition and role of the Committee

In terms of the implementation of Investec's Dual Listed Companies (DLC) structure, the committees of the board were reconstituted.

The current members of the reconstituted Remuneration Committee are John Abell (Chairman), George Alford, Sir Chips Keswick and Peter Thomas. The Committee members are independent non-executive directors and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Committee's principal responsibilities and objectives are to:
- Make recommendations to the board, within agreed terms of reference, on the group's framework of executive remuneration, and to determine on their behalf specific remuneration packages for executive directors.
- Ensure that executive directors are appropriately and fairly remunerated and incentivised for their contribution to the group's performance, taking into account both qualitative and quantitative factors.
- Review comparable companies' remuneration practices. This is to ensure that competitive reward strategies and programmes are in place, which will attract and retain qualified and experienced management and executives necessary to meet the group's objectives and safeguard shareholder interests.
- Administer and establish performance targets for Investec's employee share schemes.
- Ensure that the comments, recommendations and rules within South Africa and the UK pertaining to director's remuneration are given due regard, in determining the packages and arrangements of executive directors.

The Committee is authorised by the board to seek any information it requires from any employee of the group in order to perform its duties.

The Committee meets at least three times a year and, since July 2002, has met on four occasions. All members attended the meetings. The Company Secretary of Investec plc, Richard Vardy, acted as Secretary to the Committee.

Advisers to the Committee

Where appropriate, the Committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the Committee Chairman, and the group bears any expenses relating to appointment of external consultants. During the financial year, the Committee engaged the services of Sibson Consulting, which provided comparative remuneration data and recommendations on various components of executive remuneration packages. Sibson Consulting has also advised the group on other human resource issues such as employee rewards and long-term incentivisation.

Group Human Resources also provides advice to the Committee. The Human Resources division is a specialist function within the group and provides supporting information and documentation relating to matters that are presented to the Committee. This includes comparative data and motivations for proposed salary, bonus and share awards. The Head of the group's Human Resources division, Patsy McCue, is not a board director and is not appointed by the Committee.

While the Chief Executive Officer has the right to address any meeting of the Committee, he plays no role in the determination of his remuneration package or any other executive director's remuneration package.

Policy on executive directors' remuneration

The group's philosophy is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation. Investec strives to inspire entrepreneurship within all areas of the group by providing a working environment that stimulates extraordinary performance, so that executive directors may be positive contributors to the group, its clients and their communities.

Investec rewards executive directors as individuals for the value they add through payment of an industry competitive annual package, a variable performance reward and ownership in the form of share incentive scheme participation. Overall rewards, however, are considered secondary in importance to Investec's core values of work content (greater scope of responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to company and unique culture) in the attraction, retention and motivation of employees.

Investec has a strong entrepreneurial, merit and values-based culture, characterised by a high degree of passion, energy and stamina. The ability to live and perpetuate the stated values, culture and philosophies of the group in the pursuit of excellence is considered paramount in determining overall reward levels. These values clearly apply in the case of the executive directors.

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

The key principles of Investec's overall remuneration policy for executive directors, which was applied during the financial year, are as follows:

- Reward programmes are designed and administered to align directors' interests with those of the group's stakeholders.
- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with, the short- and long-term success of Investec.
- A significant proportion of rewards, including both annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. Investec recognises the performance of the business and the individual. As indicated above, however, both qualitative and quantitative issues form an integral part in the determination of reward levels.
- Reward levels are targeted to be commercially competitive. The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contribution made.
- Appropriate benchmark, industry and comparable organisations remuneration practices are reviewed regularly.

- For executive directors, the FTSE UK Speciality and Other Finance firms provide the most appropriate benchmark.
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal group consistencies. Adjustments may also be made to the competitive positioning of pay components for individuals in cases where a higher level of investment is needed in order to build or grow either a business unit or the group's capability in a geography.

• The Committee determines the overall remuneration package for the executive directors.
• The reward strategy is open to internal as well as external scrutiny and challenge, and reward programmes are communicated to executive directors.

At the time of writing this report, the Committee's intentions were to apply the same philosophies and principles in the determination of the executive directors' reward packages for the 2004 financial year and subsequent financial years. These philosophies and principles however, are subject to appropriate review.

Policy on non-executive directors' remuneration

The policy on the remuneration packages for non-executive directors is agreed and determined by the board as a whole. During the financial year, the Committee conducted a peer group review in order to determine the appropriate level for non-executive directors' packages.

At the time of implementing the DLC structure, it was agreed that non-executive directors (with the exception of the Chairman) will be paid a basic retainer of £30 000 for their services as directors. Following the peer group review, however, this amount has been increased to £35 000 for the 2004 financial year. Additional fees are payable for chairing or being a member of certain audit or *remuneration and nomination committees and subsidiary boards due to additional responsibilities. Fees* are also payable for attendance at other sub-committee meetings.

During the 2003 financial year, the Chairman was paid a total package of £186 311 for his services as a director. Based on the information gathered during the peer group review, the Committee has agreed that from the 2004 financial year, the Chairman will receive an overall fee of £250 000 for his services as a director.

Service contracts and terms of employment

The executive directors of the group have indefinite contracts of employment, terminable by either party giving six months' written notice to the other. Each executive director is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Committee. Furthermore, the executive directors may elect to sacrifice a portion of their annual salary to receive company benefits such as a travel allowance and medical aid. The full costs of these benefits will be deducted from their annual salary. The contracts of employment do not contain provisions for compensation payable on early termination.

Non-executive directors do not have service contracts and letters of appointment confirm the terms and conditions of their service. Unless the non-executive directors resign earlier or are removed from their positions, they will be appointed as directors until the close of the group's annual general meeting

(AGM) in 2005 (subject to re-election as directors at that AGM and in terms of the provisions of the Articles of Association).

Dates of appointment to the board

The boards of Investec plc and Investec Limited are separate and subject to separate legal obligations to each respective company and comprise the same persons who are authorised, as boards, to manage Investec as if it were a unified economic enterprise.

The directors of Investec plc, and the dates on which they were appointed to the board are set out in the table below:

Name	Date of appointment	Notice period
Executive directors		
S. Koseff (Chief Executive Officer)	26 June 2002	6 months
B. Kantor (Managing Director)	26 June 2002	6 months
G.R. Burger (Group Risk and Finance Director)	3 July 2002	6 months
A. Tapnack	1 July 2002	6 months
Non-executive directors		
H.S. Herman (Chairman)	26 June 2002	
J. Abell	19 March 2002	
S.E. Abrahams	26 June 2002	
G. Alford	26 June 2002	
D.E. Jowell	26 June 2002	
I.R. Kantor	26 June 2002	
Sir C. Keswick	26 June 2002	
P. Malungani	26 June 2002	
P.R.S. Thomas	26 June 2002	

The directors of Investec Limited, and the dates on which they were appointed to the board are set out in the table below:

Name	Date of appointment	Notice period
Executive directors		
S. Koseff (Chief Executive Officer)	6 October 1986	6 months
B. Kantor (Managing Director)	8 June 1987	6 months
G.R. Burger (Group Risk and Finance Director)	3 July 2002	6 months
A. Tapnack	1 July 2002	6 months
Non-executive directors		
H.S. Herman (Chairman)	1 January 1994	
J. Abell	26 June 2002	
S.E. Abrahams	21 October 1996	
G. Alford	26 June 2002	
D.E. Jowell	1 January 1989	
I.R. Kantor	30 July 1980	
Sir C. Keswick	26 June 2002	
P. Malungani	26 June 2002	
P.R.S. Thomas	29 June 1981	

Note: The board of Investec Group Limited (now Investec Limited) was reconstituted in terms of the implementation of the group's DLC structure. In terms of providing information on the date that directors have been appointed to the Investec Limited board, it would be misleading, in the case of those directors that had been members of the Investec Group Limited board to indicate that they have only been directors since the date of implementing the group's DLC structure. As a result, for those directors concerned, their dates of appointment reflect the date that they were first appointed to the Investec Group Limited board.

Furthermore, it was announced on 20 June 2003 that Mr. Geoffrey M.T. Howe, previously a Managing Partner of solicitors Clifford Chance LLP and Managing Director of Robert Fleming Holdings Limited and Miss Haruko Fukuda OBE, previously Chief Executive of the World Gold Council, will be appointed as independent non-executive directors to the boards of Investec Limited and Investec plc with effect from 21 July 2003.

Biographical details of the directors of the board

These details can be found on pages 209 to 211 of the Annual Report.

Policies on the components of remuneration and employment

The reward package for executive directors comprises:

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

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

The elements of the reward package, as listed above, are discussed below and the component parts for each director are detailed in tables accompanying this report.

Base salary and benefits

Salaries are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. Base pay levels are linked to the relevant competitive market at median levels.
Benefits provide long-term financial value based on continuous employment and are targeted at competitive levels. These are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices.

Annual bonus

Annual bonuses are linked to business performance, based on target business unit performance goals. *Individual annual incentive levels are allocated, based on individual performance, as determined by the* Committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

The total cash element of compensation (base salary plus annual bonus) is targeted at competitive levels for meeting target performance goals.

Long-term share incentive plans

The group has a number of share incentive plans that are designed to link the interests of the directors and employees with shareholders and long-term organisational interests through performance and risk-based equity grants. The share plan vehicles in operation, and in which the directors are eligible to participate, are outlined below. Further details on the directors' shareholdings are provided in tables accompanying this report.

Investec plc share option plan 2002 (approved and unapproved)
Allocations under this scheme are granted to all new full-time employees and, on a discretionary basis, certain other employees, including directors and executives, in the group in all jurisdictions, excluding South Africa, Botswana, Namibia and Mauritius.

Under this scheme options are granted, over Investec plc shares, at the prevailing market value and each tranche of the options may only be exercised if the Committee is satisfied that the relevant performance conditions have been met. These conditions require growth in headline earnings per share over the relevant option period to equal or exceed the UK Retail Price Index (RPI), plus 3% compounded annually over the same period.

In choosing the performance targets for this plan, the Committee considered the merits of earnings per share (EPS) based targets as against alternative possibilities, such as comparative performance or comparative growth in return on average shareholders' funds (ROE) against a basket of other companies. The Committee determined that EPS was the most appropriate criterion, as the group's mix of businesses and geographical profile made it difficult to establish one suitable basket of comparative businesses, and growth in ROE would be difficult to benchmark against other companies as there is no industry-specific standard on the way in which this return should be calculated, as a result of the treatment of certain balance sheet items such as goodwill. The Committee believes that EPS-based targets are appropriate as they measure the underlying growth of the group. The Committee intends to continue to apply this during 2004, but keeps the whole matter of the suitability of target-linked share-based remuneration under periodic review.

Grants up to the value of £30,000 are made to UK employees on the approved plan. Options exceeding £30,000 and grants in jurisdictions other than the UK are made on the unapproved plan.

Under the approved plan options vest in tranches of 20%, 30% and 50% at the third, sixth and ninth anniversary of the grant respectively. Any portion of the tranches that is not, or cannot, be exercised lapses on expiry of 90 days after each anniversary.

The options in terms of the unapproved plan become exercisable in tranches of 25% each on the second, third, fourth and fifth anniversary of the grant respectively. They similarly lapse 90 days after each anniversary if the options are not, or cannot, be exercised.

Investec plc share appreciation option plan 2002
Under this scheme options are granted which, when exercised, pay out a cash amount based on the increase in the Investec Limited share price. This scheme is used to achieve the same objectives as the unapproved plan in circumstances in which the regulatory authorities of the previous plan, or of the

country in which the intended participant is resident, or the individual or corporate taxation consequences of such participation, make participation in the previous scheme impossible or inadvisable.

It is thus a scheme which, by duplicating the provisions of the previous scheme, enables the group to place a proposed participant in the same position by way of cash settlement or otherwise, as he would have been had he participated in the unapproved plan.

Investec Group Limited UK share option plan

Prior to listing on the LSE on 29 July 2002, the group operated this plan in terms of which options over the then listed Investec Group Limited shares were granted to employees, directors and executives in all jurisdictions, excluding South Africa, Botswana, Namibia and Mauritius. The options were exercisable in tranches of 25% each on the second, third, fourth and fifth anniversaries of the grant. Performance conditions were not attached, as at the time this was not deemed appropriate, and the options did not lapse until the 10th anniversary of the grant.

Participants have ongoing rights in terms of the plan, on which the most recent grant was made on 20 June 2002. No further options will be granted under this plan.

Investec Limited security purchase and option scheme trust 2002

Allocations under the option scheme of this trust are granted to all new full-time employees and, on a discretionary basis, certain other employees, including directors and executives, in the group in South Africa, Botswana, Namibia and Mauritius. Since listing on the LSE on 29 July 2002, only one grant has been made in terms of the option scheme. This grant was made on 20 December 2002.

As with the UK scheme above, options are granted at the prevailing market value and each tranche may only be exercised if the Committee is satisfied that the performance conditions have been met. These conditions require growth in headline earnings per share over the relevant performance period to equal or exceed the UK RPI, plus 3% compounded annually over the same period. The reasons for adopting and EPS-based target, is the same as those outlined above. Subject to this performance condition being met, options become exercisable in tranches of 25% each on the second, third, fourth and fifth anniversaries of the grant and will lapse 90 days after each such anniversary if the options are not, or cannot, be exercised.

Prior to listing on the LSE, an offer of shares in terms of the purchase scheme was made, for which participants have a liability to the trust for the purchase consideration of the shares. They bear the risk for any potential loss in the market value of the underlying shares but are entitled to any rise in such market value after the offer becomes exercisable.

As with the option scheme, the purchase offers become exercisable in tranches of 25% each on the second, third, fourth and fifth anniversary of the effective date of acceptance of the offer, but none of the tranches lapses until the 10th anniversary of the acceptance of the offer. At this anniversary date, the entire offer lapses. Performance conditions were not applied to these shares as at the time this was not deemed appropriate. Investec Limited security purchase and option scheme trust.

Investec Limited security purchase and option scheme trust

Prior to listing on the LSE on 29 July 2002, the group operated the scheme in terms of which options were granted to, and offers of shares under the purchase scheme were accepted by, employees, directors and executives in South Africa, Botswana, Namibia and Mauritius.

The options and purchase allocations were exercisable in tranches of 25% each on the second, third, fourth and fifth anniversaries of the grant. Performance conditions were not attached as at the time this was not deemed appropriate, and neither the options nor the purchase scheme allocations lapse until the 10th anniversary of the grant or effective date of the offer respectively. Participants have ongoing rights in terms of the plan, on which the most recent grant was made on 20 June 2002.

The participants in the purchase scheme bear the risk for any potential loss in the market value of the underlying shares, but are entitled to any rise in such market value after the offer becomes exercisable. No further options or offers of purchase allocations will be made under this plan.

Leveraged equity plans

A small group of senior and executive management, including certain Investec Limited/ Investec plc directors, who have or can have a significant impact on the business, have been granted participation in leveraged equity plans known as Fintique II and Fintique III. In terms of these plans, participants acquired units that entitled them to the risks and, on maturity of the plans in 2004 and 2008, future benefits of ownership of the underlying Investec shares. Recent downward movements in Investec's share price, coupled with the leveraged structure of the plans, have had a major negative effect on the value of these participations. Participants in the schemes bear the risk of a potential liability on maturity of the schemes. In view of the nature of the participation there are no further performance conditions applicable to these plans.

Performance graph

Investec is an international specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the UK and South Africa, as well as in certain other geographies, including Australia and Israel. The group is not considered to be a purely commercial bank and focuses on the following four core areas of activity: Private Client Activities, Treasury and Specialised Finance, Investment Banking and Asset Management.

The group has implemented a DLC structure in terms of which it has primary listings both in Johannesburg and London (further information on the DLC structure is provided on pages 4 to 6). The listing on the LSE took place on 29 July 2002, although the group has been listed in South Africa since 1986.

The market price of the group's shares on the JSE was R76.50 at 31 March 2003, ranging from a low of R76.50 to a high of R174.40 during the financial year. Furthermore, the market price of the group's shares on the LSE was £6.15 at 31 March 2003, ranging from a low of £6.07 to a high of £9.60 from July 2002 to the end of the financial year.

Investec has found it difficult to find an appropriate group of companies to benchmark itself against because of its specialist range of activities. A number of companies within the FTSE Speciality and Other Finance Index conduct similar activities to Investec , although they do not necessarily have the same geographical profile, nevertheless the group believes that this is the most appropriate index against which to measure its performance on the LSE. Selection of an appropriate index against which to measure the group's performance on the JSE is more difficult. None of the companies within the financial sector could be considered direct comparisons as they are generally commercial banks, asset management or insurance companies. The group, however, still considers the JSE Financial 15 Index a more appropriate benchmark than the JSE Top 40 Index.

The group's total shareholder return has underperformed that of the JSE Financial 15 Index and the FTSE Speciality and Other Finance Index. This is largely as a result of the weak global equity markets, which have negatively impacted the performance of investment banks relative to other commercial banks and financial institutions.

Audited information

Directors' annual remuneration

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2003:

Name[1]	Salaries, directors fees and other remuneration[2] 2003 £	Annual bonus[4] 2003 £	Total other benefits[5] 2003 £	Total remuneration expense 2003 £	Total remuneration expense 2002[1/3] £
Executive directors					
S. Koseff (Chief Executive Officer)	248 253	300 000	31 747	580 000	583 434
B. Kantor (Managing Director)	252 434	350 000	27 566	630 000	699 743
G. R. Burger (Group Risk & Finance Director)	143 834	350 000	23 736	517 570	525 502
A. Tapnack	215 000	250 000	22 742	487 742	516 066
Total Pounds Sterling	**859 521**	**1 250 000**	**105 791**	**2 215 312**	**2 324 745**
Non-executive directors					
H. S. Herman (Chairman)[6]	169 137	–	17 174	186 311	390 244
J. Abell	43 250	–	–	43 250	–
S. E. Abrahams	59 332	–	–	59 332	45 741
G. Alford	40 000	–	–	40 000	–
Dr H. K. Davies[7]	1 009	–	–	1 009	2 318
G. H. Davin[7]	1 278	–	–	1 278	2 318
D. E. Jowell	127 760	–	–	127 760	106 583
I. R. Kantor	22 500	–	–	22 500	2 318
Sir C. Keswick	40 000	–	–	40 000	–
P. Malungani	23 750	–	–	23 750	–
D. R. Motsepe[7]	1 009	–	–	1 009	2 318
Dr M. Z. Nkosi[7]	2 851	–	–	2 851	6 167
P. R. S. Thomas	57 785	–	–	57 785	44 530
Total Pounds Sterling	**589 661**	**–**	**17 174**	**606 835**	**602 537**
Total Pounds Sterling	**1 449 182**	**1 250 000**	**122 965**	**2 822 147**	**2 927 282**

Notes:

[1] In terms of the implementation of the DLC structure, the board and board committees of Investec Group Limited (now Investec Limited) were reconstituted. As a result, there may not be comparative information for some of the directors.

[2] As discussed elsewhere in this report, the non-executive directors' remuneration comprises a basic retainer and other directors fees. S.E. Abrahams, D.E. Jowell and P.R.S. Thomas received fees for attendance on other board sub-committees of £35 582, £99 010 and £34 035 respectively. The basic retainer and other directors fees paid have been apportioned according to the period served as directors during the financial year.

[3] Following the peer group review undertaken during the course of the year, the Remuneration Committee considered it appropriate to adjust the salaries of the executive directors (where necessary) to reflect the base pay levels of the relevant competitive market at median levels.

[3] A breakdown of the components of the reward packages for the executive directors in the 2002 financial year is as follows:

Name	Salaries, directors fees and other remuneration £	Annual bonus[4] £	Other benefits[5] £	Total remuneration expense £
Executive directors				
S. Koseff (Chief Executive Officer)	175 316	370 925	37 193	583 434
B. Kantor (Managing Director)	254 253	425 018	20 472	699 743
G. R. Burger (Group Risk & Finance Director)	104 709	386 399	34 394	525 502
A. Tapnack	195 455	300 000	20 611	516 066
Total Pounds Sterling	**729 733**	**1 482 342**	**112 670**	**2 324 745**

[4] As discussed elsewhere in this report, annual bonuses are determined with reference to a range of qualitative and quantitative factors. The past year has been an extremely challenging one for the group, and generally for all investment banks and the investment management industry world-wide. Notwithstanding, the group made significant strategic advances, the most important of which are as follows:

- The implementation of the group's DLC structure - a process that lasted approximately four years.
- The group successfully adjusted its cost base to compensate for the decline in revenues and streamlined and rationalised many of its operations, particularly in the US and UK.
- The group continued to restructure and rationalise the life assurance activities acquired from Fedsure Holdings Limited, including implementation of two further transactions. The group is satisfied that the Fedsure acquisition has now been completed.
- The Australian business was successfully turned around from successive years of losses and showed a pre-tax profit of £6.0 million.
- A significant step was made in the group's empowerment strategy in South Africa.

The executive directors played an integral role in the achievement of these initiatives. Furthermore, from a qualitative point of view, the directors continue to play an important role in entrenching the culture, values and philosophies of the group.

Notes (continued):

[5] The Chairman and the executive directors receive other benefits which may include pension schemes; life, disability and personal accident insurance; and medical cover, on similar terms to other senior executives.

[6] In line with recommended market practice, it was decided not to pay the Chairman an annual incentive payment during the 2003 financial year. The Chairman's annual fee was accordingly adjusted, although his overall package is substantially less than the previous year. As indicated in this report, the Committee has agreed that the Chairman will receive an overall fee of £250 000 during the 2004 financial year for his services as director.

[7] Resigned with effect from 26 June 2002. In terms of the implementation of the DLC structure, the board and board committees of Investec Group Limited (now Investec Limited) were reconstituted.

Retirement benefits

None of the executive directors belong to a defined benefit pension scheme and all are members of one of the group's defined contribution schemes. The total contribution to these schemes, payable by the company, included in the total salary of the director or included in benefits paid as highlighted in the table above, is as follows:

Name	£
Executive directors	
S. Koseff (Chief Executive Officer)	22 697
B. Kantor (Managing Director)	23 261
G.R. Burger (Group Risk and Finance Director)	18 157
A. Tapnack	22 742
Total Pounds Sterling	**86 857**
Non-executive directors	
H. S. Herman (Chairman)	11 348

Directors' shareholdings and options

The company's register of directors' interests contains full details of directors' shareholdings and options.

The tables that follow provide information on the directors' shareholdings and options.

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2003

Name	Beneficial and non-beneficial interest[1] - Investec plc	Beneficial and non-beneficial interest Investec Limited	Indirect beneficial and non-beneficial interest in Investec plc call options at a strike price of R145 per share	Indirect beneficial and non-beneficial interest in Investec Limited call options at a strike price of R145 per share
Executive directors				
S. Koseff	782 401	341 987	315 000	185 000
B. Kantor	370 267[2]	792 795[3]	315 000	185 000
G. R. Burger	404 275	143 465	126 000	74 000
A. Tapnack	–	–	–	–
Non-executive directors				
H. S. Herman	214 833	67 442	–	–
J. Abell	283	166	–	–
S. E. Abrahams	–	–	–	–
G. Alford	–	–	–	–
D. E. Jowell	73 732	43 302	–	–
I. R. Kantor	250 867	450	693 000[4]	407 000[5]
Sir C. Keswick	3 150	1 850	–	–
P. Malungani	–	–	–	–
P. R. S. Thomas	137 064	51 133	–	–
Total number	**2 236 872**	**1 442 590**	**1 449 000**	**851 000**

Notes:

[1] Certain of the directors acquired shares through equity purchase vehicles towards the end of the financial year. These acquisitions were announced on JSE and LSE news services on 31 March 2003 and have been included in the amounts reflected under beneficial interests.

[2] A put and call option agreement was entered into with Investec Securities Limited on 30 November 2001 (expiring on 28 November 2003) pursuant to which Investec Securities Limited is entitled to a put option on 126 000 Investec plc shares to B. Kantor at a strike price of R225 per share and B. Kantor is entitled to a call option at a strike price of R300 per share.

[3] A put and call option agreement was entered into with Investec Securities Limited on 30 November 2001 (expiring on 28 November 2003) pursuant to which Investec Securities Limited is entitled to a put

option on 74 000 Investec Limited shares to B. Kantor at a strike price of R225 per share and B. Kantor is entitled to a call option at a strike price of R300 per share.
[4] 315 000 of these call options have a strike price of R142 per share.
[5] 185 000 of these call options have a strike price of R142 per share

The directors, together with all other employees of the Investec Limited group, are beneficiaries of the Investec Limited Security Purchase and Option Scheme and are therefore interested in:

- call options in respect of 630 000 Investec plc shares at a strike price of R170 per shares

- call options in respect of 370 000 Investec Limited shares at a strike price of R170 per share

- 125 785 Investec Limited shares

- 3 738 753 Investec plc shares

The directors, together with all other employees of the Investec plc group, are beneficiaries of the Investec plc Jersey Trust Number 1 and are therefore interested in:

- call options in respect of 1 398 236 Investec plc shares at £7.93

- *call options in respect of 449 693 Investec plc shares at £10.52*

The directors, together with all other employees of the Investec plc group, are beneficiaries of the *Investec Guernsey Trust Number 1 and are therefore interested in:*

- call options in respect of 6 600 Investec plc shares at £7.95
- call options in respect of 6 221 Investec plc chares at £10.52

Directors' interest in the Investec Limited security purchase and option scheme trust as at 31 March 2003

Name	Investec plc shares	Investec Limited shares	Period exercisable
Executive directors			
G.R. Burger	20 046	11 774	1 April 2003 to 1 May 2005
A. Tapnack	2 277	1 337	1 April 2003 to 1 July 2004
Non-executive directors			
H.S. Herman	13 714	8 054	1 April 2003 to 1 May 2005
Total number	**36 037**	**21 165**	

Note: *The shares are held in terms of the Investec Limited share purchase scheme, for which the* directors have a liability for any related scheme debt. No shares were granted in terms of this scheme during the year. As at 31 March 2003, all the shares were fully vested.

Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2003

Name	Entitlement to Investec plc shares	Entitlement to Investec Limited shares	Period exercisable
Executive directors			
S. Koseff	78 145	45 895	1 April 2003 to 31 July 2008
B. Kantor	78 145	45 895	1 April 2003 to 31 July 2008
G.R. Burger	67 680	39 748	1 April 2003 to 31 July 2008
A. Tapnack	33 491	19 669	1 April 2003 to 31 July 2008
Non-executive directors			
H.S. Herman	78 145	45 895	1 April 2003 to 31 July 2008
I.R. Kantor	50 236	29 504	1 April 2003 to 31 July 2008
Total number	**385 842**	**226 606**	

Note: There were no grants in Fintique II during the year. All the shares the directors are entitled to in terms of the Fintique II scheme are fully vested (the final tranche of 25% having vested on 15 July 2002) 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 in Investec plc shares through a leveraged equity plan called Fintique III as at 31 March 2003

Name	Investec plc shares	Indirect beneficial and non-beneficial interest in call options at a strike price of R145 per share	Indirect beneficial and non-beneficial interest in call options at a strike price of R170 per share	Indirect beneficial and non-beneficial interest in call options sold at a strike price of R300 per share
Executive directors				
S. Koseff [1]	193 310	55 705	48 410	16 943
B. Kantor [2]	193 310	55 705	48 410	16 943
G. R. Burger [3]	144 254	41 696	36 142	12 650
A. Tapack	67 023	17 740	16 578	5 802
Non-executive directors				
H. S. Herman [4]	147 166	42 028	36 805	12 882
S.E. Abrahams	11 651	1 326	2 653	929
D. E. Jowell	17 477	1 990	3 979	1 393
P.R.S. Thomas	14 564	1 658	3 316	1 160
Total number	**788 755**	**217 848**	**196 293**	**68 702**

Directors' attributable interest in Investec Limited shares through a leveraged equity plan called Fintique III as at 31 March 2003

Name	Investec Limited shares	Indirect beneficial and non-beneficial interest in call options at a strike price of R145 per share	Indirect beneficial and non-beneficial interest in call options at a strike price of R170 per share	Indirect beneficial and non-beneficial interest in call options sold at a strike price of R300 per share
Executive directors				
S. Koseff [1]	113 531	32 716	28 432	9 951
B. Kantor [2]	113 531	32 716	28 432	9 951
G. R. Burger [3]	84 721	24 488	21 226	7 429
A. Tapack	39 362	10 418	9 737	3 408
Non-executive directors				
H. S. Herman [4]	86 432	24 683	21 616	7 565
S.E. Abrahams	6 843	779	1 558	545
D. E. Jowell	10 264	1 168	2 337	818
P.R.S. Thomas	8 554	974	1 947	682
Total number	**463 238**	**127 942**	**115 285**	**40 349**

Notes:

In terms of the scheme structure, 45% (of which 20% of the entitlement having vested on 15 December 2002) of the shares are free or vested with a further 25% becoming vested on 15 December 2003 and the remaining 30% vesting on 15 December 2004. The shares through the Fintique III scheme can be taken up on maturity (15 December 2004) of the scheme for a consideration of R96 to R102.38 per share for Rand denominated units and £5.45 for pound denominated units based on the current leverage position of the scheme. The directors are at risk for any shortfalls on maturity of the scheme. All of the options mature on 15 December 2004. The interest in Investec plc shares were only acquired post 29 July 2002 (the date of listing of Investec plc on the LSE).

[1] During the year, entitlement to 37 867 Investec plc shares and 22 239 Investec limited shares together with the related interest in call options of 4 310, 8 621 and 3 017 Investec plc shares and 2 532, 5 063 and 1 772 Investec Limited shares at a strike of R145, R170 and R300 respectively were acquired by S. Koseff.
[2] During the year, entitlement to 37 867 Investec plc shares and 22 239 Investec limited shares together with the related interest in call options of 4 310, 8 621 and 3 017 Investec plc shares and 2 532, 5 063 and 1 772 Investec Limited shares at a strike of R145, R170 and R300 respectively were acquired by B. Kantor.
[3] During the year, entitlement to 20 390 Investec plc shares and 11 975 Investec limited shares together with the related interest in call options of 2 321, 4 642 and 1 625 Investec plc shares and 1 363, 2 726 and 954 Investec Limited shares at a strike of R145, R170 and R300 respectively were acquired by G.R. Burger.
[4] During the year, entitlement to 23 302 Investec plc shares and 13 686 Investec limited shares together with the related interest in call options of 2 653, 5 305 and 1 857 Investec plc shares and 1 558, 3 116 and 1 090 Investec Limited shares at a strike of R145, R170 and R300 respectively were acquired by H.S. Herman.

Directors' interest in options - Investec plc shares as at 31 March 2003 (Investec plc share option plan 2002)

Name	Date of grant	Exercise price	Number of Investec plc	Balance at 31 March 2003	Period exercisable
Executive directors					
S. Koseff	20 Dec 2002	R111.96	33 000	33 000	20 Dec 2004 to 20 Mar 2008
B. Kantor	20 Dec 2002	£7.93	50 000	50 000	20 Dec 2004 to 20 Mar 2008
G.R. Burger	28 Aug 2002	R164.50	63 000		20 Jun 2004 to
	20 Dec 2002	R111.96	33 000	96 000	20 Mar 2008
A. Tapnack	28 Aug 2002	£10.52	47 250		20 Jun 2004 to
	20 Dec 2002	£7.93	50 000	97 250	20 Mar 2008

The interest in Investec plc shares were only acquired post 29 July 2002 (the date of listing of Investec plc on the LSE).

Directors' interest in options - Investec Limited shares as at 31 March 2003

Name	Date of grant	Exercise price	Number of Investec Limited	Balance at 31 March 2003	Period exercisable
Executive directors					
S. Koseff	20 Dec 2002	R111.32	17 000	17 000	20 Dec 2004 to 20 Mar 2008
G.R. Burger	20 June 2002	R164.50	37 000		20 Jun 2004 to
	20 Dec 2002	R111.32	17 000	54 000	20 Mar 2008
A. Tapnack	20 June 2002	R164.50	27 750	27 750	20 Jun 2004 to 20 Mar 2008

Notes:

- S. Koseff and G.R. Burger were granted options in terms of the Investec Limited share option and purchase scheme trust 2002.
- B. Kantor and A. Tapnack were granted options in terms of the Investec plc share option plan 2002.

- Options granted on 20 December 2002 were based on the weighted average market value of the preceding five days.
- The options granted on 20 June 2002 and 20 December 2002 were made for no consideration.
- The options granted on 20 December 2002 had certain performance conditions attached (as discussed on page 191 and 192) which to summarise required growth in headline earnings per share over the relevant option period to equal or exceed the UK RPI plus 3%, (compounded annually over the same period) and there were no performance conditions attached to the options granted on 20 June 2002.
- Options granted on 20 December 2002 included grants to certain senior executives (other than directors), which awards were greater than 100% of their annual remuneration. The allocations were deemed to be exceptional, but were approved by the Remuneration Committee, as they believed the allocations were necessary in order to retain the skills and contributions of these individuals.

Directors' interest in derivatives covering Investec plc shares

Two BVI incorporated companies in which certain directors have a beneficial and non-beneficial interest *have sold certain call options over Investec plc shares to the Investec Limited Employee Share Scheme.* The effective proportions relating to each director are set out below. All these calls are covered by existing shares held by the BVI companies. The aggregate percentage economic interest held by these directors in each of the BVI companies amounts to 30.75% and 12.01% respectively. The directors acquired rights to the above options on 31 March 2003.

Name	Call options at a strike price of £7.93 maturing on 20/12/04	Call options at a strike price of £7.93 maturing on 20/12/05	Call options at a strike price of £7.93 maturing on 20/12/06	Call options at a strike price of £7.93 maturing on 20/12/07	Call options at a strike price of £10.52 maturing on 20/06/07
Executive directors					
S. Koseff	7 493	29 444	24 008	23 991	27 564
B. Kantor	7 493	29 444	24 008	23 991	27 564
G.R. Burger	5 994	23 555	19 206	19 193	22 051
Non-executive directors					
H.S. Herman	2 997	11 778	9 603	9 596	11 026
I.R. Kantor	7 493	29 444	24 008	23 991	27 564
P.R.S Thomas	1 499	5 889	4 802	4 798	5 513
Total number	**32 969**	**129 554**	**105 635**	**105 560**	**121 282**

Conclusion

The Committee will continue to ensure that Investec's reward packages remain competitive, provide appropriate incentive for performance and take due regard of the culture, values and philosophies of the group. The Committee will keep the existing remuneration arrangements, as discussed in this report, under review during the 2004 financial year.

Signed on behalf of the board

John Abell
Chairman, Board of Remuneration Committee

shareholder analysis

The group has implemented a Dual Listed Companies (DLC) structure in terms of which it has primary listings both in Johannesburg and London (further information on the DLC structure is provided on pages 4 to 6).

Investec plc, which houses the majority of the group's Non-Southern African businesses, was listed on the London Stock Exchange on 29 July 2002. Investec plc also has a secondary listing on the JSE Securities Exchange South Africa (JSE). Investec Limited, which houses the group's Southern African and Mauritius operations, has been listed in South Africa since 1986.

As at 31 March 2003 Investec plc and Investec Limited had 74 633 746 and 38 399 527 ordinary shares in issue, respectively.

Spread of ordinary shareholders as at 31 March 2003

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
16 803	1-500	81.2%	1 820 967	2.4%
1 544	501-1 000	7.5%	1 105 903	1.5%
1 410	1 001-5 000	6.8%	2 963 151	4.0%
295	5 001-10 000	1.4%	2 110 534	2.8%
429	10 001-50 000	2.1%	10 028 518	13.4%
75	50 001-100 000	0.4%	5 402 895	7.2%
128	100 001 and over	0.6%	51 130 908	68.6%
	Adjustments*		70 870	0.1%
20 684		**100.0%**	**74 633 746**	**100.0%**

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
15 922	1-500	88.7%	1 285 189	3.3%
697	501-1 000	3.9%	513 049	1.3%
773	1 001-5 000	4.3%	1 742 610	4.5%
187	5 001-10 000	1.0%	1 323 658	3.5%
278	10 001-50 000	1.5%	6 191 912	16.2%
47	50 001-100 000	0.3%	3 349 311	8.7%
53	100 001 and over	0.3%	23 954 430	62.4%
	Adjustments*		39 368	0.1%
17 957		**100.0%**	**38 399 527**	**100.0%**

* Arising from dematerialisation orders in transit

Shareholder classification

Spread of shareholders	Investec Limited number of shares	% holding	Investec plc number of shares	% holding
Public*	27 079 409	70.5%	57 042 813	76.4%
Non-Public	11 320 118	29.5%	17 590 933	23.6%
Non-executive directors of Investec Limited/Investec plc	164 343	0.4%	679 929	0.9%
Executive directors of Investec Limited/Investec plc	1 278 247	3.3%	1 556 943	2.1%
Fintique III	3 730 154	9.7%	6 351 344	8.5%
Investec Staff Share Schemes	846 724	2.2%	1 441 713	1.9%
Public Investment Commissioner	5 300 650	13.9%	7 561 004	10.2%
Total	*38 399 527*	*100.0%*	*74 633 746*	*100.0%*

*As per the JSE listing requirements

Largest beneficial shareholders as at 31 March 2003

In accordance with the terms provided for in Section 212 of the UK Companies Act 1985 and Section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

Investec plc

Beneficial owner	Number of shares	% holding
1. Public Investment Commissioner (SA)	7 561 004	10.1
2. Fintique III (BVI)*	6 351 344	8.5
3. Old Mutual Life Assurance (SA)	3 615 002	4.8
4. Deutsche Bank AG (UK)	2 451 322	3.3
5. Fedsure Assurance Limited (SA)	2 105 304	2.8
6. Legal and General Pooled Index Fund (UK)	1 825 728	2.5
7. Sanlam (SA)	1 522 124	2.0
8. Liberty Life (SA)	1 205 191	1.6
9. RMB (SA)	1 142 265	1.5
10. Momentum Life Assurance (SA)	1 110 328	1.5
Cumulative total	**28 889 612**	**38.6**

The top 10 beneficial shareholders account for 38.6% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Investec Limited

Beneficial owner	Number of shares	% holding
1. Public Investment Commissioner (SA)	5 300 650	13.8
2. Fintique III (BVI)*	3 730 154	9.7
3. Old Mutual Life Assurance (SA)	2 782 473	7.3
4. Sanlam (SA)	1 317 593	3.4
5. Fedsure Assurance Limited (SA)	1 236 449	3.2
6. Liberty Life (SA)	686 993	1.8
7. Deutsche Bank AG (UK)	670 409	1.8
8. RMB (SA)	640 073	1.7
9. Momentum Life Assurance (SA)	609 404	1.6
10. Investment Solutions (SA)	566 105	1.5
Cumulative total	**17 540 303**	**45.8**

The top 10 beneficial shareholders account for 45.8% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* A small group of senior and executive management, including certain Investec Limited/ Investec plc directors, who have or can have a significant impact on the business, have been granted participation in leveraged equity plans known as Fintique II and Fintique III. In terms of these plans, participants acquired units that entitled them to the risks and, on maturity of the plans in 2004 and 2008, future benefits of ownership of the underlying Investec shares. Participants in the schemes bear the risk of a potential liability on maturity of the schemes.

Geographic holding by beneficial owner as at 31 March 2003

	Investec plc	Investec Limited
South Africa	62.8%	81.5%
British Virgin Islands	8.5%	9.7%
UK and Wales	14.5%	2.5%
USA	–	1.7%
Scotland	2.2%	–
Other countries	12.0%	4.6%

Note: The percentage holding in the British Virgin Islands represents the holding of Fintique III as discussed above.

Share statistics

Investec Limited (formerly Investec Group Limited) ordinary shares in issue

For the year ended 31 March	2003	2002	2001	2000	1999
Closing market price per share (cents)					
– year end	7 650	13 000	19 700	26 020	22 900
– highest	17 440	24 580	27 800	30 000	27 100
– lowest	7 650	13 000	19 200	18 440	12 500
Number of ordinary shares in issue (million)	38.4[1]	96,2	81,0	80,6	80,4
Market capitalisation (R'mn)[2]	8 645	14 196	19 286	24 095	21 178
Number of shareholders	17 957	19 445	3 454	3 070	3 788

Investec plc ordinary shares in issue

For the year ended 31 March[3]	2003
Closing market price per share (pence)	
– year end	615
– highest	960
– lowest	607
Number of ordinary shares in issue (million)	74.6
Market capitalisation (£'mn)[4]	459
Monthly average volume of shares traded ('000)	69.6
Price earnings ratio [5]	6.3
Dividend cover (times) [5]	1.8
Dividend yield (%) [5]	8.8%
Earnings yield (%) [5]	15.9%
Number of shareholders	20 684

Notes:

[1] The number of shares in issue has reduced significantly following the implementation of the DLC structure, in terms of which Investec plc was unbundled from Investec Group Limited (now Investec Limited).

[2] The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec Limited and Investec plc, in calculating market capitalisation i.e. a total of 113.0 million shares in issue.

[3] Investec plc has only been listed on the LSE since 29 July 2002.

[4] The LSE only include the shares in issue for Investec plc i.e. 74.6 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

[5] Calculations are based on the group's consolidated earnings per share before exceptional items and amortisation of goodwill, and dividends per share as prepared in accordance with UK GAAP and denominated in Pounds Sterling.

directorate investec limited and investec plc

Executive Directors

Stephen Koseff (51) [6,7]
BCom CA (SA) H Dip BDP MBA
Chief Executive Officer
Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, and General Manager of Banking, Treasury and Merchant Banking. His directorships include the JSE Securities Exchange South Africa, Investec Bank Limited, Investec Bank (UK) Limited and The Bidvest Group Limited.

Bernard Kantor (53) [6,7]
Managing Director
Bernard joined Investec in 1980. He has had diverse experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer. His directorships include Investec Bank Limited, Investec Bank (UK) Limited and Phumelela Gaming and Leisure Limited.

Glynn R Burger (46) [6,7]
BAcc SA(SA) H Dip BDP MBL
Executive Director responsible for Finance and Risk.
Glynn joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa. His directorships include Investec Bank Limited.

Alan Tapnack (56) [7]
BCom CA (SA)
Alan practised as a chartered accountant and is a former partner of Price Waterhouse and former Managing Director of Grey Phillips Bunton Mundell and Blake, a leading South African marketing services group. Alan joined Investec in 1991 and subsequently became Chief Executive Officer of Investec's UK operations. He is also responsible for Investec's Israeli operations. His directorships include Investec Bank (UK) Limited and Carr Sheppards Crosthwaite Limited.

directorate investec limited and investec plc

Non-Executive Directors

Hugh S Herman (62) [5,6]
BA LLB
Non-Executive Chairman
Hugh practised as a lawyer before joining Pick 'n Pay, a leading South African retail group, where he became Managing Director. He joined Investec in 1994. His directorships include Investec Bank Limited, Investec Bank (UK) Limited, Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

John Abell (71) [1,2,4]
MA (Hons)
John is former Chairman and Chief Executive of Orion Royal Bank and former Chairman of CIBC Wood Gundy Europe. His directorships include Investec Bank (UK) Limited.

Sam E Abrahams (64) [1,3,5,7]
FCA CA (SA)
Sam is a former international partner and South African Managing Partner of Arthur Andersen. His current directorships include Foschini Limited, Super Group Limited, Investec Bank Limited and Phumelela Gaming and Leisure Limited.

George Alford (55) [1,2,4]
BSc (Econ) FCIS FIPD MSI
George is former Head of Private Banking and Head of Personnel at Kleinwort Benson Group, and is currently a senior advisor to the FSA. His directorships include Investec Bank (UK) Limited.

Donn E Jowell (61) [1,3,6,7]
BCom LLB
Donn is Chairman of and a consultant to Jowell Glyn & Marais Inc, the South African legal advisers to the company. His current directorships include Anglovaal Mining Limited, Investec Bank Limited and various other Investec companies.

Ian R Kantor (56)
BSc (Eng) MBA
Ian is former Chief Executive of Investec Bank Limited, resigning in 1985 and relocating to the Netherlands. His current directorships include Insinger de Beaufort Holdings SA (where he is Chairman of the management board and in which Investec holds an 8,6% interest), Bank Insinger de Beaufort NV and Investec Bank (UK) Limited.

Sir Chips Keswick (63) [2,4,5]
Sir Chips is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American Plc and was on the Court of the Bank of England. His directorships include De Beers SA, De Beers Consolidated Mines Limited, IMI Plc, Persimmon Plc and Investec Bank (UK) Limited.

Mangalani Peter Malungani (45)
BCom MAP LDP
Peter is Executive Chairman and founder of Peu Investment Group and Chairman of Phumelela Gaming and Leisure Limited, SA Rail Commuter Corporation Limited. He is also Deputy Chairman of Capital Alliance Life Limited and Capital Alliance Holdings Limited. Other directorships include Super Group Limited and Investec Bank Limited.

directorate investec limited and investec plc

Non-Executive Directors (continued)

Peter R S Thomas (58) [3,4,7]

CA (SA)

Peter is a chartered accountant and former Managing Director of The Unisec Group Limited. His current directorships include Investec Bank Limited.

Notes:

- The dates on which the directors were appointed to the boards of Investec Limited and Investec plc can be found on page 189.
- Furthermore, it was announced on 20 June 2003 that Mr. Geoffrey M.T. Howe and Miss Haruko Fukuda will be appointed as independent non-executive directors to the boards of Investec Limited and Investec plc, with effect from 21 July 2003.

Geoffrey M.T. Howe (53)

MA Law (Hons)

Previously a Managing Partner of solicitors Clifford Chance LLP and Managing Director of Robert Fleming Holdings Limited. Directorships include Jardine Lloyd Thompson plc, AHLI United Bank (UK) plc, Denton Wild Sapte and JP Morgan Fleming Overseas Investment Trust plc.

Haruko Fukuda OBE (57)

MA (Cantab) DSc

Previously Chief Executive of the World Gold Council. Directorships include, AB Volvo, The Foreign and Colonial Investment Trust PLC and Aberdeen Asian Smaller Companies Investment Trust PLC. Advisor to Management Diagnostics Ltd, Metro AG and Lazard. Serves on the Business Advisory Board of the United Natcom Officer for Project Services.

The directors serve as Chairman or members on the following committees.

1 Combined group/DLC Audit Committee
2 Investec plc Audit Committee
3 Investec Limited Audit Committee
4 Remuneration Committee
5 Nomination Committee
6 Chairman's Committee
7 Board Risk Review Committee

Details on these committees can be found on pages 170 to 173.

directorate

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

Executive Directors

David M Lawrence (52)
BA(Econ) (Hons) MCom
Deputy Chairman

Glynn R Burger (46)
BAcc CA(SA) H Dip BDP MBL

Bernard Kantor (53)
Managing Director

Stephen Koseff (51)
BCom CA(SA) H Dip BDP MBA
Chief Executive Officer

Bradley Tapnack (56)
BCom CA(SA)

Non-Executive Directors

Hugh S Herman (62)
BA LLB
Non-Executive Chairman

Sam E Abrahams (64)
FCA CA(SA)

Donn E Jowell (61)
BCom LLB

Mangalani Peter Malungani (45)
BCom MAP LDP

Daphne R Motsepe (45)
BR BCompt MBA

Dr Morley Z Nkosi (67)
BSc MBA PhD

Peter R S Thomas (58)
CA(SA)

Fani Titi (40)
BSc (Hons) MA MBA

Russel A P Upton (68)
CA(SA)

directorate

Investec Bank (UK) Limited

Hugh S Herman (62)
BA LLB
Non-Executive Chairman

Alan Tapnack (56)
BCom CA(SA)
Chief Executive Officer

Bradley Fried (37)
BCom CA(SA) MBA
Chief Operating Officer

John Abell (71)
MA (Hons)

George Alford (55)
BSc (Econ) FCIS FIPD MSI

Peregrine Crosthwaite (54)
MSI

Michael Jameson-Till (58)

Bernard Kantor (53)

Ian R Kantor (56)
BSc(Eng) MBA

Sir Chips Keswick (63)

Stephen Koseff (51)
BCom CA(SA) H Dip BDP MBA

Ian Wohlman (48)
ACIB

Investec Bank (Israel) Limited

Hugh S Herman (62)
BA LLB
Non-Executive Chairman

Alan Tapnack (56)
BCom CA(SA)
Deputy Chairman

Jonathan Irroni (53)
BA
Managing Director and Chief Executive Officer

Talya Aharoni (52)
MBA

Amihai Ayalon (58)

David Golan (62)
MBA

Bernard Kantor (53)

Stephen Koseff (51)
BCom CA(SA) H Dip BDP MBA

Mordechai Limon (79)
MBA

Oren N Most (52)
MBA

Shimon Ravid (67)
PhD

Daniel Rothschild (57)
BA

Zvi Zur (80)

directorate

Investec Asset Management (Pty) Limited
Reg. No. 1984/011235/07

Hugh S Herman (62)
BA LLB
Chairman

Hendrik J du Toit (41)
BCom (Hons) MCom MPhil
Chief Executive Officer

Gail Boon (35)
BA (Hons) MBA

George H F Brits (43)
PhD MBA

Robert A Coombe (34)
BCom CA(SA) ACMA

Elsabé de Vries (40)
BAcc BCompt (Hons) CTA MBA

Domenico Ferrini (34)
BCom

Jeremy B Gardiner (37)
BCom (Hons)

Roelof C Horne (39)
BCom (Hons) CA(SA)

Bernard Kantor (53)

Thabo Khojane (30)
BA Hons (Econ) BSc (Eng)

Stephen Koseff (51)
BCom CA(SA) H Dip BDP MBA

Kim M McFarland (38)**
BAcc CA(SA) MBA

John T McNab (36)
BEng MEng CFA

Andre D Roux (49)
MSc (Oxford) MPhil (Cambridge)

Mark I Samuelson (38)
BCom

Douglas J N Thomson (33)
BCom Hons

** British

directorate

Investec Bank (Australia) Limited

David Gonski (49)
BCom LLB
Chairman

Geoffrey Levy (44)
BCom LLB
Chief Executive Officer

Farrel A Meltzer (38)*
BCom BAcc CA(SA) Dip Adv Banking
Managing Director

Julian Block (69)
Dip Law H Dip Tax LLM M Taxation

Alan Chonowitz (48)
BAcc MCom CA(SA)

Sam Hackner (47)
BCom (Hons) CA(SA)

Hugh S Herman (62)
BA LLB

Stephen Koseff (51)
BCom CA(SA) H Dip BDP MBA

David M Lawrence (52)
BA(Econ) (Hons) MCom

Andy W J Leith (43)
BCom CA(SA)

Richard A Longes (57)
BA LLB MBA

Robert C Mansfield (51)
BCom

Investec Bank (Mauritius) Limited

Hugh S Herman (62)
BA LLB
Non-Executive Chairman

Pierre de Chasteigner du Mee (49)
ACEA FBIM FMAAT

Stephen Koseff (51)
BCom CA(SA) H Dip BDP MBA

David M Lawrence (52)
BA(Econ) (Hons) MCom

Angelo Letimier (55)

Craig McKenzie (42)
BSc MSc CFA

* *Resigned on 27 May 2003*

Contents to the Investec plc (incorporating the results of Investec Limited) financial statements

Director's report

Nature of business
Investec is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in two principal markets, the UK and South Africa, as well as certain other geographies including Australia and Israel. Investec is organised into four principal divisions, namely Investment Banking, Treasury and Specialised Finance, Private Client Activities and Asset Management. In addition, Investec's head office provides certain group wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for the group's central funding as well as other activities, such as the group's property business, trade finance and traded endowment operations. A review of the operations for the year can be found on pages 7 to 124.

This report deals with the requirements for the legal entity Investec plc. The directors' report for the legal entity Investec Limited can be found on page 319.

Group restructure
In July 2002, in preparation for the Company's listing on the London Stock Exchange as part of a Dual-Listed Companies (DLC) structure, the Investec group's businesses in the UK, the US, Israel and Australia were transferred to the Company which acquired the whole of the issued share capital (not already owned) of the following companies:

- Investec SA for a consideration of £582.1 million, satisfied by the issue of 50 334 493 shares and the assumption of £281.8 million of indebtedness.
- Investec Israel BV for a consideration of £60.1 million satisfied by the issue of 9 737 282 shares.
- The 54.4% of Investec Holdings Australia Limited not already owned by the Company's subsidiary, Investec Holding Company Limited, for a consideration of £56.6 million satisfied by the issue of 9 493 928 shares.
- GRS Overseas Establishment for a consideration of £4.2 million satisfied by the issue of 701 346 shares.
- Various other International subsidiaries for a consideration of £0.2 million satisfied by the issue of 36 697 shares.

These holdings, with the exception of the holdings in Investec Holdings Australia Limited, were then transferred to the Company's wholly owned subsidiary, Investec Holding Company Limited (IHC) for an aggregate consideration of £646.6 million satisfied by the issue of shares and the transfer of indebtedness of £281.8 million.

On 17 January 2003 Investec plc's 54.4% holding in Investec Holdings Australia Limited was transferred to IHC for an aggregate consideration of £56.6 million on loan account, such that IHC then owned 100% of Investec Holdings Australia Limited. On 20 February 2003, the intercompany loan to IHC was capitalised by the issue to Investec plc of 139 £1 ordinary shares in IHC at £407 494.05 each.

The unconditional primary listing of Investec plc on the London Stock Exchange commenced on 29 July 2002 and its secondary listing on the JSE Securities Exchange South Africa commenced on 29 July 2002.

Authorised and issued share capital
Details of the share capital are set out in note 32 to the financial statements.

On 19 June 2002, Investec Limited subscribed for 3 299 ordinary shares of £0.10 each and Investec Bank (Nominees) Limited subscribed for 1 ordinary share.

On 5 July 2002 each ordinary share of £0.10 was sub-divided into 100 ordinary shares of £0.001, the rights attaching to all bar 330 000 of the then issued ordinary shares were amended such that they became deferred shares and 999 838 000 000 unissued ordinary shares were cancelled

On 18 July 2002, as set out above, 70 303 746 ordinary shares of £0.001 each were issued to Investec Limited in consideration for the transfer of the Investec group's international businesses to the Company.

On 18 July 2002, the Company repurchased and cancelled 50 000 000 of the deferred shares of £0.001 each in issue.

On 19 July 2002, 38 399 028 PLC Special Converting Shares of £0.001 each, 1 PLC Special Voting Share of

Director's report

£0.001 each, 1 UK Dividend Access Share (Non South African) of £0.001 and 1 UK Dividend Access Share (South African) of £0.001 were issued by way of bonus issue from reserves.

On 22 July 2002, 4 000 000 ordinary shares of £0.001 were issued at £8.30 per share to strengthen the Company's capital base, support organic growth and for general corporate purposes.

On 15 October 2002, 499 PLC Special Converting Shares of £0.001 each were issued by way of bonus issue from reserves.

Financial results
The results of the company and the group are set out in the financial statements and accompanying notes.

Dividends
An interim dividend of 26 pence per share was declared to shareholders registered on 13 December 2002 and paid on 24 December 2002.

The directors have proposed a final dividend of 28 pence per share to shareholders registered on 18 July 2003 to be paid on 11 August 2003. The directors have also recommended the payment of dividends on the UK DAN Share and UK DAS Share of an aggregate amount equal to R3.56 per ordinary share in Investec Limited, as provided by the DLC Structure Sharing Agreement.

The holder of 3 515 000 Investec Limited and 5 985 000 Investec plc shares has agreed to waive its right to the proposed final dividends.

Directors and secretary
Details of the directors and the secretary are reflected on page 210 and 211.

Mr. J. N. Abell was appointed as director of Investec plc on 19 March 2002. Messrs G. O. F. Alford, S.E. Abrahams, H.S. Herman, D.E. Jowell, I.R. Kantor, S. Koseff, P.R.S. Thomas, P. M. Malungani and Sir Chips Keswick were appointed to the board of Investec plc on 26 June 2002. Mr. A. Tapnack was appointed to the board on 1 July 2002 and Mr. G. R. Burger was appointed as a director on 3 July 2002.

Miss H. Fukuda and Mr. G. Howe were appointed to the board with effect from 21 July 2003.

Directors and their interests
Directors' shareholdings and options to subscribe are set out on pages 198 to 203.

The company's register of directors' interests contains full details of directors' shareholdings and options to subscribe.

Share incentive trusts
Details regarding options granted during the year are set out on page 282.

Audit committee
An audit committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the Group's Finance and Accounting division to consider the nature and scope of the audit reviews and the effectiveness of the group's risk and control systems. Further details on the role and responsibility of the Audit Committee are set out on pages 171 to 172.

Auditors
Ernst & Young LLP have expressed their willingness to continue in office as auditors. A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the next Annual General Meeting.

Contracts
Refer to page 188 for details of contracts with directors.

Director's report

Subsidiary companies
Details of principal subsidiary companies are reflected on pages 236 and 237.

Special resolutions
At the Special General Meeting held on 20 November 2002 , special resolutions were passed in terms of which:

- Article 85 and 86 of the Articles of Association were amended to provide for the selection of directors who retire by rotation.
- Certain amendments to the Articles of Association of Investec Limited were approved.
- A renewable authority was granted to the Company to acquire its own shares in terms of Sections 166 of the Companies Act, 1985.

Major shareholders
At 31 March 2003 the following were the beneficial owners of 3% or more of the issued ordinary shares of the Company:

Public Investment Commissioner	10.1%
Fintique III (BVI)	8.5%
Old Mutual Life Assurance	4.8%
Deutsche Bank AG	3.3%

Accounting policies and disclosure
Accounting policies are set having regard to commercial practice and International Accounting Standards, as well as complying with applicable United Kingdom law and accounting standards. These policies are set out on pages 230 to 235.

Subsequent events
On 15 May 2003, it was announced that agreement had been reached in terms of which Peu Investment Group and Tiso Group, together with a broad-based Entrepreneurship Development Trust and a new Investec employee share trust, will acquire in separate transactions a total interest of 25,1% in the issued share capital of Investec Limited. This will include the issue of 5 600 000 new shares by Investec Limited for R90 per share. The Public Investment Commissioners has agreed to provide funding to facilitate the proposed transactions.

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

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

Donations
During the year, the company made donations for charitable purposes, totalling £229 255.

Environment
The group is committed to pursing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the community in which it operates. Investec's Journey to Sustainability 2003 was produced as a separate report accompanying the Annual Report for 2003.

By order of the Board

Richard Vardy
Secretary

27 June 2003

Report of the independent auditors

We have audited the group's financial statements for the year ended 31 March 2003 which comprise Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Consolidated Shareholders' Funds and the related notes 1 to 42. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information on pages 195 to 203 in the Directors' Remuneration Report that is described as having been audited.

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 auditors' 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the Corporate Governance Statement on pages 174 and 175 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, unaudited part of the Directors' Remuneration Report, Chairman's Statement, Chief Executive Officer and Managing Directors' Report, A Detailed Analysis of the group's Performance, Divisional Reviews and Corporate Governance Report and Risk Management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

Report of the independent auditors

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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2003 and of the loss of the group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

London

27 June 2003

Consolidated profit and loss accounts

For the year ended 31 March		2003			2002		
(£'000)	Notes	Before goodwill and exceptional items	Goodwill and exceptional items	Total	Before goodwill and exceptional items	Goodwill and exceptional items	Total
Interest receivable - interest income arising from debt securities		171 066	–	171 066	205 398	–	205 398
Interest receivable - other interest income		697 805	–	697 805	666 802	–	666 802
Interest payable		(737 405)	–	(737 405)	(708 370)	–	(708 370)
Net interest income		**131 466**	**–**	**131 466**	**163 830**	**–**	**163 830**
Dividend income	4	*3 597*	–	*3 597*	*2 081*	–	*2 081*
Fees and commissions receivable		331 375	–	331 375	415 918	–	415 918
– annuity		286 782	–	286 782	335 845	–	335 845
– deal		44 593	–	44 593	80 073	–	80 073
Fees and commission payable		*(54 768)*	–	*(54 768)*	*(74 671)*	–	*(74 671)*
Dealing profits	5	45 231	–	45 231	49 485	–	49 485
Income from long-term assurance business		27 779	–	27 779	31 079	–	31 079
Other operating income		25 269	–	25 269	30 949	–	30 949
Other income		**378 483**	**–**	**378 483**	**454 841**	**–**	**454 841**
Total operating income		**509 949**	**–**	**509 949**	**618 671**	**–**	**618 671**
Administrative expenses	6	(392 466)	–	(392 466)	(428 510)	–	(428 510)
Depreciation and amortisation		(14 417)	(122 302)	(136 719)	(16 926)	(98 435)	(115 361)
– tangible fixed assets	21	(14 417)	–	(14 417)	(16 926)	–	(16 926)
– amortisation and impairment of goodwill		–	(122 302)	(122 302)	–	(98 435)	(98 435)
Provision for bad and doubtful debts	15	(18 308)	–	(18 308)	(14 668)	–	(14 668)
Operating profit/(loss)		**84 758**	**(122 302)**	**(37 544)**	**158 567**	**(98 435)**	**60 132**
Operating profit/(loss) from continuing operations		101 427	(116 599)	(15 172)	158 862	(92 654)	66 208
Operating loss from discontinued operations		(16 669)	(5 703)	(22 372)	(295)	(5 781)	(6 076)

Consolidated profit and loss accounts

For the year ended 31 March		2003			2002		
		Before goodwill and exceptional	Goodwill and exceptional		Before goodwill and exceptional	Goodwill and exceptional	
(£'000)	Notes	items	items	Total	items	items	Total
Operating profit/(loss)		**84 758**	**(122 302)**	**(37 544)**	**158 567**	**(98 435)**	**60 132**
Share of income of associated companies		11 350	(1 644)	9 706	3 904	(821)	3 083
Exceptional items		–	(28 757)	(28 757)	–	(17 529)	(17 529)
Provision for losses on termination and disposal of group operations–discontinued		–	(9 437)	(9 437)	–	(7 056)	(7 056)
Impairment of goodwill on discontinued operations		–	(19 047)	(19 047)	–	–	–
Profit on termination and disposal of group operations–continuing		–	5 800	5 800	–	1 363	1 363
Fundamental reorganisation and restructuring costs–continuing		–	(6 073)	(6 073)	–	(11 836)	(11 836)
Profit/(loss) on ordinary activities before taxation		**96 108**	**(152 703)**	**(56 595)**	**162 471**	**(116 785)**	**45 686**
Tax on profit on ordinary activities		(5 357)	–	(5 357)	(31 257)	2 717	(28 540)
Tax on profit on ordinary continuing activities		858	–	858	(32 200)	–	(32 200)
Tax on loss on ordinary discontinued activities		(6 215)	–	(6 215)	943	–	943
Tax on provision for losses on termination and disposal of group operations–discontinued		–	–	–	–	2 717	2 717
Profit/(loss) on ordinary activities after taxation		**90 751**	**(152 703)**	**(61 952)**	**131 214**	**(114 068)**	**17 146**
Minority interests–equity		(1 646)	–	(1 646)	(1 586)	–	(1 586)
Profit/(loss) attributable to shareholders		**89 105**	**(152 703)**	**(63 598)**	**129 628**	**(114 068)**	**15 560**
Dividends–including non-equity		(53 428)	–	(53 428)	(57 874)	–	(57 874)
Retained profit/ (loss) for the year		**35 677**	**(152 703)**	**(117 026)**	**71 754**	**(114 068)**	**(42 314)**

	2003	2002
(Loss)/profit attributable to shareholders	**(63 598)**	**15 560**
Amortisation and impairments of goodwill	122 302	98 435
Profit on termination and disposal of group operations	(5 800)	(1 363)
Provision for losses on termination and disposal of group operations (net of deferred tax)	28 484	4 339
Amortisation of goodwill of associates	1 644	821
Fundamental reorganisation and restructuring costs	6 073	11 836
Preference dividends	(421)	(2 015)
Earnings before goodwill and exceptional items	**88 684**	**127 613**

Consolidated profit and loss accounts

For the year ended 31 March		2003			2002		
(£'000)	Notes	Before goodwill and exceptional items	Goodwill and exceptional items	Total	Before goodwill and exceptional items	Goodwill and exceptional items	Total
Earnings per share (pence)							
– Basic				(70.4)			14.8
– Diluted				(70.4)			13.9
Excluding goodwill and exceptional items							
– Basic				97.6			139.8
Headline earnings–basic				90.9			126.8
Dividends per share (pence)				54.0			53.8

Consolidated statement of recognised gains and losses

For the year ended 31 March

(£'000)	**2003**	**2002**
(Loss)/profit for the year attributable to shareholders	(63 598)	15 560
Currency translation differences on foreign currency net investments	(13 870)	(69 737)
Unrealised surplus on revaluation of investment properties	18 265	10 254
Total recognised gains and losses for the year	**(59 203)**	**(43 923)**

There was no material difference between the results as reported and the results that would have been reported on an unmodified historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

Consolidated balance sheet

At 31 March

(£'000)	Notes	2003	2002
Assets			
Cash and balances at central banks		348 343	457 222
Treasury bills and other eligible bills	12	243 019	197 767
Loans and advances to banks	13	2 758 797	2 583 205
Loans and advances to customers	14	4 898 226	4 780 480
Debt securities	16	1 931 265	4 377 877
Equity shares	17	147 638	204 352
Interests in associated undertakings	18	62 422	45 026
Intangible fixed assets	19	299 773	384 900
Tangible fixed assets	21	205 982	186 761
Own shares	22	82 922	42 130
Other assets	23	1 211 441	1 177 727
Prepayments and accrued income		124 390	97 968
Long-term assurance business attributable to the shareholder	24	108 528	67 116
		12 422 746	14 602 531
Long-term assurance assets attributable to policyholders	25	2 536 319	2 354 401
		14 959 065	**16 956 932**
Liabilities			
Deposits by banks	26	2 129 292	3 645 308
Customer accounts	27	6 354 867	7 068 220
Debt securities in issue	28	1 089 756	606 246
Other liabilities	29	1 580 881	2 106 191
Accruals and deferred Income		255 281	218 132
		11 410 077	13 644 097
Long-term assurance liabilities attributable to policyholders		2 536 319	2 354 401
		13 946 396	15 998 498
Capital resources			
Subordinated liabilities (including convertible debt)	31	276 897	190 659
Minority interests - equity		38 804	33 473
Called up share capital	32	158	7 530
Share premium account		994 108	814 089
Shares to be issued	33	2 428	41 148
Revaluation reserves		29 160	11 202
Other reserves		(173 877)	(176 833)
Profit and loss account		(155 009)	37 166
Shareholders' funds		696 968	734 302
- equity		696 968	691 201
- non equity		–	43 101
		1 012 669	958 434
		14 959 065	**16 956 932**
Memorandum items			
Commitments	37	496 638	506 330
Contingent liabilities	38	348 906	299 316
		845 544	805 646

The directors' approved the accounts on 27 June 2003.

S. Koseff

Chief Executive Officer

Consolidated cash flow statement

For the year ended 31 March

(£'000)	Notes	2003	2002
Net cash inflow from operating activities	35	79 262	680 542
Dividends received from associated undertakings		2 286	–
Returns on investments and servicing of finance			
Preference share dividend paid		(421)	(2 014)
Dividends paid to minority shareholders in subsidiary undertakings		–	(1 716)
Interest paid on compulsorily convertible debentures		(25 090)	(35 585)
Net cash outflow from return on investments and servicing of finance		(25 511)	(39 315)
Taxation		(21 151)	(19 380)
Capital expenditure and financial investment			
Purchase of investment securities		(2 680 382)	(2 661 652)
Sale and maturity of investment securities		2 545 904	2 276 001
Purchase of own shares		(13 662)	(2 997)
Purchase of tangible fixed assets		(7 746)	(78 157)
Sale of tangible fixed assets		19 296	5 143
Net cash outflow from capital expenditure and financial investment		(136 590)	(461 662)
Acquisitions and disposals			
Net cash outflow from the purchase of interests in subsidiary undertakings		(672)	(58 866)
Net cash (outflow)/inflow from the disposal of group undertakings		(8 579)	2 153
Investment in associated undertakings		(1 598)	(38 942)
Repayment of the loan capital in associated undertaking		1 220	–
Net cash outflow from acquisitions and disposals		(9 629)	(95 655)
Equity dividends paid - ordinary share dividends		(54 335)	(58 606)
Financing			
Proceeds from the issue of subordinated liabilities		48 650	36 433
Repayments of compulsorily convertible debentures		(13 793)	(10 359)
Proceeds from shares to be issued		–	5 863
Proceeds from issue of ordinary share capital		36 830	1 086
Share issue expenses		(32 213)	–
Buy-back of ordinary share capital		(5 079)	(55 533)
Net cash inflow/(outflow) from financing		34 395	(22 510)
Decrease in cash		(131 273)	(16 586)
Cash flow reconciliation			
Decrease in cash		(131 273)	(16 586)
Cash and demand bank balances at beginning of the year		1 165 175	1 181 761
Cash and demand bank balances at end of the year		1 033 902	1 165 175
Cash and demand bank balances at end of year comprise:			
Cash		348 343	457 222
Demand bank balances		685 559	707 953
		1 033 902	1 165 175

Consolidated statements of reconciliations of

For the year ended 31 March (£'000)	Share capital Investec Limited	Share premium account Investec Ltd	Capital reserve account
At 31 March 2001	**6 701**	**563 567**	**–**
Year ended 31 March 2002			
Foreign currency adjustments	–	–	–
Retained loss for the year	–	–	–
Retained earnings of associates	–	–	–
Shares issued/ to be issued	1 023	384 640	–
Buyback and cancellation of shares	(195)	(134 460)	–
Conversions from debentures	1	342	–
Issue expenses	–	–	–
Revaluation of investment properties*	–	–	–
Transfers on disposal of revalued investment properties	–	–	–
At 31 March 2002	**7 530**	**814 089**	**–**
Year ended 31 March 2003			
Foreign currency adjustments	–	–	–
Retained loss for the year	–	–	–
Retained earnings of associates	–	–	–
Issue of shares on listing	–	–	–
Conversion of shares to be issued	374	86 402	–
Issue of shares to staff share scheme	–	–	–
Buyback of shares to be issued	–	–	–
Buyback and cancellation of shares	(148)	(4 931)	–
Conversions from debentures	1	–	–
Adjustment to par value of Investec Limited shares	(7 712)	–	7 712
Unbundling of Investec plc from Investec Limited	–	(290 535)	–
Capital reduction in Investec Limited	–	–	–
Investec plc transfer to Capital Redemption Reserve Fund	–	–	50
Issue expenses	–	(4 741)	–
Revaluation of investment properties*	–	–	–
Transfers on disposal of revalued investment properties	–	–	–
At 31 March 2003	**45**	**600 284**	**7 762**

* Revaluation of investment properties is subject to capital gains tax on realisation.

shareholders' funds and movements on reserves

Share capital *Investec plc*	Share premium account *Investec plc*	Shares to be *issued*	Revaluation reserves Investment *properties*	Equity accounted *reserves*	Foreign currency *reserves*	Profit and loss *account*	*Total*
–	–	**35 285**	**832**	**193**	**(110 882)**	**83 189**	**578 885**
–	–	–	–	(499)	(69 238)	–	(69 737)
–	–	–	–	–	–	(42 314)	(42 314)
–	–	–	–	3 593	–	(3 593)	–
–	–	5 863	–	–	–	–	391 526
–	–	–	–	–	–	–	(134 655)
–	–	–	–	–	–	–	343
–	–	–	–	–	–	–	–
–	–	–	10 254	–	–	–	10 254
–	–	–	116	–	–	(116)	–
–	–	**41 148**	**11 202**	**3 287**	**(180 120)**	**37 166**	**734 302**
–	–	–	–	1 727	(15 597)	–	(13 870)
–	–	–	–	–	–	(117 026)	(117 026)
–	–	–	–	9 064	–	(9 064)	–
3	36 826	–	–	–	–	–	36 829
–	–	(38 148)	–	–	–	–	48 628
2	27 701	–	–	–	–	–	27 703
–	–	(572)	–	–	–	–	(572)
–	–	–	–	–	–	–	(5 079)
–	–	–	–	–	–	–	1
–	–	–	–	–	–	–	–
108	356 769	–	–	–	–	(66 342)	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	(50)	–
–	(27 472)	–	–	–	–	–	(32 213)
–	–	–	18 265	–	–	–	18 265
–	–	–	(307)	–	–	307	–
113	**393 824**	**2 428**	**29 160**	**14 078**	**(195 717)**	**(155 009)**	**696 968**

Accounting policies

Basis of presentation
The group comprises Investec plc, Investec Limited and their subsidiary undertakings.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

These financial statements have been prepared having regard to Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 in accordance with applicable UK accounting standards, and with the Statements of Recommended Practice issued by the British Bankers' Association, except where noted in the financial statements below.

An outline of the creation of the Dual Listed Company structure is explained in the section headed 'an overview of Investec's dual listed companies structure' as set out on pages 4 to 6.

Under UK GAAP the accounts of Investec plc and Investec Limited have been combined in accordance with S227 (5) of the Companies Act 1985 on the grounds that they form a single economic entity. The merger method of accounting has been used to account for the combination in accordance with the provisions of FRS 6 applying to group reconstructions, since the Dual Listed Company structure was brought into effect by de-merging the existing Investec group into two sub-groups headed by Investec plc and Investec Limited by virtue of share for share transfers which did not alter the rights of existing shareholders or the interest of any minority. The nature of the DLC merger has resulted in the inclusion of amounts attributable to the shareholders of both Investec plc and Investec Limited in capital and reserves on the balance sheet, and in attributable profit.

The effect of the DLC merger is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role. This is demonstrated by the following key features of the arrangements:

- The shareholders of Investec plc and Investec Limited have a common economic interest in both groups;
- The shareholders of Investec plc and Investec Limited take key decisions, including the election of directors, through a joint electoral procedure under which the shareholders of the two companies effectively vote on a joint basis;
- Investec plc and Investec Limited have a common Board of Directors, a unified management structure and joint objectives; and
- Dividends and capital distributions made by the two companies are equalised.

If either Investec plc or Investec Limited proposes to pay a dividend to its shareholders, then the other Company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either Company is prohibited by law or is otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then Investec plc or Investec Limited will, so far as it is practicable to do so, enter into such transactions with each other as Boards agree to be necessary or desirable so as to enable both Companies to pay dividends as nearly as practicable at the same time.

Comparatives
The information reflected for the prior year relates to Investec Limited (formerly Investec Group Limited) and its subsidiaries because prior to the implementation of the DLC structure, Investec Limited and its subsidiaries constituted the group. The prior year figures have been extracted from the Accountants' report included in the Preliminary Offering Circular, and have been adjusted for the following changes:
- The group changed its policy for the translation of intangible assets in respect of foreign entities. These intangible assets are now translated at the closing exchange rate instead of the exchange rate at the date of acquisition. The effect in UK GAAP of this change in policy is a decrease in goodwill as at 31 March 2002 by £66.3 million. The difference in each case has been taken directly to foreign currency translation reserves, resulting in a decrease in ordinary shareholders funds as at 31 March 2002. There is no effect on the tangible net asset value of the group

Accounting policies

- During the year the group conducted a thorough evaluation of the funding costs of trading desks as a result of which interest charges were reallocated between trading and funding desks within the Treasury division. Comparative figures have been restated to be consistent with this.

Basis of consolidation
The group financial statements incorporate the financial results of Investec plc, Investec Limited and their subsidiary undertakings. All subsidiaries in which the group holds more than one half of the voting rights or over which it exercises control are consolidated from the effective dates of acquisition and up to the effective dates of disposal. In the case of Investec Bank (Israel) Limited, whose accounts are compiled to 31 December annually, the group uses interim management accounts, drawn up to 31 March to prepare the group financial statements at 31 March 2003.

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

The consolidated financial statements include the attributable share of the results and reserves of associated undertakings, based on financial statements made up to dates not earlier than three months prior to 31 March. The group's interests in associated undertakings are included in the consolidated balance sheet at the group's share of net assets plus unamortised goodwill.

Positive goodwill arising on the acquisition of subsidiaries is amortised against income over its useful economic life, a period not exceeding 20 years. Negative goodwill arising on acquisitions is included within intangible fixed assets and released to profit and loss account initially over the period that non-monetary assets are recovered and then over the periods expected to benefit. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

In order to reflect the different nature of the shareholders' and policyholders' interests in the long-term assurance business, the value of the long-term assurance business attributable to shareholders and the assets and liabilities attributable to policyholders are classified under separate headings in the consolidated balance sheet.

The group operates various Employee Benefit Trusts. In terms of UITF 13, the assets and liabilities of the Employee Benefit Trusts are included within the group financial statements.

Foreign entities
The net assets of the group undertakings and associates which do not have sterling as a functional currency are translated at closing rates of exchange and the translation differences arising are taken to reserves. The results of these companies are translated at weighted average rates of exchange for the relevant period. The difference between the profit and loss translated at an average rate and the closing rate is recorded as a movement in reserves. Any exchange differences on foreign currency loans, which are used to hedge the net investment in subsidiaries which do not have sterling as a functional currency, are also taken to reserves.

Goodwill arising on the acquisition of entities that do not have sterling as a functional currency is translated at the closing exchange rate. This is not consistent with prior years, as explained above.

Foreign currency transactions
Monetary assets and liabilities in foreign currencies are translated into the local reporting currency at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into the local reporting currency at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Accounting policies

Debt securities and equity shares
Shares and securities intended for use on a continuing basis in the group's activities are classified as investment securities. Such shares and securities are stated at cost less provision for any impairment in value. The cost of dated investment securities is adjusted for the amortisation of premiums or discounts on a level yield basis over the period to maturity.

Debt securities held for the purpose of hedging are valued on the same basis as the liabilities which are being hedged.

Other debt securities and equity shares are included in the balance sheet at market value. Changes in the market value of such assets are recognised in the profit and loss account as 'Dealing profits' as they arise.

Securities sold subject to repurchase agreements are recorded as assets. Obligations for the repurchase of these securities are included under deposits by banks and customer accounts. Securities that are purchased under an agreement to resell the securities at a future date are included under loans and advances.

Stock borrowing and lending transactions that are not cash collateralised are not included in the balance sheet.

Financial instruments
Financial instruments in the trading book are measured at fair value, whereas financial instruments in the non-trading book, including loans and investment securities, are measured at amortised cost. Income and expenses on trading instruments are recognised in the profit and loss account in full in the current period, whereas income and expenses on non-trading instruments are amortised over the life of the instrument, with adjustments made to reflect changes in estimated premiums and discounts.

Derivatives
Derivatives are used to hedge interest, exchange rate and equity exposures related to non-trading positions. Instruments used for hedging purposes include swaps, equity derivatives, credit derivatives, forward rate agreements, futures, options and combinations of these instruments. In addition, the use of derivatives and their sale to customers as risk management products is an integral part of the group's trading activities. Derivatives entered into for trading purposes include swaps, equity derivatives, credit derivatives, commodity derivatives, forward rate agreements, futures, options and combinations of these instruments.

Where the group has entered into legally binding netting agreements, positive and negative values of derivatives are offset within the balance sheet totals.

Exposures to market risks are limited through the use of hedging instruments. The criteria used for a derivative instrument to be classified as a designated hedge include:

- the transaction must effectively reduce the price or interest rate or credit risk of the asset, liability or cashflow to which it is linked; and
- adequate evidence of the intention to link with the underlying risk inherent in the asset, liability or cashflow; and
- the transaction must be designated as a hedge at the inception of the derivative contract.

The hedging instruments are accounted for on the same basis as the underlying asset, liability, position or cash flow being hedged with income and expense being recognised in the profit and loss account. Hedging transactions which are superseded, cease to be effective or are terminated prior to the end of the life of the asset, liability or cashflow being hedged are measured at fair value. Any profit or loss arising is deferred and amortised into income or expense over the remaining life of the item previously hedged. When the underlying asset, liability position or cashflow is terminated prior to the hedging transaction, the hedging transaction is measured at fair value and the resulting profit or loss is included in the category of income or expense relating to the previously hedged transaction.

Accounting policies

Instalment credit, leases and rental agreements
Amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances. Finance charges on finance leases and instalment credit transactions are credited to income in proportion to the capital balances outstanding.

Specific and general provisions for bad and doubtful debts
Specific provisions represent the quantification of actual and expected losses from identified accounts and are deducted from loans and advances in the balance sheet. The amount of specific provision raised is the group's conservative estimate of the amount needed to reduce the carrying value of the asset to the expected ultimate net realisable value, taking into account the financial status of the customer and any security for the loan. Included in the specific provisions are amounts in respect of interest that is not serviced. The charge for bad and doubtful debts in the income statement includes the unserviced interest which has been transferred to specific provisions. Doubtful debts are written off against the balance sheet asset and provision in part, or in whole, when the extent of the loss incurred has been determined.

General provisions augment specific provisions and provide cover for loans which are impaired at the balance sheet date but which will not be identified as such until some time in the future. The group's general provision has been determined taking into account the structure and the risk characteristics of the group's loan portfolio. A number of complex and changing factors are collectively weighed by management in determining the adequacy of provisions. These factors include management's view of the extent of existing risks in the loan portfolio and prevailing economic conditions. General provisions are deducted from loans and advances to customers in the balance sheet.

Tangible fixed assets
Tangible fixed assets are stated at original cost. Depreciation is provided on a straight-line basis over their anticipated useful lives. Leasehold improvements are amortised over the shorter of 20 years and the remaining period of the leases.

The annual rates used to depreciate assets are as follows:

Computer equipment	33%
Motor vehicles	20% - 25%
Equipment	20%
Furniture and fittings	10% - 20%
Freehold properties	2%

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Certain of the group's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

(i) investment properties are revalued semi-annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year; and

(ii) no depreciation is provided in respect of freehold investment properties or leasehold investment properties where the lease has over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Accounting policies

Dealing properties
Dealing properties are included in other assets and are stated at the lower of cost and net realisable value.

Taxation
Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation
The directors have implemented FRS 19 on deferred taxation. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the group's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is recognised in respect of future remittance of retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable (or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary).

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Long term life assurance
1) Investec Employee Benefits
Investec Employee Benefits is engaged in writing long-term assurance business, including the provision of life assurance, pensions and annuities. The company is structured into policyholders' funds and a shareholder's fund. All premiums received, investment returns, claims and expenses, and changes in liabilities to policyholders are accounted for within the related long-term assurance fund. Any surplus, which is determined annually by the Appointed Actuary after taking account of these items, may either be distributed between the shareholder and the policyholders according to a predetermined formula or retained within the long-term assurance fund. The shareholder will also levy investment management and administration charges upon the long-term assurance fund.

The group accounts for its interest in long-term assurance business using the embedded value basis of accounting. The value of the shareholder's interest in the long-term assurance business ('the embedded value') included in the group's balance sheet is an actuarially determined estimate of the economic value of the group's life assurance subsidiaries, excluding any value, which may be attributed to future new business. The embedded value comprises the net tangible assets of the life assurance subsidiaries, including any surplus retained within the long-term assurance funds, which could be transferred to the shareholder, and the present value of the in-force business. The value of the in-force business is calculated by projecting the future surpluses and other net cash flows attributable to the shareholder arising from business written by the balance sheet date, using appropriate economic and actuarial assumptions, and discounting the result at a rate which reflects the shareholder's overall risk premium.

Changes in the embedded value, which are determined on a post-tax basis, are included in the profit and loss account.

The assets held within the long-term assurance funds are legally owned by the life assurance companies, however the shareholder will only benefit from ownership of these assets to the extent that surpluses are declared or from other cashflows attributable to the shareholder. Reflecting the different nature of these assets, they are classified separately on the group's balance sheet as 'Long-term assurance assets attributable to policyholders', with a corresponding liability to the policyholders also shown. Investments held within the long-term assurance funds are included on the following basis: equity shares, debt securities and unit trusts are valued at market prices; investment properties are reflected at directors' valuation, and loans are at cost less amounts written off.

Accounting policies

2) Investec Assurance
The policy liabilities of Investec Assurance Limited comprise unit-linked business sold to retirement funds and individual investors. All liabilities are directly related to asset values and the company assumes no mortality risk.

The liabilities are valued on a basis consistent with the asset values and comply with the Financial Soundness Valuation basis, as is accepted accounting practice in South Africa.

Investments are reflected at market value. Where market value cannot be determined, investments are reflected at directors' valuation.

Income from long term assurance business comprises interest, dividends and rental income received on investments held, as well as premium income in respect of linked business sold. Gains and losses arising as result of the fluctuation in the market value of investments, whether realised or unrealised, are accounted for as movements in the long term assurance fund.

Income recognition
Interest income is recognised in the profit and loss account as it accrues other than interest the collectibility of *which is considered doubtful which is credited to a suspense account and excluded from interest income.* The closing balance on the suspense account is netted in the balance sheet against accrued interest receivable or, as the case may be, the amount debited to the borrower. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

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

Commissions and fees include fees earned from providing advisory services, portfolio management and the arranging of financing for clients. All such commissions and fees are recognised as revenue when the related services are performed. Fees and commissions charged in lieu of interest are taken to income on a level yield basis over the period of the loan. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly.

Other operating income includes realised profits and losses on disposal of investments, property rental income and dividends received.

Retirement benefits
The group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme all employer contributions are charged to income, as they become payable in accordance with the rules of the scheme, and included under staff costs.

The closed defined benefit scheme is closed to new membership and to accrual of pensionable service for existing members. The pension cost relating to the closed UK defined benefit schemes is assessed in accordance with the advice of qualified actuaries so as to recognise the cost of pensions on a systematic basis over employees' service lives. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes.

Capital instruments
Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Notes to the financial statements

For the year ended 31 March

	Principal Activities	Country of incorporation	% interest 2003	% interest 2002
1. Principal subsidiary and associated companies				
Direct subsidiaries of Investec plc				
Investec Holding Company Limited	Investment holding	England and Wales	100	100
Indirect subsidiaries of Investec plc				
Investec Australia Ltd	*Banking Institution*	*Australia*	*100*	*100*
Investec SA	Investment holding	Luxembourg	100	100
Investec Holdings (UK) Ltd	Holding company	England and Wales	100	100
Investec 1 Ltd	Investment holding	England and Wales	100	100
Investec Bank (UK) Ltd	Banking institution	England and Wales	100	100
Investec Group (UK) PLC	Holding company	England and Wales	100	100
Investec Asset Finance PLC	Leasing company	England and Wales	100	100
Investec Group Investments (UK) Ltd	Investment holding	England and Wales	100	100
Investec Investment Holdings AG	Investment holding	Switzerland	100	100
Guinness Mahon & Co Limited	Investment holding	England and Wales	100	100
Investec Bank (Channel Islands) Ltd	Banking institution	Guernsey	100	100
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100	100
Investec Trust Guernsey Limited	Trust Company	Guernsey	100	100
Radcliffes Trustee Company SA	Trust Company	Switzerland	100	100
Theodores Trust & Law Group Limited	Trust Company	Jersey	100	100
Carr Sheppards Crosthwaite Ltd	Stockbroking and portfolio management	England and Wales	100	100
Investec Asset Management Limited	Asset Management	England and Wales	100	100
Investec Ireland Ltd	Financial Services	Ireland	100	100
Investec Ernst and Company	Financial Services	USA	100	100
Investec Inc	Investment Banking	USA	100	100
Investec Bank (Israel) Ltd	Banking institution	Israel	80	80
European Capital Company Ltd	Project Finance	England and Wales	100	100

Notes to the financial statements

For the year ended 31 March

	Principal Activities	Country of incorporation	% interest 2003	% interest 2002
1. Principal subsidiary and associated companies (continued)				
Direct subsidiaries of Investec Limited				
Fedsure Investments Limited	*Investment holding*	*South Africa*	*100*	*100*
Invego Investments Ltd	Investment holding	South Africa	100	100
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	100	100
Investec Assurance Ltd	Insurance company	South Africa	100	100
Investec Bank Ltd	Registered Bank	South Africa	100	100
Investec Employee Benefits Holdings Ltd (Formerly Wilcardo Investments 6 (Pty) Ltd)	Investment holding	South Africa	100	100
Investec Int. (Gibraltar) Limited	Investment holding	Gibraltar	100	100
Investec Securities Ltd	Registered Stock Broker	South Africa	100	100
Sibvest Limited (Formerly Securities *Investment Bank Ltd)*	*Investment holding*	*South Africa*	*100*	*100*
Fedsure International Ltd	Investment holding	South Africa	100	100
Investec Property Group Holdings Ltd	Investment holding	South Africa	100	100
Indirect subsidiaries of Investec Limited				
Investec Bank (Botswana) Ltd	Banking institution	Botswana	75	75
Grayinvest Limited (Formerly Investec Ltd)	Investment holding	South Africa	100	100
Barfold Investments Ltd (Formerly South African Druggists Ltd)	Investment holding	South Africa	100	100
Investec Asset Management (Pty) Ltd	Asset management	South Africa	100	100
Investec Insurance Brokers (Pty) Ltd	Insurance broking	South Africa	100	100
Investec International Holdings (Pty) Ltd	Investment holding	South Africa	100	100
Investec Fund Managers SA Ltd	Unit trust management	South Africa	100	100
Investec Bank (Mauritius) Ltd	Banking institution	Mauritius	100	100
Investec Property Group Ltd (Formerly IPG Property Trading & Development (Pty) Ltd)	Property trading	South Africa	100	100
Reichmans Ltd	Trade financing	South Africa	100	100
100 Grayston Drive Property (Pty) Ltd	Property holding	South Africa	100	100
Investec Employee Benefits Ltd (formerly Fedsure Life Assurance Ltd)	Long-term insurance	South Africa	100	100
Fedsure Traded Endowments Ltd	Endowment trading	United Kingdom	100	100
Principal associated company of Investec Limited				
Capital Alliance Ltd	Long-term insurance	South Africa	29.2	29.7

Notes to the financial statements

For the year ended 31 March (£'000)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance	Group Services & Other Activities	Discon-tinued Operations	Total group
2. Segmental analysis							
Business analysis 2003							
Net interest income	70 817	31 892	4 992	5 376	14 330	4 059	131 466
Dividend income	–	114	1 608	–	1 875	–	3 597
Net fees and commissions receivable	94 816	24 491	36 141	83 592	11 084	26 483	276 607
Dealing profits	5 068	35 454	8 789	722	(3 841)	(961)	45 231
Income from long-term assurance business	–	–	–	27 779	–	–	27 779
Other operating income	521	341	12 654	16	12 731	(994)	25 269
Operating income	**171 222**	**92 292**	**64 184**	**117 485**	**36 179**	**28 587**	**509 949**
Administrative expenses	(113 865)	(58 824)	(45 394)	(69 182)	(60 889)	(44 312)	(392 466)
Depreciation	(3 835)	(1 259)	(907)	(1 005)	(6 467)	(944)	(14 417)
Provision for bad and doubtful debts	(12 611)	(4 258)	(589)	(40)	(810)	–	(18 308)
Operating profit/(loss) before amortisation and impairment of goodwill	**40 911**	**27 951**	**17 294**	**47 258**	**(31 987)**	**(16 669)**	**84 758**
Share of (loss)/income of associated companies	(11)	(1)	(23)	9 693	48	–	9 706
Amortisation and impairment of goodwill	(13 469)	177	(6 795)	(74 419)	(22 093)	(5 703)	(122 302)
Other exceptional items	(595)	4 355	(3 066)	–	(967)	(28 484)	(28 757)
Profit/(loss) on ordinary activities before taxation	**26 836**	**32 482**	**7 410**	**(17 468)**	**(54 999)**	**(50 856)**	**(56 595)**
Net intercompany interest	(54 766)	73 971	(2 625)	(14 322)	(327)	(1 931)	–
Total assets (£ million)	3 191	7 388	257	2 948	1 175	–	14 959

Notes to the financial statements

For the year ended 31 March (£'000)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance	Group Services & Other Activities	Discontinued Operations	Total group
2. Segmental analysis (continued)							
Business analysis 2002							
Net interest income	71 524	57 237	3 207	3 466	15 595	12 801	163 830
Dividend income	61	88	1 604	59	269	–	2 081
Net fees and commissions receivable	92 467	19 960	69 361	83 780	23 253	52 426	341 247
Dealing profits	3 215	28 853	7 660	1 672	15 266	(7 181)	49 485
Income from long-term assurance business	–	–	–	31 079	–	–	31 079
Other operating income	4 127	1 682	22 914	(312)	2 678	(140)	30 949
Operating income	**171 394**	**107 820**	**104 746**	**119 744**	**57 061**	**57 906**	**618 671**
Administrative expenses	(115 633)	(52 292)	(56 969)	(66 585)	(79 406)	(57 625)	(428 510)
Depreciation	(4 010)	(1 612)	(1 047)	(1 150)	(8 531)	(576)	(16 926)
Provision for bad and doubtful debts	(9 262)	(2 132)	(437)	(19)	(2 818)	–	(14 668)
Operating profit/(loss) before amortisation and impairment of goodwill	**42 489**	**51 784**	**46 293**	**51 990**	**(33 694)**	**(295)**	**158 567**
Share of income of associated companies	–	–	–	4	3 079	–	3 083
Amortisation and impairment of goodwill	(8 827)	624	(6 516)	(68 106)	(9 829)	(5 781)	(98 435)
Other exceptional items	–	–	–	(9 222)	(1 251)	(7 056)	(17 529)
Profit/(loss) on ordinary activities before taxation	**33 662**	**52 408**	**39 777**	**(25 334)**	**(41 695)**	**(13 132)**	**45 686**
Net intercompany interest	35 241	(53 952)	3 911	(190)	14 990	–	–
Total assets (£ million)	2 762	9 749	651	2 767	484	544	16 957

The Statement of Recommended Practice on Segmental Reporting by Banks recommends, *inter alia*, net assets to be disclosed by class of business and geographical segment. In the view of the directors it would not be meaningful to provide this information by class of business since economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is held centrally.

As the business of the group is mainly that of banking and insurance, no segmental analysis of turnover is given.

Notes to the financial statements

For the year ended 31 March (£'000)	United Kingdom & Europe	Southern Africa	Australia	Israel	USA	Discon-tinued Operations	Total group
2. Segmental analysis (continued)							
Geographical analysis 2003							
Net interest income	56 291	52 485	7 817	10 951	(137)	4 059	131 466
Dividend income	305	3 083	192	17	–	–	3 597
Net fees & commissions receivable	136 075	92 884	9 987	7 852	3 326	26 483	276 607
Dealing profits	11 290	31 080	(7)	1 958	1 871	(961)	45 231
Income from long term assurance business	–	27 779	–	–	–	–	27 779
Other operating income	15 987	10 177	64	(293)	328	(994)	25 269
Operating income	**219 948**	**217 488**	**18 053**	**20 485**	**5 388**	**28 587**	**509 949**
Administration expenses	(187 767)	(130 863)	(11 449)	(14 525)	(3 550)	(44 312)	(392 466)
Depreciation	(6 205)	(5 193)	(196)	(1 127)	(752)	(944)	(14 417)
Provision for bad and doubtful debts	(3 650)	(12 889)	(432)	(1 337)	–	–	(18 308)
Operating profit/(loss) before amortisation and impairment of goodwill	**22 326**	**68 543**	**5 976**	**3 496**	**1 086**	**(16 669)**	**84 758**
Share of income/(loss) of associated companies	–	9 689	–	(35)	52	–	9 706
Amortisation and impairment of goodwill	(23 979)	(87 392)	(5 195)	(33)	–	(5 703)	(122 302)
Other exceptional items	(5 353)	5 080	–	–	–	(28 484)	(28 757)
(Loss)/profit on ordinary activities before taxation	**(7 006)**	**(4 080)**	**781**	**3 428**	**1 138**	**(50 856)**	**(56 595)**
Taxation	13 704	(9 967)	(2 452)	(427)	–	(6 215)	(5 357)
Minorities	(1 033)	(153)	–	(460)	–	–	(1 646)
Profit/(loss) attributable to shareholders	**5 665**	**(14 200)**	**(1 671)**	**2 541**	**1 138**	**(57 071)**	**(63 598)**
Net intercompany interest	**942**	**5 049**	**(902)**	**–**	**(3 158)**	**(1 931)**	**–**
Cash and balances at central banks	13	90	2	243	–	–	348
Treasury bills and other eligible bills	–	175	68	–	–	–	243
Loans & advances to banks	2 143	401	31	153	31	–	2 759
Loans & advances to customers	1 825	2 662	174	236	1	–	4 898
Debt securities	1 077	702	–	141	11	–	1 931
Equity shares	68	76	1	–	3	–	148
Interests in associated undertakings	4	58	–	–	–	–	62
Intangible fixed assets	165	119	16	–	–	–	300
Tangible fixed assets	20	168	1	16	1	–	206
Own shares	–	83	–	–	–	–	83
Other assets	286	1 034	7	24	(15)	–	1 336
Long-term assurance assets	–	2 645	–	–	–	–	2 645
Total assets (£ million)	**5 601**	**8 213**	**300**	**813**	**32**	**–**	**14 959**

Notes to the financial statements

For the year ended 31 March (£'000)	United Kingdom & Europe	Southern Africa	Australia	Israel	USA	Discon-tinued Operations	Total group
2. Segmental analysis (continued)							
Geographical analysis 2002							
Net interest income	61 197	71 173	4 324	13 784	551	12 801	163 830
Dividend income	655	1 426	–	–	–	–	2 081
Net fees & commissions receivable	176 414	87 278	8 248	5 973	10 908	52 426	341 247
Dealing profits	19 295	27 794	(3)	3 308	6 272	(7 181)	49 485
Income from long term assurance business	1	31 078	–	–	–	–	31 079
Other operating income	14 424	16 361	421	(107)	(10)	(140)	30 949
Operating income	**271 986**	**235 110**	**12 990**	**22 958**	**17 721**	**57 906**	**618 671**
Administration expenses	(202 893)	(130 710)	(10 435)	(12 405)	(14 442)	(57 625)	(428 510)
Depreciation	(7 668)	(6 175)	(280)	(882)	(1 345)	(576)	(16 926)
Provision for bad and doubtful debts	3 345	(16 428)	(1 043)	(542)	–	–	(14 668)
Operating profit/(loss) before amortisation and impairment of goodwill	**64 770**	**81 797**	**1 232**	**9 129**	**1 934**	**(295)**	**158 567**
Share of income/(loss) of associated companies	–	3 022	–	(6)	67	–	3 083
Amortisation and impairment of goodwill	(18 769)	(65 394)	(4 879)	(20)	(3 592)	(5 781)	(98 435)
Other exceptional items	1 363	(11 836)	–	–	–	(7 056)	(17 529)
Profit/(loss) on ordinary activities before taxation	**47 364**	**7 589**	**(3 647)**	**9 103**	**(1 591)**	**(13 132)**	**45 686**
Taxation	(8 014)	(22 101)	(413)	(3 524)	1 852	3 660	(28 540)
Minorities	(541)	–	–	(1 045)	–	–	(1 586)
Profit/(loss) attributable to shareholders	**38 809**	**(14 512)**	**(4 060)**	**4 534**	**261**	**(9 472)**	**15 560**
Net intercompany interest	**(5 453)**	**3 739**	**–**	**220**	**1 494**	**–**	**–**
Cash and balances at central banks	12	77	–	359	9	–	457
Treasury bills and other eligible bills	–	156	42	–	–	–	198
Loans & advances to banks	1 994	452	2	135	–	–	2 583
Loans & advances to customers	1 972	1 948	118	255	–	487	4 780
Debt securities	3 430	766	–	141	41	–	4 378
Equity shares	93	100	2	2	7	–	204
Interests in associated undertakings	1	43	–	1	–	–	45
Intangible fixed assets	188	149	21	–	–	27	385
Tangible fixed assets	26	136	1	16	8	–	187
Own shares	–	42	–	–	–	–	42
Other assets	192	1 011	3	24	16	30	1 276
Long-term assurance assets	–	2 422	–	–	–	–	2 422
Total assets (£ million)	**7 908**	**7 302**	**189**	**933**	**81**	**544**	**16 957**

Notes to the financial statements

2. Segmental analysis (continued)

The Statement of Recommended Practice on Segmental Reporting by Banks recommends, inter alia, net assets to be disclosed by class of business and geographical segment. In the view of the directors it would not be meaningful to provide this information by class of business since the economic capital of certain significant businesses of the group is not held in, or allocated to, these businesses, but is held centrally. Similarly, an analysis by geographical segment would not be meaningful, because of the way in which the group has been structured and funded historically.

The Statement of Recommended Practice on Segmental Reporting by Banks and the Companies Act recommends the disclosure by geographical segment of gross Income, consisting of interest receivable, dividend income, fees and commissions receivable, dealing profits and other operating income. In the view of the directors, interest receivable and fees and commissions receivable are monitored on a net basis and aggregate split of fees and commissions receivable and payable by geographical segment would not provide meaningful disclosure. Consequently, Gross Income is not separately disclosed.

The Statement of Recommended Practice on segmental Reporting by banks recommends that the geographical analysis be based on the location of the office at which the transaction was recorded or the location of the customer. The group geographical analysis is based on the location of the office at which the transaction was recorded, except for the traded endowment business. Although the traded endowment business is conducted and recorded in the United Kingdom, it has been allocated to the South African segment as the business is held by Investec Limited and managed as part of the South African operations.

As the business of the group is mainly that of banking and insurance, no segmental analysis of turnover is given.

A geographical breakdown of business operating profit before goodwill amortisation is shown below:

For the year ended 31 March (£'000)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Asset Management & Assurance	Group Services & Other Activities	Discontinued Operations	Total group
2003							
United Kingdom and Europe	23 273	(2 850)	6 915	1 646	(6 658)	–	22 326
Southern Africa	14 473	31 411	5 871	45 494	(28 706)	–	68 543
Australia	1 700	(728)	2 711	–	2 293	–	5 976
Israel	1 465	118	1 797	118	(2)	–	3 496
USA	–	–	–	–	1 086	–	1 086
Discontinued Operations	–	–	–	–	–	(16 669)	(16 669)
Total group	*40 911*	*27 951*	*17 294*	*47 258*	*(31 987)*	*(16 669)*	*84 758*
2002							
United Kingdom and Europe	28 485	9 726	20 255	2 439	3 865	–	64 770
Southern Africa	12 832	40 466	18 567	49 233	(39 301)	–	81 797
Australia	(2 655)	1 273	2 724	–	(110)	–	1 232
Israel	3 827	319	4 747	318	(82)	–	9 129
USA	–	–	–	–	1 934	–	1 934
Discontinued Operations	–	–	–	–	–	(295)	(295)
Total group	**42 489**	**51 784**	**46 293**	**51 990**	**(33 694)**	**(295)**	**158 567**

Notes to the financial statements

For the year ended 31 March

(£'000)	**2003**	**2002**
2. Segmental analysis (continued)		
Further breakdowns of business line operating profit before goodwill amortisation are shown below.		
Private Client Activities		
Private Banking	34 637	26 869
Private Client Portfolio Management and Stockbroking	6 274	15 620
	40 911	**42 489**
Treasury and Specialised Finance		
Banking Activities	27 409	39 661
Financial Market Activities	542	12 123
	27 951	**51 784**
Investment Banking		
Corporate Finance	(2 039)	16 021
Institutional Research and Sales and Trading	2 597	9 637
Direct Investments	4 604	9 223
Private Equity	12 132	11 412
	17 294	**46 293**
Asset Management and Assurance		
Asset Management	19 479	20 911
Assurance	27 779	31 079
	47 258	**51 990**
Group Services and Other Activities		
International Trade Finance	1 123	2 425
Property Worldwide	5 986	5 782
US continuing operations	1 041	2 054
UK Traded Endowments	(8 945)	2 531
	(795)	12 792
Central Funding	6 279	(7 356)
Central Costs	(37 471)	(39 130)
	(31 987)	**(33 694)**
Discontinued Operations	(16 669)	(295)
	84 758	**158 567**

Notes to financial statements

For the year ended 31 March	Continuing		Discontinued	
(£000)	2003	2002	2003	2002
3. Discontinued Operations				
Interest receivable - interest income arising from debt securities	170 839	216 311	227	(10 913)
Interest receivable - other interest income	688 738	637 446	9 067	29 356
Interest payable	(732 170)	(702 728)	(5 235)	(5 642)
Net interest income	**127 407**	**151 029**	**4 059**	**12 801**
Dividend income	3 597	2 081	–	–
Fees and commissions receivable	298 323	338 100	33 052	77 818
annuity	256 167	262 587	30 615	73 258
deal	42 156	75 513	2 437	4 560
Fees and commission payable	(48 199)	(49 279)	(6 569)	(25 392)
Dealing profits	46 192	56 666	(961)	(7 181)
Income from long-term assurance business	27 779	31 079	–	–
Other operating income	26 263	31 089	(994)	(140)
Other income	**353 955**	**409 736**	**24 528**	**45 105**
Total operating income	**481 362**	**560 765**	**28 587**	**57 906**
Administrative expenses	(348 154)	(370 885)	(44 312)	(57 625)
Depreciation and amortisation	(130 072)	(109 004)	(6 647)	(6 357)
Provision for bad and doubtful debts	(18 308)	(14 668)	–	–
Operating (loss)/profit	**(15 172)**	**66 208**	**(22 372)**	**(6 076)**
Share of income of associated companies	9 706	3 083	–	–
Provision for losses on termination and disposal of group operations - discontinued	–	–	(9 437)	(7 056)
Impairment of goodwill on discontinued operations	–	–	(19 047)	–
Profits on termination and disposal of group operations - continuing	5 800	1 363	–	–
Fundamental reorganisation and restructuring costs - continuing	(6 073)	(11 836)	–	–
(Loss)/profit on ordinary activities before taxation	**(5 739)**	**58 818**	**(50 856)**	**(13 132)**

Notes to the financial statements

For the year ended 31 March

(£'000)	**2003**	**2002**
4. Dividend income		
Income from equity shares	3 597	2 081
5. Dealing profits		
Interest rate instruments	19 363	15 611
Foreign exchange instruments	12 200	6 422
Commodities trading	4 263	10 269
Profit on disposal of dealing properties	4 391	1 806
Equities and other securities	6 038	5 673
Traded endowments	(1 025)	9 703
	45 231	49 485
6. Administrative expenses		
Staff costs (including directors' remuneration)		
Wages and salaries	225 199	245 572
Social security costs	18 514	15 036
Pension and provident fund contributions	13 410	14 623
	257 123	275 231
Other administrative expenses		
Premises (excluding depreciation)	5 058	9 221
Operating rental expenses	17 245	16 634
Equipment (excluding depreciation and operating rental expenses)	25 569	31 980
Business expenses	74 628	79 717
Marketing expenses	12 843	15 727
	135 343	153 279
	392 466	428 510
The following amounts were paid to the auditors		
Audit fees	3 627	2 468
Other services	585	1 058
Listing fees	–	1 359
Number of employees		
The number of persons employed by the group was as follows:-	**Number**	**Number**
Private Client Activities	1 629	1 813
Treasury and Specialised Finance	489	503
Investment Banking	336	462
Asset Management and Assurance	1 261	1 339
Group Services and Other Activities	1 159	1 412
	4 874	5 529

Details of the directors' emoluments, pensions and their interests are disclosed in the directors' remuneration *report on pages 185 to 203.*

Notes to the financial statements

At 31 March

(£'000)	2003	2002
7. Group profits on ordinary activities before tax is stated after:		
Income:		
Gains on disposal/reclassification of investment securities	25 269	30 949
Operating lease income	5 016	3 764
8. Pension costs		
Defined benefit obligations	–	1 708
Defined contributions	13 410	12 915
Pension and provident fund contributions	13 410	14 623

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes, with the exception of the Guinness Mahon Pension Scheme ("GM Scheme") and the Investec Asset Management Pension scheme ("IAM Scheme"). The GM Scheme, which is a non-contributory defined benefit scheme, was last valued as at 31 March 2002 by a qualified actuary. Scheme assets are held in separate trustee administered funds. The pension cost relating to the scheme was determined using the attained age method. There were no unpaid contributions outstanding at the year end.

The major assumptions used were:	
Investment return	6.25%
Rate of increase in salaries	4.50%
Rate of increase in pensions in payment for pre 1997 pension	2.00%
Rate of increase in pensions in payment for post 1997 pension	3.00%

The market value of the schemes assets as at 31 March 2002 was £70 124 000 and the actuarial value of those assets represented 102.9% of the value of the liabilities in respect of the benefits that had accrued to members after allowing for future increases in earnings.

The most recent actuarial valuation of the IAM Scheme, which is also a non-contributory defined benefit scheme, was carried out as at 31 March 2000. The market value of the scheme's assets as at 31 March 2000 was £7 920 000 and 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 actuarial valuation of both Schemes was re-performed at 31 March 2003 by independent qualified actuaries using the following assumptions consistent with FRS17.

31 March	2003	2002 GM Scheme	2002 IAM Scheme
Discount rate	5.50%	6.00%	6.10%
Rate of increase in salaries	3.25%	4.25%	4.25%
Rate of increase in pensions in payment for pre 1997 pension (GM Scheme)	1.67%	1.83%	
Rate of increase in pensions in payment for post 1997 pension	2.50%	2.75%	2.70%
Inflation	2.50%	2.75%	2.70%

Notes to financial statements

8. Pension costs (continued)

The assets held in the schemes and the expected rates of return were:

GM Scheme At 31 March	Value at 2003 £'000	Long term rate of return expected	Value at 2002 £'000	Long term rate of return expected
Equities	17 986	6.50%	34 539	7.25%
Gilts	32 484	4.50%	24 405	5.25%
Insurance policy	9 405	5.50%	10 161	6.25%
Cash	2 934	3.75%	1 655	4.00%
Total market value of assets	**62 809**		**70 760**	
Present value of plan liabilities	(74 456)		(68 331)	
(Deficit)/surplus in the plan	(11 647)		2 429	
Irrecoverable surplus	–		(2 429)	
Deficit in the plan	(11 647)		–	
Related deferred tax asset	3 494		–	
Net pension liability	(8 153)		–	

IAM Scheme At 31 March	Value at 2003 £'000	Long term rate of return expected	Value at 2002 £'000	Long term rate of return expected
Equities	3 804	8.25%	5 545	8.25%
Gilts	1 386	4.50%	1 157	5.25%
Cash	527	3.75%	328	4.00%
Total market value of assets	**5 717**		**7 030**	
Present value of plan liabilities	8 414		7 571	
Deficit in the plan	(2 697)		(541)	
Related deferred tax asset	809		162	
Net pension liability	(1 888)		(379)	

If FRS17 was adopted in full at 31 March, the group's net assets and profit and loss reserve adjusted for the total deficit in respect of defined benefit schemes would be as follows:

	2003 £'000	2002 £'000
Net assets excluding SSAP 24 pension liability	504 205	214 761
Pension liability under FRS 17	(10 041)	(379)
Net assets including FRS 17 pension liability	494 164	214 382
Profit and loss reserve excluding SSAP 24 pension liability	84 281	180 890
Pension reserve under FRS 17	(10 041)	(379)
Profit and loss reserve including FRS 17 pension liability	74 240	180 511

Notes to financial statements

8. Pension costs (continued)

The following amounts would have been recognised in the performance statements in the year to 31 March 2003 under the requirements of FRS17:

	GM £000s	IAM £000s	Total £000s
Analysis of amount charged to operating profit			
Current service cost	–	–	–
Past service cost	–	–	–
Total operating charge	–	–	–
Analysis of amount credited to other finance income			
Expected return on pension scheme assets	4 001	524	4 525
Interest on pension scheme liabilities	(4 001)	(458)	(4 459)
Net return	–	66	66
Analysis of amount recognised in statement of total recognised gains and losses (STRGL) under the requirements of FRS17:			
Actual return less expected return on pension scheme assets	(9 038)	(1 654)	(10 692)
Experience gains and losses arising on the scheme liabilities	2 359	394	2 753
Changes in assumptions underlying the present value of the scheme liabilities	(4 968)	(909)	(5 877)
Actuarial loss recognised in the STRGL	(11 647)	(2 169)	(13 816)
Movement in surplus during the year:			
Surplus in the scheme at beginning of the year	2 429	(541)	1 888
Movement in year:			
Outgoings	-	(53)	(53)
Net returns	-	67	67
Actuarial loss	(14 076)	(2 170)	(16 246)
Deficit in scheme at end of year	(11 647)	(2 697)	(14 344)

History of experience gains and losses: 31 March 2002 to 31 March 2003

	GM	IAM	Total
Difference between the expected and actual return on scheme assets:			
Amount (£ '000)	(9 038)	(1 654)	(10 692)
Percentage of scheme assets at year end	(14.4%)	(28.9%)	(15.6%)
Experience gains and losses of scheme liabilities:			
Amount (£ '000)	2 359	394	2 753
Percentage of the present value of the scheme liabilities at year end	3.2%	4.7%	36.4%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£ '000)	(11 647)	(2 170)	(13 817)
Percentage of the present value of the scheme liabilities at year end	(15.6%)	(25.8%)	(182.5%)

The GM Scheme contributions in the year ended 31 March 2003 were £NIL. Employer contributions will be reviewed as at 31 March 2004.

The GM Scheme is closed to new entrants and accrual of service ceased on 31 March 2002.

Notes to the financial statements

For the year ended 31 March

9. Non-operational exceptional items

2003

Losses of £28.5million in respect of the disposal and termination of the substantial components of the US operations.

Profit of £5.8m on the termination of Securities Investment Bank Limited.

Costs of £6.1m relating to the fundamental reorganisation and restructuring of business units within the group. No tax credit is attributable to this cost in the year as the group has not recognised a deferred tax asset for all of its losses in the year due to the level of total deferred tax asset compared to forecast profit (in the legal entities in which the tax losses reside). These unrecognised losses have been treated as attributable to the reorganisation and restructuring costs.

2002

Losses of £7.1m in respect of the pending disposal of the US private client operations. Deferred tax of £2.7m was credited to the profit and loss account relating to the write down.

Costs of £11.8m relating to the fundamental restructuring of the Fedsure business units acquired in June 2001.

Profit of £1.4m on disposal of the UK insurance business.

There were no minority interests or taxation effects (other than as detailed above) in relation to the above items for 2003 and 2002.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
10. Tax		
Corporation tax		
United Kingdom		
- current tax on income for the year	560	8 050
- adjustments in respect of prior years	(8 000)	–
- advance corporation tax recovered	–	(3 110)
- corporation tax before double tax relief	(7 440)	4 940
- double tax relief	(560)	–
	(8 000)	4 940
Overseas current tax charge		
Current tax on income for the year		
Europe	2 295	35
Southern Africa	7 271	21 569
Australia	2 679	1 595
Israel	1 629	3 524
USA	4 596	(2 392)
	18 470	24 331
Adjustment in respect of prior years		
Southern Africa	1 960	–
Australia	(274)	–
USA	1 330	–
	3 016	–
Secondary taxation on companies(*)	1 551	238
Share of associates' taxation charge	–	317
	1 551	555
Total corporation tax	15 037	29 826
Deferred tax		
United Kingdom	(8 000)	4 040
Europe	–	–
Southern Africa	(814)	(1 024)
Australia	47	(1 182)
Israel	(1 202)	–
USA	289	(3 120)
	(9 680)	(1 286)

(*) Secondary taxation on companies is a tax on dividends declared by South African entities. The rate of taxation is 12.5% on the net dividend being dividends declared less dividend credits.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
10. Tax (continued)		
Total tax charge for the period	5 357	28 540
Tax on continuing businesses	(858)	32 200
Tax on discontinued businesses	6 215	(3 660)
	5 357	28 540

Please refer to note 3 on page 244 for details on discontinued operations.

Items which affect the tax note going forward are:

	2003	2002
Estimated tax losses, arising from trading activities, available for relief against future taxable income		
United Kingdom	20 000	10 000
Europe	29 405	18 421
South Africa	7 523	5 301
	56 928	33 722

£11.9m (2002 : £6m) of the above losses had been recognised as deferred tax assets.

	2003	2002
The rates of corporation tax are:		
United Kingdom	30%	30%
Europe (average)	20%	20%
South Africa	30%	30%
Australia	30%	30%
Israel	45%	45%
USA (**)	35%	35%
(Loss)/profit on ordinary activities before taxation	(56 595)	45 686
Tax on (loss)/profit on ordinary activities	5 357	28 540
Effective tax rate	(9.5%)	62.5%

(**) These are the statutory federal tax rates and therefore exclude state and local income taxes which range from 7.3% to 9%.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002

10. Tax (continued)

The tax charge on activities for the year is higher than the standard rate as detailed below:

Tax on (loss)/profit on ordinary activities before taxation at UK rate of 30%	(16 979)	13 706
Utilisation of capital and trading losses	(2 291)	(4 258)
Tax adjustment relating to foreign earnings(***)	(7 834)	(2 292)
Taxation relating to prior years	*(8 000)*	*(3 110)*
Capital allowance in excess of depreciation	589	(5 322)
Goodwill	42 405	29 653
Permanently disallowed items for corporation tax purposes	*1 301*	*(916)*
Losses carried forward	2 269	–
Secondary taxation on companies	1 551	238
Share of associates' taxation charge	–	317
Other timing differences	2 026	1 810
Current tax charge	15 037	29 826

(***) These are permanent differences relating to foreign jurisdictions, other than goodwill.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
11. Dividends and earnings per share		
Ordinary dividends - pence per share		
Interim	26.0	25.9
Final	28.0	27.9
	54.0	53.8
Ordinary dividends		
Other (*)	–	5 848
Interim	27 539	24 232
Final	25 468	25 779
	53 007	55 859
* This relates to dividends paid in respect of shares issued cum dividend after 31 March 2001		
Preference dividends		
Dividends	421	2 015
Total dividends	53 428	57 874
Earnings per share - pence per share		
Basic earnings per share (pence per share) is calculated by dividing the (loss)/profit attributable to the ordinary shareholders in Investec plc by the weighted average number of ordinary shares in issue during the period.	(70.4)	14.8
Group (loss)/profit attributable to the shareholders per profit and loss account	(63 598)	15 560
Preference dividends	421	(2 015)
Group (loss)/profit attributable to ordinary shareholders	(64 019)	13 545
Diluted earnings per share - pence per share		
Group (loss)/profit attributable to ordinary shareholders	(64 019)	13 545

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
11. Dividends and earnings per share (continued)		
Diluted earnings per share is calculated by dividing the profit/(loss) attributable to the ordinary shareholders of Investec plc, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares (being share options outstanding not yet exercised) during the year.	(70.4)	13.9
Weighted average number of shares in issue during the year	100 076 316	91 519 045
Weighted average number of own shares	(9 197 610)	(237 582)
	90 878 706	91 281 463
Weighted average number of shares in issue resulting from future dilutive potential shares	–	200 000
Weighted average number of shares resulting from future dilutive convertible instruments	–	6 154 291
Adjusted weighted number of shares potentially in issue	90 878 706	97 635 754
Excluding goodwill and exceptional items - pence per share		
Basic earnings per share excluding goodwill and exceptional items (pence per share) are calculated by dividing the profit before deducting goodwill amortisation and impairment and exceptional items attributable to the ordinary shareholders in Investec plc by the weighted average number of ordinary shares in issue during the year.	97.6	139.8
(Loss)/profit attributable to ordinary shareholders	(64 019)	13 545
Amortisation and impairment of goodwill	122 302	98 435
Profit on termination and disposal of group operations - continuing	(5 800)	(1 363)
Provision for losses on termination and disposal of Group operations (net of deferred tax)	9 437	4 339
Impairment of goodwill on discontinued operations	19 047	–
Amortisation of goodwill of associates	1 644	821
Fundamental reorganisation and restructuring costs- continuing	6 073	11 836
Earnings attributable to ordinary shareholders excluding goodwill and exceptional items	88 684	127 613

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
11. Dividends and earnings per share (continued)		
Headline earnings per share		
Headline earnings per share (pence per share) has been calculated in accordance with the definition in the Institute of Investment Management Research ("IIMR") Statement of Investment Practice No. 1 "The Definition of Headline Earnings."	90.9	126.8
(Loss)/profit attributable to ordinary shareholders	(64 019)	13 545
Amortisation and impairment of goodwill	122 302	98 435
Profit on termination and disposal of group operations - continuing	(5 800)	(1 363)
Provision for losses on termination and disposal of Group operations (net of deferred tax)	9 437	4 339
Impairment of goodwill on discontinued operations	19 047	–
Amortisation of goodwill of associates	1 644	821
Headline earnings attributable to ordinary shareholders	82 611	115 777

In terms of the DLC sharing agreements, Investec plc and Investec Limited shareholders share equally in the profits of the group. Accordingly, in the earnings per share calculations, the weighted average number of shares in issue includes both the Investec plc and Investec Limited shares in issue.

12. Treasury bills and other eligible bills		
Dealing securities held at fair value		
Treasury bills	42 156	120 961
Other eligible bills with banks	132 545	34 395
	174 701	155 356
Investment securities held at cost		
Treasury bills	–	–
Other eligible bills with banks	68 318	42 411
	68 318	42 411
	243 019	197 767
Investment securities:		
Opening balance	42 411	11 530
Purchases	668 181	302 631
Maturities	(644 331)	(273 250)
Exchange movements	2 057	1 500
Closing balance	68 318	42 411

Treasury bills and other eligible bills are mainly short-term in maturity with a book value not materially different from market value.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
13. Loans and advances to banks		
Remaining maturity:		
Repayable on demand	685 559	707 953
Up to three months, excluding on demand	1 405 991	1 451 919
Three months to one year	592 171	389 594
One year to five years	70 550	4 919
Greater than five years	4 526	28 820
	2 758 797	2 583 205
14. Loans and advances to customers		
Remaining maturity:		
Repayable on demand or at short notice	677 234	847 678
Up to three months, excluding on demand or short notice	785 646	983 374
Three months to one year	726 877	711 606
One year to five years	1 567 190	1 225 926
Greater than five years	1 224 263	1 076 123
Provision for bad and doubtful debts	(82 984)	(64 227)
	4 898 226	4 780 480
Included in loans and advances to customers are:		
Core loans and advances to customers (refer to note on credit risk)	2 727 619	3 314 450
Net investment in finance leases	71 555	64 352
Net investment in HP contracts	115 809	90 879
Non-performing loans	60 677	38 124
Less : Security held against non-performing loans	(36 132)	(11 821)
Net non-performing loans	24 545	26 303

All of the net non-performing loans are covered by specific provisions.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
15. Provisions for bad and doubtful debts		
Specific provisions		
At beginning of year	27 253	44 496
Charged against income	8 380	(614)
Acquired or disposed with subsidiaries	–	(75)
Utilised	(10 287)	(10 674)
Recoveries	–	(223)
Transfers	(505)	2 223
Exchange adjustments	5 972	(7 880)
At end of year	30 813	27 253
General provisions		
At beginning of year	36 974	31 216
Charged against income	9 928	15 282
Acquired or disposed with subsidiaries	–	(227)
Utilised	(4 777)	(88)
Transfers	505	(2 223)
Exchange adjustments	9 541	(6 986)
At end of year	52 171	36 974
Total provisions		
At beginning of year	64 227	75 712
Charged against income	18 308	14 668
Acquired or disposed with subsidiaries	–	(302)
Utilised	(15 064)	(10 762)
Recoveries	–	(223)
Exchange adjustments	15 513	(14 866)
At end of year	82 984	64 227

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
16. Debt securities		
Dealing and market making securities at market value		
Government securities	140 058	250 165
Unlisted bank and building society certificates of deposit	480 515	2 960 495
Other debt securities	27 830	37 498
	648 403	3 248 158
Investment securities at cost		
Government securities	209 690	32 910
Unlisted bank and building society certificates of deposit	916 450	1 045 691
Other unlisted debt securities	156 722	51 118
	1 282 862	1 129 719
Total debt securities	1 931 265	4 377 877
Amounts include:		
Unamortised net premiums on investment securities	137	647

The cost of the investment securities, all of which are held in the banking book does not differ materially from the fair value.

	2003	2002
Remaining maturity		
Up to one year	1 637 806	4 377 876
Greater than one year	293 459	–
	1 931 265	4 377 876

The cost of dealing and market making securities has not been disclosed, as it cannot be determined without unreasonable expense.

Investment securities:	2003	2002
Opening balance	1 129 719	571 595
Additions	2 632 187	2 785 901
Sold/matured	(2 483 134)	(2 214 388)
Amortisation of discounts and premiums	–	(14)
Exchange adjustments	4 090	(13 375)
Closing balance	1 282 862	1 129 719

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
17. Equity shares		
Dealing securities at market value		
Listed	33 189	95 806
Unlisted	60 169	51 648
	93 358	147 454
Investment securities at book value		
Listed	11 063	17 332
Unlisted	43 217	39 566
	54 280	56 898
	147 638	204 352
Investment securities at market value		
Listed	11 076	18 485

The market value of unlisted investment securities is not disclosed as its determination is not practicable. Unlisted investment securities are valued by the directors for impairment at each reporting date. This valuation is based on predicted cash flows. To the extent that the book value has been impaired, an impairment loss has been recognised in the profit and loss account.

The cost of dealing securities has not been disclosed, as its cost cannot be determined without unreasonable expense.

	2003	2002
Investment securities at book value		
At beginning of year	56 898	110 912
Additions	48 195	47 161
Acquisitions	–	4 861
Provisions	(10 163)	(4 893)
Disposals	(37 501)	(48 173)
Reclassifications	(4 525)	(28 793)
Exchange movements	1 376	(24 178)
At end of year	54 280	56 898
Provisions on investment securities		
Opening balance	(30 547)	(25 654)
Movement	(10 163)	(4 893)
Closing balance	(40 710)	(30 547)
Profit on reclassification of equities from investment to trading	1 915	17 509

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
18. Interests in associated undertakings		
Interests in associated undertakings consist of:		
Net asset value	48 720	31 145
Goodwill	13 702	13 881
Investment in associated undertaking	62 422	45 026
Analysis of the movement in our share of net assets:		
At beginning of year	31 145	3 272
Exchange adjustments	9 046	(6 284)
Acquisitions	685	27 170
Repayment of loan capital	(1 220)	–
Transfers from equities	–	3 400
Operating profits (net of dividends)	9 064	3 904
Taxation	–	(317)
At end of year	48 720	31 145

Included within interests in associated undertakings net assets are loans to associates of nil (2002 : £1.2m)

Analysis of the movement in goodwill:		
At beginning of year	13 881	–
Acquisitions	913	14 702
Goodwill amortisation	(1 644)	(821)
Movement in foreign currency translation reserve	552	–
At end of year	13 702	13 881
Associated undertakings:		
Listed	58 758	41 865
Unlisted	3 664	3 161
	62 422	45 026
Market value of listed investments	39 273	28 381

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
18. Interests in associated undertakings (continued)		

The market value of the listed investments in associated undertakings as at 12 June 2003 was £39.0 million.

The goodwill relates to the acquisition of Capital Alliance Limited ("CAL"). The equity accounting for our share of CAL's profit for the current period does not include the value of the in-force business as this information was not available at the time these accounts were prepared.

The only significant investment in associates over the periods was CAL. CAL is a listed company on the Johannesburg Stock Exchange and conducts the business of long term life assurance. CAL became an associate on 19 October 2001.

	2003	2002
Their issued ordinary share capital at the end of the year is:	89 676	66 179
Holding in CAL ordinary share (%)	29.2	29.7
The significant transactions between the group and CAL, all of which are on arm's length basis are:		
- loan to CAL (included in loans and advances to customers)	15 984	32 024
- interest received on the loan to CAL	1 757	1 739
Re-insurance premiums paid by clients of Investec Employee Benefits and paid over to CAL	88 114	84 507

The group transferred certain assets to CAL, in one transaction during each of the 2003 and 2002 financial years, as part of reinsurance agreements. CAL in turn subcontracted the management of these assets to the group. The group earned investment management fees of £2.3 million (2002 : £2.2 million) from CAL under arm's length agreements.

The group has no holdings of securities issued by significant associated undertakings, except as listed above.

Notes to the financial statements

For the year ended 31 March (£'000)	Total	Positive Goodwill	Negative Goodwill
19. Intangible fixed assets			
Year ended 31 March 2003			
Goodwill			
At 1 April 2002	537 098	550 131	(13 033)
Additions	594	594	–
Fair value adjustment	16 749	16 749	–
Disposals	(641)	(641)	–
Movement in foreign currency translation reserve	58 697	62 494	(3 797)
Cost at 31 March 2003	612 497	629 327	(16 830)
Accumulated amortisation			
Accumulated amortisation at 1 April 2002	152 198	157 628	(5 430)
Charge/(credit) to the profit and loss account	135 549	144 701	(9 152)
Disposals	(128)	(128)	–
Movement in the foreign currency translation reserve	25 105	27 353	(2 248)
Accumulated amortisation at 31 March 2003	312 724	329 554	(16 830)
Net book value at 31 March 2003	299 773	299 773	–
Net book value at 31 March 2002	384 900	392 503	(7 603)

Additions comprise goodwill arising on the acquisition of subsidiaries which is being amortised over periods of between 3 and 20 years reflecting its expected useful life. For the majority of acquisitions the goodwill is amortised over 5 to 10 years.

Included in the goodwill amortisation are impairment losses of £62.8 million.

Following the reinsurance transactions between Investec Employee Benefits (formerly Fedsure Life Assurance Limited) and CAL, an impairment review was conducted using a combination of value in use and discounted cash flow valuations. This resulted in an impairment of £45.2 million. A discount rate of 13.4% was applied in discounting cash flows of the income generating units.

With the discontinuance of the USA operations, the remaining goodwill was written off, resulting in an impairment of £19.0 million.

Securities Investment Bank ceased operating during the year and the remaining negative goodwill of £5.8 million was released to income.

Notes to the financial statements

For the year ended 31 March (£'000)	Preliminary Fair value 2002	Fair value adjustments	Adjusted Fair value

19. Intangible fixed assets (continued)

With the downturn of the European economy, an impairment review was conducted on goodwill relating to the groups Swiss operations. This resulted in an impairment of £4.4 million on the Radcliffes operations.

The fair value adjustment arises as a result of the reinsurance transaction in the current year. This transaction resulted in the transfer of certain assets and liabilities to CAL (refer to associate note) which were acquired from Fedsure Holdings Limited in the 2002 financial year. The resultant effect was to enable certain technical provisions held at the time of the acquisition to be released.

The table below details the fair value attributed to the assets and liabilities acquired from Fedsure Holdings Limited in the 2002 financial year and the adjustment to the fair value.

(£'000)	Preliminary Fair value 2002	Fair value adjustments	Adjusted Fair value
Equity shares	18 396	–	18 396
Tangible fixed assets	2 544	–	2 544
Other assets	71 925	–	71 925
Long-term assurance assets attributable to shareholders	142 709	16 749	159 458
	235 574	16 749	252 323
Long-term assurance assets attributable to policyholders	2 540 552	(16 749)	2 523 803
Total assets	**2 776 126**	**–**	**2 776 126**
Other liabilities	148 526	–	148 526
	148 526	–	148 526
Long-term assurance liabilities attributable to policyholders	2 540 552	(16 749)	2 523 803
Total liabilities	**2 689 078**	**(16 749)**	**2 672 329**
Less: minority interest	(3 430)	–	(3 430)
Net assets acquired	**83 618**	**16 749**	**100 367**

Notes to the financial statements

For the year ended 31 March

19. Intangible fixed assets (continued)

Included in goodwill amortisation charge for 31 March 2002 are impairment losses of £46.1 million.
An amount of £41.7 million arose from a review of the carrying value of the group's insurance and financial services acquired from Fedsure Holdings Limited. An impairment review was conducted by reference to the value in use of acquired income generating units. A discount rate of 16% was applied in discounting cash flows of the income generating units.

The remainder, £4.4 million, relates to a review of the carrying value of the group's private client stockbroking business in the United States pending a potential disposal in the new financial year.

20. Acquisitions and disposals
Year end 31 March 2003
The group did not make any major acquisitions or disposals in the current year.

The goodwill arising on acquisitions is as a result of the group purchasing Intelligence at Work (Pty) Ltd and Provest (Pty) Ltd which resulted in an addition to goodwill of £594 thousand.

Investec Ernst and Investec Inc were restructured over the past year as detailed below:
In May 2002, the Private Client Stockbroking business was sold to management. The clearing division of Investec Ernst was sold to Fiserv Securities in August 2002 for US$44 million. The group made the decision to wind down the investment banking operations and subsequently closed the research, equity sales and trading businesses and the sold PMG Advisors during the first few months of 2003. This rationalisation has resulted in a charge of £16.7 million reflecting the operational losses of these discontinued operations and an exceptional loss on termination of these businesses of £28.5 million broken down as follows:
- £9.47 million provision for losses on termination and disposal of operations
- £19.04 million impairment of goodwill.

Other minor adjustments gave rise to the reduction of goodwill amounting to £513 thousand.

Notes to the financial statements

(£'000)	Freehold properties	Leasehold improvements	Furniture & vehicles	Equipment	Investment properties	Total
21. Tangible fixed assets						
Cost or valuation						
At 31 March 2002	49 489	17 941	13 733	53 447	97 716	232 326
Exchange adjustments	5 046	8 949	6 174	8 019	29 077	57 265
Revaluation of investment properties	–	–	–	–	3 315	3 315
Reclassifications	–	–	–	–	(3 063)	(3 063)
Additions	338	1 532	1 482	4 393	–	7 745
Disposals	(579)	(2 524)	(2 488)	(16 548)	(10 320)	(32 459)
At 31 March 2003	54 294	25 898	18 901	49 311	116 725	265 129
Accumulated depreciation and amortisation						
At 31 March 2002	2 459	3 754	8 793	30 559	–	45 565
Exchange adjustments	18	2 226	1 475	3 283	–	7 002
Disposals	–	(1 812)	(818)	(10 534)	–	(13 164)
Charge for the year	645	1 193	1 746	10 833	–	14 417
Impairments	–	5 327	–	–	–	5 327
At 31 March 2003	3 122	10 688	11 196	34 141	–	59 147
Net book value						
At 31 March 2002	47 030	14 187	4 940	22 888	97 716	186 761
At 31 March 2003	51 172	15 210	7 705	15 170	116 725	205 982

The group values its investment properties semi-annually. The properties were valued by directors of the company concerned. The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time. No depreciation is provided on investment properties.

	2003	2002
Cost of investment properties	115 241	99 240
Carrying value of properties occupied by group entities	66 382	61 217

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
22. Own shares		
Investec plc ordinary shares	62 972	
Investec Limited ordinary shares	19 950	
Investec Group Limited ordinary shares*		3 506
Investec Holdings Limited (Inhold) ordinary shares*		38 624
	82 922	42 130

The group has set up a number of trusts as part of its employee remuneration and share ownership arrangement and the assets, liabilities and transactions of those trusts are brought into the consolidated accounts as if they were part of the group, except for those assets that have vested unconditionally with employees. The arrangements vary from scheme to scheme but principally comprise conditional awards of share options and share purchase schemes whereby group companies provide loans to employees to enable them to acquire shares. The conditions attaching to the granting of rights to shares principally involve the employees remaining employed by the group for specified periods of time.

Where equity instruments of the group that have been recorded as assets are sold to third parties, the difference between the net proceeds received and the carrying amount is charged or credited to the profit and loss account. Equity instruments that are recorded as assets are written down through the profit and loss account if, in the opinion of the directors, they have suffered a permanent diminution in value. Capital instruments of the group that are issued by or through the trusts, including certain advance payments for shares made by employees, are credited to shares to be issued at the net proceeds received where there is no associated obligation on the group to transfer economic benefit to the holder. Otherwise they are recorded as liabilities.

	2003	2002
Number of Investec plc ordinary shares held in employee share trusts	7 030 503	–
Number of Investec Limited ordinary shares held in employee share trusts	2 059 035	–
Number of Investec Group Limited ordinary shares held in employee share trusts	–	352 957
Number of Inhold Limited ordinary shares held in employee share trusts	–	3 978 734
Included in the above:		
Number of Investec plc ordinary shares conditionally allocated to employees	5 635	–
Number of Investec Limited ordinary shares conditionally allocated to employees	3 309	–
Number of Investec Group Limited ordinary shares conditionally held by employees	–	23 747
Number of Inhold Limited ordinary shares conditionally held by employees	–	58 895

Market Value of Own Shares:	**£'000**	**£'000**
Investec plc	55 501	–
Investec Limited	20 152	–
Investec Group Limited	–	2 840
Investec Holdings Limited	–	26 545

At 12 June 2003 the market value of the Investec plc and Investec Limited shares was £71 213 616 and £26 338 416 respectively.
Dividends on own shares have not been included in the profit and loss account.

* As set out on pages 4 to 6, for each Investec Holdings Limited share held prior to implementation of the DLC structure, a shareholder received 0.8604 shares in the Investec Group Limited. Furthermore, the implementation of the DLC structure resulted in each shareholder holding 63 Investec plc and 37 Investec Limited shares for each Investec Group Limited held.

Notes to the financial statements

For the year ended 31 March

(£'000)	**2003**	**2002**
23. Other assets		
Settlement debtors	518 022	498 806
Deferred tax asset (refer to note on deferred taxation)	28 086	18 898
Derivative instruments positive fair values	477 183	410 041
Dealing properties	29 600	36 812
Other investments	27 807	124 457
Traded endowments	18 274	16 295
Other debtors	112 469	72 418
	1 211 441	1 177 727
24. Long-term assurance business attributable to the shareholder		
Investec Employee Benefits Limited		
The embedded value comprises:		
Net tangible assets of life company including surplus	273 072	156 096
Reallocated to investments in associated undertakings	(50 824)	(34 098)
Elimination of intercompany balances	(120 833)	(81 371)
Value of in-force business	7 113	26 489
	108 528	67 116
Movements in embedded value		
At beginning of year	67 116	–
Acquisitions	–	142 709
Profit per profit and loss account	27 779	31 079
Elimination of inter-group transactions	–	27 459
Exchange adjustments	(1 316)	(51 143)
Gain on revaluation of investment properties	14 949	12 726
Reclassification of shareholder assets	–	(95 714)
At end of year	108 528	67 116
Income from long-term assurance business comprises:		
Premium Income	306 110	201 731
Investment Income	13 920	93 637
Total income	320 030	295 368
Operating expenses	(21 003)	(28 211)
Policyholder's benefits paid	(419 310)	(449 183)
Decrease in technical provisions	457 680	206 597
Re-insurance premium expense	(277 387)	–
Operating profit	60 010	24 571
Tax charged to technical account	(8 296)	(9 055)
Surplus attributable to shareholders	51 714	15 516
Value of in-force business	(23 935)	15 563
Income from long-term assurance business	27 779	31 079

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002

24. Long-term assurance business attributable to the shareholder (continued)

No current taxation has been provided on the surplus attributable to shareholders due to the availability of brought forward taxation losses.

Re-insurance premium expense of £277 million for the year ended 31 March 2003 (2002 : Nil) relates to the reinsurance of certain policyholder liabilities with CAL. This is offset by an equivalent decrease in related technical provisions.

Assumptions

The economic assumptions are based upon a long-term view of economic activity in South Africa and are therefore not adjusted for market movements which are considered to be short term. This approach is considered to be the most appropriate given the long-term nature of the portfolio of products and that the business is located in South Africa. The economic assumptions are derived by adding appropriate long-term risk/equity margins to the benchmark gilt (ie R153 South African government bond). The principal economic assumptions which have been used for the 2002 year end are as follows:

	%	%
Risk-adjusted discount rate	13.4	16.5
Return on equities (gross of tax)	12.4	15.5
Return on fixed interest securities (gross of tax)	10.4	13.5
Return on property investments (gross of tax)	11.4	14.5
Return on cash held (gross of tax)	7.4	10.5
Inflation rate	6.4	9.5

Balance Sheet

The assets of the long-term assurance fund attributable to the shareholder are detailed below:

Investments	176 858	109 630
Intercompany loans due	120 833	81 371
Other assets	64 176	75 052
Assets of long-term assurance fund attributable to the shareholder	361 867	266 053
Current liabilities	(88 795)	(109 957)
	273 072	156 096

Investments shown above comprise:-		
Fixed interest securities	14 034	3 652
Stocks, shares and unit trusts	14 259	37 210
Investment properties	51 468	18 579
Associate	50 824	34 098
Deposits	46 273	16 091
	176 858	109 630

An increase in the investments properties value of £14.9 million in the year ended 31 March 2003 (2002 : £12.7 million) has been recorded as a movement on the revaluation reserve.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
25. Long-term assurance business attributable to policyholders		
Investec Employee Benefits Limited	1 334 775	1 456 295
Investec Assurance Limited	1 201 544	898 106
	2 536 319	2 354 401

Investec Employee Benefits Limited

The assets of the long-term assurance fund attributable to policyholders are detailed below:

	2003	2002
Investments	1 334 775	1 456 295
Investments shown above comprise:-		
Fixed interest securities	168 368	372 105
Stocks, shares and unit trusts	680 959	768 262
Investment properties	23 195	41 630
Deposits	462 253	274 298
	1 334 775	1 456 295

Investec Assurance Limited

The assets of the long-term assurance fund attributable to policyholders are detailed below:

	2003	2002
Investments	1 155 383	873 691
Debtors and prepayments	45 175	22 101
Other assets	986	2 314
Assets of long-term assurance fund attributable to policyholders	1 201 544	898 106
Investments shown above comprise:-		
Fixed interest securities	294 276	216 935
Stocks shares and unit trusts	454 377	380 622
Investment properties	1 399	1 083
Deposits	405 331	275 051
	1 155 383	873 691

The business of Investec Assurance Limited is that of linked business with retirement funds. *The retirement funds hold units in a pooled portfolio of assets via a linked* policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.

	2003	2002
The liabilities to policyholders comprise:		
Technical provisions	641 589	910 711
Funds for future appropriations	665 166	545 583
Technical provisions for linked liabilities	1 229 564	898 106
	2 536 319	2 354 401

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
26. Deposits by banks		
With agreed maturity date or periods of notice, by remaining maturity:		
Repayable on demand	145 979	239 423
Up to three months, excluding on demand	1 394 028	2 286 376
Three months to one year	557 406	1 080 889
One year to five years	24 808	19 821
Greater than five years	7 072	18 799
	2 129 292	3 645 308

	2003	2002
27. Customer accounts		
With agreed maturity date or periods of notice, by remaining maturity:		
Repayable on demand	1 817 593	1 895 546
Up to three months, excluding on demand	3 159 799	3 295 317
Three months to one year	925 232	1 277 522
One year to five years	227 186	346 355
Greater than five years	225 057	253 480
	6 354 867	7 068 220
Preference shares issued by subsidiary undertakings of Investec Limited which have been guaranteed by Investec Bank Limited are included in customer accounts.	159 422	144 917

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
28. Debt securities in issue		
Bonds and medium term notes repayable:		
Over five years	73 765	–
	73 765	–
Other debt securities in issue repayable:		
Not more than three months	435 830	365 068
Over three months but not more than one year	545 033	212 368
Over one year but not more than two years	104	28 810
Over two years but not more than five years	35 024	–
	1 015 991	606 246
	1 089 756	606 246

The bonds are listed on the Bond Exchange of South Africa, with a final legal maturity date of 15 December 2025. The group, subject to certain conditions being met, may at its discretion redeem these bonds at an earlier date, but not before 15 December 2006.

	2003	2002
29. Other liabilities		
Settlement creditors	760 920	959 954
Short positions in securities	226 087	451 743
Provision for deferred tax (refer to note on deferred taxation)	6 111	6 896
Current corporation tax	45 789	51 610
Shareholders ordinary dividend	25 468	25 779
Derivatives negative fair values	362 370	494 151
Other creditors and accruals	154 136	116 058
	1 580 881	2 106 191
Short positions in securities comprise:		
Debt securities - government bonds	147 550	360 737
Equities - listed securities	78 537	91 006
	226 087	451 743

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
30. Deferred tax		
Deferred tax asset		
Deferred capital allowances	10 927	14 449
Tax relief in respect of the utilisation of tax losses brought forward against future taxable income	3 585	1 800
Income and expenditure accruals	9 951	1 079
Other timing differences	3 623	1 570
	28 086	18 898
Deferred tax liability		
Income and expenditure accruals	93	69
Equipment allowances	116	951
Property allowances	2 991	2 316
Unrealised gains on investments	2 797	2 166
Other timing differences	114	1 394
Deferred tax liability	6 111	6 896
Net deferred tax asset	21 975	12 002
Reconciliation of net deferred tax asset		
Opening balance	12 002	8 771
Charge to profit and loss	9 680	1 286
Arising on acquisitions	–	1 266
Exchange adjustments	293	679
Closing balance	21 975	12 002

The deferred tax asset arising in 2002 is mainly related to the acquisition of the PMG group in the United States.

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

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
31. Subordinated liabilities		
Dated subordinated debt		
Issued by Investec Limited		
Class "A" Series I Unsecured subordinated compulsorily convertible debentures ("CCD's")	1 742	–
Class "A" Series II Unsecured subordinated CCDs	2 447	–
Issued by Investec Bank Limited - a wholly owned subsidiary of Investec Limited		
Unsecured subordinated CCDs	20 300	15 845
Class "A" Unsecured subordinated CCDs	12 611	17 271
Class "A" Series II Unsecured subordinated CCDs	2 609	3 456
Class "B" Unsecured subordinated CCDs	5 030	6 500
Class "C" Unsecured subordinated CCDs	8 280	8 644
16% subordinated bonds 2012 issued in South African Rands	156 720	121 366
Class "E" 15% unsecured redeemable debentures - 2014	22 697	17 577
IV02 12.55% Subordinated unsecured callable bonds	44 461	–
	276 897	190 659

All subordinated debt is denominated in South African Rand.

Remaining maturity:		
In one year or less, or on demand	–	–
In more than one year, but not more than two years	20 250	–
In more than two years, but not more than five years	–	27 227
In more than five years	256 647	163 432
	276 897	190 659

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

The compulsory convertible debentures issued by Investec Bank Limited were split at issue into their debt and equity components. The equity components were sold to employee share trusts. The debt components were sold to third parties, represented by the amounts above.

Notes to financial statements

For the year ended 31 March

Series I & II Class "A" debentures:
Interest is payable six monthly arrears on 1 May and 1 November of each year at a variable rate of 3% below the official rate as defined in the 7th schedule of the South African Income Tax Act of 1962. The debentures convert into ordinary shares, on a one for one basis, at the election of the holders. If not converted by election, the Series I debentures will automatically convert on 1 October 2008. The Series II debentures will automatically convert on 4 December 2010.

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

Unsecured subordinated CCDs
The compulsorily convertible debentures will convert into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The company at its discretion, may at the request of the holder convert at an earlier date.

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

Class A unsecured, Class A Series II, Class B and Class C unsecured CCDs:
The 5 000 000 Class A unsecured, 1 000 000 Class A Series II, 1 500 000 Class B and 2 000 000 Class C unsecured subordinated compulsorily convertible debentures were acquired by Investec Limited on 18 June 2002 in exchange for the issue of 9 500 000 Investec Group Limited shares.

16% subordinated bonds 2012 issued in South African Rands
R1 961 million (2002 - R1 961 million) Investec Bank Limited 16% local registered unsecured subordinated bonds are due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.

Class "E" 15% unsecured redeemable debentures - 2014
R284 million (2002 - R284 million) Investec Bank Limited Class E 15% unsecured redeemable debentures are due in 2014. From the date of issue to the period ended 31 March 2007, interest is paid six monthly in arrears on 31 March and 30 September at a rate of 15% (nominal annual compounded). Thereafter to 31 March 2014, the interest is the floating rate of the South African Rand Johannesburg Interbank rate plus 2,5%, payable quarterly on 31 March, 30 June, 30 September and 31 December.

IV02 12.55% Subordinated unsecured callable bonds
R556 million (2002 - nil) Investec Bank Limited IV02 subordinated 12.55% unsecured callable bonds. The bonds redemption date is 31 March 2013 but the company has the option to call the bond on 31 March 2008. If not called, the bonds will switch to a floating rate of 3 month JIBAR plus 300 basis points payable quarterly in arrears until maturity.

Notes to the financial statements

For the year ended 31 March

	2003	2002

32. Called up share capital
Investec plc

Authorised
The authorised share capital of Investec plc is £1 000 million (2002: £1 000 million) comprising:
999 950 million ordinary shares of £0.001 each (2002: 10 000 million shares of £0.10 each).
55 500 000 Special Converting Shares of £0.001 each (2002: Nil).
1 Special Voting share of £0.001 each, 1 UK DAN Share of £0.001 and 1 UK DAS Share of £0.001

Issued, allotted and fully paid

Number of ordinary shares	**Number**	**Number**
At beginning of year	500 000	500 000
Subscription for shares	3 300	–
Subdivision on 100 for 1 basis	49 826 700	–
Cancellation of shares	(50 000 000)	–
Issued for acquisition of subsidiaries from Investec Limited	70 303 746	–
Share issued in the Global Offer	4 000 000	–
At end of year	74 633 746	500 000

Nominal value of ordinary shares - GBP	**£'000**	**£'000**
At beginning of year	50	50
Subscription for shares	–*	–
Subdivision on 100 for 1 basis	–	–
Cancellation of shares	(50)	–
Issued for acquisition of subsidiaries from Investec Group Limited	70	–
Share issued in the Global Offer	4	–
At end of year	75	50

Number of special converting shares	**Number**	**Number**
At beginning of year	–	–
Issued during the year	38 399 527	–
At end of year	38 399 527	–

Nominal value of special converting shares - GBP	**£'000**	**£'000**
At beginning of year	–	–
Issued during the year	38	–
At end of year	38	–

Number of UK DAN shares	**Number**	**Number**
At beginning of year	–	–
Issued during the year	1	–
At end of year	1	–

* Less than £1 000.

Notes to the financial statements

For the year ended 31 March

	2003	2002
32. Called up share capital (continued)		
Nominal value of UK DAN share - GBP	**£'000**	**£'000**
At beginning of year	–	–
Issued during the year	–*	–
At end of year	–*	–
Number of UK DAS shares	**Number**	**Number**
At beginning of year	–	–
Issued during the year	1	–
At end of year	1	–
Nominal value of UK DAS share - GBP	**£'000**	**£'000**
At beginning of year	–	–
Issued during the year	–*	–
At end of year	–*	–

Investec Limited

Authorised

The authorised share capital of Investec Limited is South African Rand 205 502 (2002: R69 030 000), comprising 55 500 000 ordinary shares of South African Rand 0.001 each (2002: 150 million ordinary shares of South African Rand 0.6 each), 8 million (2002: 10 million) convertible non-cumulative preference shares of South African Rand 0.001 each (2002: 0.6 each), 50 000 (2002: 50 000) variable rate cumulative redeemable preference shares of South African Rand 0.60 cents each, 1 SA DAS redeemable preference share of 1 South African Rand (2002: Nil) 1 SA DAN redeemable preference share of 1 South African Rand (2002: Nil), 112 million (2002: Nil) convertible redeemable preference shares of South African Rand 0.001 each (special converting shares).

Issued, allotted and fully paid

Number of ordinary shares	**Number**	**Number**
At beginning of year	92 228 309	80 910 020
Conversion of preference shares	2 000 000	–
Issued for acquisition of compulsorily convertible debentures	9 500 000	–
Subdivision on 600 for 1 basis	62 164 913 642	–
Issued under savings-related share option schemes	–	61 061
Share issues	–	19 337 336
Conversion of compulsorily convertible debentures	–	31 622
Cancellation of shares	(62 230 242 424)	(8 111 730)
At end of year	38 399 527	92 228 309

*Less than £1 000

Notes to the financial statements

For the year ended 31 March

	2003	2002
32. Called up share capital (continued)		
Nominal value of ordinary shares - GBP	**£'000**	**£'000**
At beginning of year / period	7 418	6 589
Conversion of preference shares	112	–
Issued for acquisition of compulsorily convertible debentures	374	–
Subdivision on 600 for 1 basis	–	–
Issued during the year	–	1 023
Conversion of compulsorily convertible debentures	–	1
Cancellation of shares	(7 859)	(195)
At end of year	45	7 418
Number of convertible preference shares	**Number**	**Number**
At beginning of year	2 000 000	2 000 000
Issued during the year	(2 000 000)	–
At end of year	–	2 000 000
Nominal value of convertible preference shares - GBP	**£'000**	**£'000**
At beginning of year	112	112
Converted during the year	(112)	–
At end of year	–	112
Number of redeemable preference shares	**Number**	**Number**
At beginning of year	–	–
Issued during the year	1 750	–
At end of year	1 750	–
Nominal value of redeemable preference shares - GBP	**£'000**	**£'000**
At beginning of year	–	–
Issued during the year	–*	–
At end of year	–*	–
Number of special converting shares	**Number**	**Number**
At beginning of year	–	–
Issued during the year	74 633 746	–
At end of year	74 633 746	–
Nominal value of special converting shares - GBP	**£'000**	**£'000**
At beginning of year	–	–
Issued during the year	5	–
At end of year	5	–
Number of SA DAN shares	**Number**	**Number**
At beginning of year	–	–
Issued during the year	1	–
At end of year	1	–

*Less than £1 000.

Notes to the financial statements

For the year ended 31 March

	2003	2002
32. Called up share capital (continued)		
Nominal value of SA DAN share - GBP	**£'000**	**£'000**
At beginning of year	–	–
Issued during the year	–*	–
At end of year	–*	–
Number of SA DAS shares	**Number**	**Number**
At beginning of year	–	–
Issued during the year	1	–
At end of year	1	–
Nominal value of SA DAS share - GBP	**£'000**	**£'000**
At beginning of year	–	–
Issued during the year	–*	–
At end of year	–*	–
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited		
Total called up share capital	163	7 580
Less: Held by Investec Limited	–	(50)
Less: Held by Investec plc	(5)	–
Total called up share capital	158	7 530

The Investec Limited shares were issued in South African Rands. The amounts recorded above were calculated by reference to historic Sterling/Rand exchange rates.

The redeemable preference shares are variable rate, cumulative and redeemable. The shares were issued at a premium of R99 999.40 per share. The dividend rate on these shares is 10.83% of the subscription price (R175 million), and are payable annually in advance on 28 November each year. These shares are redeemable on 29 November 2005, at a premium of R99 999.40 per share

The holder of 2 775 000 Investec Limited and 4 725 000 Investec plc shares has agreed to waive its right to dividends until 15 December 2004. The holder of 740 000 Investec Limited and 1 260 000 Investec plc shares has agreed to waive its right to dividends until 31 March 2008.

Notes to financial statements

For the year ended 31 March

On 19 June 2002, Investec Limited subscribed for 3,299 Ordinary Shares in Investec plc of £0.10 each and Investec Bank (Nominees) Limited subscribed for 1 Ordinary Share in Investec plc of £0.10 each.

On 5 July each Investec plc Ordinary Share of £0.10 was sub-divided into 100 Ordinary Shares of £0.001 each, the rights attaching to all bar 330,000 of the then Ordinary Shares were amended such that they became deferred shares and 999,838,000,000 unissued Ordinary Shares were cancelled.

On 18 July 2002, Investec plc issued 70 303 746 shares of £0.001 for the acquisition of the International subsidiaries of Investec Limited, in preparation of the London listing of Investec plc. On 18 July 2002, Investec plc repurchased and cancelled 50,000,000 of the deferred shares of £0.001 each in issue. On 19 July 2002, 38,399,028 Investec plc Special Converting Shares of £0.001 each, 1 Investec plc Special Voting Share of £0.001 each, 1 UK Dividend Access Share (Non South African) of £0.001 and 1 UK Dividend Access Share (South African) of £0.001 were issued by way of bonus issue from reserves.

On 22 July 2002, a further 4 million shares were issued by Investec plc prior to listing to fund ongoing capital requirements.

In terms of the Dual Listed Companies Structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right voting, and equivalent position on the termination of either company.

The UK DAS shares, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

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

* Less than £1 000.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002

32. Called up share capital (continued)
Staff Share Scheme

The Bank operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 22.

Movements in the number of share options issued for 1 share each, held by employees are as follows:
Each option is in respect of one share.

	Number	Number
Outstanding at 1 April	5 657 874	3 600 993
Issued during the year	10 667 827	2 715 853
Exercised	(5 940)	(42 009)
Lapsed	(1 163 298)	(616 963)
Outstanding at 31 March	15 156 463	5 657 874

The purpose of the Staff Share Scheme is to promote an "esprit de corps" within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

The group makes shares or debentures available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the group and stock market conditions.

At present, the practice of the group is to give all permanent staff members a share allocation approximately equal to their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, participants may not deal in any shares acquired in terms of the Scheme within two years of accepting them. Thereafter they may acquire them over a minimum period of a further three years or maximum period of a further eight years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance, and contribution made by, the respective staff members.

In addition to the Staff Share Scheme, other incentive schemes are operated by the group. Whilst the objectives of such schemes are identical to the Staff Share Scheme, membership of them is not extended to all staff members but to key members of the group whom executive management believe are in a position to add significant value to the group. Whilst housed in different structures from the Staff Share Scheme, the underlying assets in them are group instruments. Any benefit derived by the members from such schemes is thus totally dependent on the performance of the group.

The extent of the directors' and staff interest in the incentive schemes is detailed on page 265.

Notes to the financial statements

For the year ended 31 March

	2003	2002
33. Shares to be issued		
Number of ordinary shares	**Number**	**Number**
At beginning of year	13 073 994	11 073 994
Additions	–	2 000 000
Conversion	(9 500 000)	–
Acquired by staff share scheme	(604 176)	–
At end of year	2 969 818	13 073 994
Nominal value of ordinary share	**£'000**	**£'000**
At beginning of year	41 148	35 285
Additions	–	5 863
Conversion	(38 148)	–
Acquired by staff share scheme	(572)	–
At end of year	2 428	41 148

The amounts included in the above figures represent contributions received by the group in respect of employee share schemes. All of the 2 969 818 shares to be issued at 31 March 2003 are due to be issued on 31 July 2008. However, the company may on the election of the holder issue these shares, to the holders of these shares at an earlier date.

The rights in respect of 9 500 000 shares to be issued at 31 March 2002 were acquired by the company in exchange for the issue of 9 500 000 ordinary shares. The share scheme receiving these 9 500 000 shares has agreed not to receive dividends and not to sell these shares until 15 December 2004 in respect of 7 500 000 of these shares and until 31 March 2008 in respect of the remaining 2 000 000 shares.

During the year the Staff Share Scheme reacquired the rights in respect of 604 176 shares to be issued.

Notes to the financial statements

For the year ended 31 March

34. Share options

Details of share options

	Instrument	2003 Expiry date	2003 Exercise price	2003 Number of options issued/ exercised	2002 Expiry date	2002 Exercise price	2002 Number of options issued/ exercised
Granted during the year	Investec Group Ltd	13 Sep 2007	R 164.50	6 736 260	1 Mar 2012	R174.72	2 715 853
	Investec Group Ltd	13 Sep 2007	R 170.00	770 612			
	Investec plc	19 Mar 2007	R 111.96	1 117 845			
	Investec Limited	19 Mar 2007	R 111.32	833 586			
	Investec plc	19 Mar 2007	£7.93	775 401			
	Investec plc	19 Mar 2012	£7.93	434 123			
Exercised during the year	Investec Group Ltd		R 78.93	5 940	2002-2009	R134.86	42 009
	Investec Holdings Limited		R 67.43	6 893			

Terms of share options

	SA Schemes Average exercise price	SA Schemes Number of Investec Limited shares	SA Schemes Number of Investec plc shares	UK Schemes Average exercise price	UK Schemes Number of Investec Limited shares	UK Schemes Average exercise price	UK Schemes Number of Investec plc shares
31 March 04	R 169.76	116 779	198 839	R 246.00	229 516	£15.73	390 798
31 March 05	R 169.51	30 821	52 478	R 235.45	104 180	£15.06	177 388
31 March 06	R 163.56	16 334	27 812	R 169.80	131 431	£10.86	223 789
31 March 07	R 157.06	6 824	11 618	R 151.06	1 507 217	£9.86	2 650 110
31 March 08	R 148.05	1 948 484	3 455 015	R 246.00	237 902	£15.73	405 076
31 March 09	R 205.59	46 368	78 950				
31 March 10	R 240.21	141 640	241 170	R 236.03	44 300	£15.09	75 430
31 March 11	R 241.39	132 460	225 540	R 130.28	224 673	£8.88	417 750
31 March 12	R 174.52	591 915	1 007 855				
31 March 13	R 168.00	2 220	3 780				

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
35. Cash flow reconciliations		
Reconciliation of operating profit to net operating cash flows		
Operating (loss)/profit	**(37 545)**	**60 132**
(Increase)/decrease in accrued income and prepayments	(26 422)	1 755
Increase/(decrease) in accruals and deferred income	37 149	(53 187)
Interest expense on subordinated liabilities (including convertible debt)	25 090	35 585
Depreciation	14 417	16 926
Provision for bad and doubtful debts	*18 308*	*14 668*
Amortisation of goodwill	122 302	98 435
Gains on disposal/reclassifications of investment securities	(25 269)	(13 440)
Loss on the disposal of investment properties	–	1 235
Fundamental reorganisation and restructuring costs	(6 073)	(11 836)
Long-term assurance business attributable to the shareholder	(44 527)	(31 078)
Net cash inflow from trading activities	**77 430**	**119 195**
Net decrease in treasury bills and other eligible bills	(45 252)	(242 093)
Net decrease in loans and advances to banks	*(197 986)*	*(350 556)*
Net decrease in loans and advances to customers	(87 427)	(804 523)
Net increase in non-investment debt and equity securities and debt securities in issue	3 097 175	1 548 338
Net decrease in other assets	(21 136)	(436 427)
Net decrease in deposits by banks	(1 516 016)	(172 434)
Net (decrease)/ increase in customer accounts	(713 353)	597 026
Net (decrease)/ increase in other liabilities	(514 173)	422 016
Net cash inflow from operating activities	**79 262**	**680 542**

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
35. Cash flow reconciliations (continued)		
Subordinated liabilities		
At beginning of the year	190 659	239 129
Foreign currency adjustments	51 382	(74 201)
Issues during the year	48 650	36 433
Repayments	(13 793)	(10 359)
Conversions during the year	(1)	(343)
At end of year	276 897	190 659
Called up share capital		
At beginning of year	7 530	6 701
Net issues during the year	5	4
Conversions during the year	374	1
Buy-back of shares	(148)	(179)
Unbundling and restructuring	(7 603)	–
Acquisition of subsidiary undertakings	–	1 003
At end of year	158	7 530
Share premium		
At beginning of year	814 089	565 181
Net issues during the year	64 527	1 081
Conversions during the year	86 402	342
Buy-back of shares	(4 931)	(55 354)
Unbundling and restructuring	66 234	–
Share issue expenses	(32 213)	–
Acquisition of subsidiary undertakings	–	302 839
At end of year	994 108	814 089
Shares to be issued		
At beginning of year	41 148	35 285
Net (conversions)/issues during the year	(38 720)	5 863
At end of year	2 428	41 148
Total financing		
At beginning of year	1 053 426	846 296
At end of year	1 273 591	1 053 426

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
35. Cash flow reconciliations (continued)		
The group is required to make deposits with central banks as a result of government regulations in the territories in which it operates, amounting to:	327 957	243 747
Purchase of interests in subsidiary undertakings		
Net assets acquired	78	95 211
Goodwill	594	311 449
	672	406 660
Satisfied by:		
Shares allotted	–	305 455
Other assets	–	42 135
Cash and acquisition cost	672	59 070
	672	406 660
Analysis of the net cash outflow from the purchase of subsidiary undertakings		
Cash consideration	(672)	(59 070)
Cash acquired	–	202
Net cash outflow	(672)	(58 868)

Due to the integration of acquisitions into our continuing operations it is not practical to analyse the post-acquisition cashflows of the acquired units.

	2003	2002
Disposal of group undertakings		
Goodwill written off	19 047	–
Fixed assets and other accounts	5 327	790
Other liabilities	(4 469)	–
Net assets disposed of	19 905	790
(Loss)/profit on disposal	(28 484)	1 363
Net cash (outflow)/inflow from disposal of group undertakings	(8 579)	2 153
Satisfied by		
Cash	30 722	2 153
Costs incurred in termination and disposal of business undertakings	(39 301)	–
	(8 579)	2 153

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
36. Annual commitments in respect of non-cancellable operating leases		
Leasehold properties		
Within one year	777	347
Between one and five years	1 069	942
Over five years	14 782	14 574
	16 628	15 863
37. Commitments		
Forward repurchase agreements	129 155	307 956
Undrawn facilities	360 850	187 009
Other commitments	6 633	11 365
	496 638	506 330

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

38. Contingent liabilities

	2003	2002
Guarantees and assets pledged as collateral security:		
- guarantees and irrevocable letters of credit	264 824	249 042
- assets pledged as collateral security	–	21 003
Other contingent liabilities	84 082	29 271
	348 906	299 316

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

Following falls in the value of assets in the split capital investment market, like other firms in the industry, a subsidiary has received a number of complaints. Each complaint has been investigated in accordance with the group's complaints procedures and within guidelines set by the applicable regulatory authority.The directors' believe that no provision in respect of these complaints is required in the accounts for the year ended 31 March 2003.

Legal proceedings

Investec is party to various legal proceedings, the ultimate resolution of of which is not expected to have a material adverse effect on the financial position of the group.

Notes to the financial statements

For the year ended 31 March

39. Risk management

The group's risk management objectives and policies, including market risk, credit risk and the management of risks that arise in connection with the use of financial instruments, is detailed on pages 125 to 157.

In the notes below, short-term debtors and creditors are included in the interest rate repricing analysis, non trading currency risk tables and the table detailing assets and liabilities denominated in sterling and foreign currencies. All other disclosures exclude these short-term balances.

Financial Instruments, including Derivatives and Risk Disclosure
Fair values

The group's trading book comprises treasury bills, settlement accounts, debt securities, equity shares, short positions in securities, and derivatives as well as secured customer loans and deposits. All amounts are included in the balance sheet at fair value.

The fair values of listed and publicly traded securities held for non-trading book purposes (comprising debt securities and equity shares) are disclosed under the relevant balance sheet note. The fair values of other non-trading book balances approximate to their carrying value in the balance sheet where a liquid and active market exists as defined by FRS 13.

Derivatives (off balance sheet financial instruments)
The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures options, swaps and forward rate agreements. All interest rate contracts are transacted with other financial institutions. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date. Detailed below is the derivative exposure for both trading and non trading portfolios.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Trading derivatives		
Notional principal amounts		
Foreign exchange derivatives		
Forward foreign exchange	5 803 110	13 348 742
Currency swaps	977 879	649 073
OTC options bought and sold	683 897	525 955
OTC derivatives	7 464 886	14 523 770
Exchange traded futures	–	7 353 008
	7 464 886	21 876 778
Interest rate derivatives		
Caps and floors	1 329 411	3 356 154
Swaps	32 732 965	18 604 698
Forward rate agreements	107 788 182	25 085 041
OTC options bought and sold	1 658 469	1 447 110
Other interest rate contracts	47 532	–
OTC derivatives	143 556 559	48 493 003
Exchange traded futures	18 441 355	90 173
Exchange traded options	640 467	80 457
	162 638 381	48 663 633
Equity and stock index derivatives		
OTC options bought and sold	638 124	861 976
Equity swaps and forwards	358 802	67
OTC derivatives	996 926	862 043
Exchange traded futures	4 496	1 823
Exchange traded options	265 716	138 771
Warrants	912	49 169
	1 268 050	1 051 806
Commodity derivatives		
OTC options bought and sold	1 361 272	2 120 579
Commodity swaps and forwards	206 780	364 521
OTC derivatives	1 568 052	2 485 100
Exchange traded futures	1 513 923	2 909 771
Exchange traded options	319 374	407 521
	3 401 349	5 802 392
Credit derivatives		
Credit linked notes bought and sold	–	27 850
Credit swaps bought and sold	124 678	18 555
	124 678	46 405

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Trading derivatives (continued)		
Positive fair values		
Foreign exchange derivatives		
Forward foreign exchange	292 649	856 206
Currency swaps	75 610	56 394
OTC options bought and sold	68 045	8 369
OTC derivatives	436 304	920 969
Exchange traded futures	–	1 315
	436 304	922 284
Interest rate derivatives		
Caps and floors	3 758	4 388
Swaps	484 417	251 703
Forward rate agreements	59 385	51 133
OTC options bought and sold	7 767	16 599
OTC derivatives	555 327	323 823
Exchange traded futures	2 343	86
Exchange traded options	7	73
	557 677	323 982
Equity and stock index derivatives		
OTC options bought and sold	63 270	53 557
Equity swaps and forwards	27 100	–
OTC derivatives	90 370	53 557
Exchange traded futures	472	9
Exchange traded options	3 048	3 013
Warrants	212	7 733
	94 102	64 312
Commodity derivatives		
OTC options bought and sold	78 620	76 994
Commodity swaps and forwards	6 542	7 622
OTC derivatives	85 162	84 616
Exchange traded futures	–	65 087
Exchange traded options	–	11 722
	85 162	161 425
Credit derivatives		
Credit linked notes bought and sold	–	362
Credit swaps bought and sold	291	126
	291	488
Total positive fair values	1 173 536	1 472 491
Effect of netting	(696 353)	(1 062 450)
Amounts included in other assets / liabilities	477 183	410 041

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Trading derivatives (continued)		
Negative fair values		
Foreign exchange derivatives		
Forward foreign exchange	301 276	835 384
Currency swaps	47 944	168 427
OTC options bought and sold	28 802	29 578
OTC derivatives	378 022	1 033 389
Exchange traded futures	–	2 103
	378 022	1 035 492
Interest rate derivatives		
Caps and floors	4 749	5 392
Swaps	437 275	250 220
Forward rate agreements	60 828	47 561
OTC options bought and sold	8 401	23 784
Other interest rate contracts	230	–
OTC derivatives	511 483	326 957
Exchange traded futures	588	66
Exchange traded options	414	37
	512 485	327 060
Equity and stock index derivatives		
OTC options bought and sold	45 230	57 299
Equity swaps and forwards	62 754	–
OTC derivatives	107 984	57 299
Exchange traded futures	846	152
Exchange traded options	1 833	2 481
Warrants	27	3 021
	110 690	62 953
Commodity derivatives		
OTC options bought and sold	52 044	51 764
Commodity swaps and forwards	5 330	5 309
OTC derivatives	57 374	57 073
Exchange traded futures	–	62 797
Exchange traded options	–	10 737
	57 374	130 607

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Trading derivatives (continued)		
Negative fair values (continued)		
Credit derivatives		
Credit linked notes bought and sold	–	362
Credit swaps bought and sold	152	127
	152	489
Total negative fair values	1 058 723	1 556 601
Effect of netting	*(696 353)*	*(1 062 450)*
Amounts included in other assets / liabilities	362 370	494 151

The replacement values of these contracts are their positive fair values. The *notional principal amounts represent the volume of transactions outstanding at* the balance sheet date and do not represent amounts at risk.

Non trading derivatives
Notional principal amounts

	2003	2002
Foreign exchange derivatives		
Forward foreign exchange	59 307	–
Currency swaps	23 316	9 193
OTC derivatives	82 623	9 193
Interest rate derivatives		
Caps and floors	765	2 500
Swaps	2 763 913	1 281 916
OTC derivatives	2 764 678	1 284 416
Exchange traded futures	338 600	388 452
	3 103 278	1 672 868
Equity and stock index derivatives		
OTC options bought and sold	35 917	1 092
	35 917	1 092
Credit derivatives		
Credit link notes bought and sold	39 959	–
Credit swaps bought and sold	76 170	–
	116 129	–

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Non-trading derivatives (continued)		
Positive fair values		
Foreign exchange derivatives		
Forward foreign exchange	977	–
Currency swaps	1 366	903
OTC derivatives	2 343	903
Interest rate derivatives		
Swaps - OTC derivatives	37 121	24 795
Exchange traded futures	1 617	–
	38 738	24 795
Equity and stock index derivatives		
OTC options bought and sold	2 527	329
Credit derivatives		
Credit swaps bought and sold	528	–
Total positive fair values (also representing the replacement costs)	44 136	26 027

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Non-trading derivatives (continued)		
Negative fair values		
Foreign exchange derivatives		
Forward foreign exchange	412	–
Currency swaps	2 597	–
OTC derivatives	3 009	–
Interest rate derivatives		
Swaps - OTC derivatives	94 067	26 433
Exchange traded options	105	–
	94 172	26 433
Equity and stock index derivatives		
OTC options bought and sold	163	–
Credit derivatives		
Credit swaps bought and sold	11	–
Total negative fair values	97 355	26 433

The replacement values of these contracts are their positive fair values. The notional principal amounts represent the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Non-trading derivatives (continued)		
Positive fair values		
Foreign exchange derivatives		
Forward foreign exchange	294	–
Currency swaps	(786)	951
OTC derivatives	(492)	951
Interest rate derivatives		
Swaps - OTC derivatives	(55 501)	(1 510)
Exchange traded futures	541	(369)
	(54 960)	(1 879)
Equity and stock index derivatives		
OTC options bought and sold	2 352	403
Credit derivatives		
Credit swaps bought and sold	532	–
Credit link notes bought and sold	(11)	–
	521	–
Total book carrying value	(52 579)	(525)

Hedging instruments

Gains and losses on derivatives used for hedging are recognised in line with the underlying items that are being hedged. These values have been calculated by reference to the ultimate maturity date of the derivatives.

	2003	2002
Unrecognised gains to be recognised within one year	1 167	993
Unrecognised gains to be recognised in more than one year	34 374	23 717
Total unrecognised gains	35 541	24 710
Unrecognised losses to be recognised within one year	1 685	2 470
Unrecognised losses to be recognised in more than one year	89 394	22 394
Total unrecognised losses	91 079	24 864
Total recognised losses in current period	(5 611)	(9 764)
Portion of recognised losses which was unrecognised in prior year	2 453	1 012
Net recognised loss arising in the current period	(3 158)	(8 752)

There are no gains or losses on hedging instruments deferred in the balance sheet, nor were there any reclassifications of hedging instruments resulting in gains or losses arising in prior periods being recognised in subsequent periods.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Maturities of derivative instruments		
Notional principal		
Up to one year		
Foreign exchange derivatives		
Forward foreign exchange	4 852 666	12 020 512
Currency swaps	428 044	24 182
Futures	–	7 353 008
Options	358 059	305 028
	5 638 769	19 702 730
Interest rate derivatives		
Caps and floors	707 784	2 889 807
Swaps	17 952 075	10 612 657
Futures	15 209 961	255 248
Options	2 278 717	1 490 433
Forward rate agreements	80 005 221	21 429 769
Other interest rate contracts	47 532	–
	116 201 290	36 677 914
Equity and stock index derivatives		
Swaps and forwards	196 809	67
Futures	4 481	1 267
Options	869 527	832 862
Warrants	743	38 749
	1 071 560	872 945
Commodity derivatives		
Options	478 266	635 599
Futures	1 304 732	2 668 267
Commodity swaps and forwards	136 590	342 480
	1 919 588	3 646 346
Credit derivatives		
Credit linked notes bought and sold	39 959	18 567
Credit swaps bought and sold	129 907	–
	169 866	18 567

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Maturity of derivative instruments (continued)		
Notional principal (continued)		
One to five years		
Foreign exchange derivatives		
Forward foreign exchange	738 963	1 006 341
Currency swaps	218 716	316 037
Options	325 838	220 927
	1 283 517	1 543 305
Interest rate derivatives		
Caps and floors	622 392	468 847
Swaps	12 468 925	6 549 509
Futures	3 554 538	223 377
Options	20 219	37 134
Forward rate agreements	27 782 961	3 655 272
	44 449 035	10 934 139
Equity and stock index derivatives		
Equity swaps and forwards	161 993	–
Futures	15	556
Options	70 230	168 977
Warrants	64	10 420
	232 302	179 953
Commodity derivatives		
Options	482 974	1 270 013
Futures	209 191	241 504
Commodity swaps and forwards	70 190	22 040
	762 355	1 533 557
Credit derivatives		
Credit linked notes bought and sold	–	9 283
Credit swaps bought and sold	70 941	10 916
	70 941	20 199

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Maturity of derivative instruments (continued)		
Notional principal (continued)		
More than five years		
Foreign exchange derivatives		
Forward foreign exchange	270 788	321 889
Currency swaps	354 435	318 047
	625 223	639 936
Interest rate derivatives		
Swaps	5 075 878	2 724 448
Futures	15 456	–
	5 091 334	2 724 448
Equity and stock index derivatives		
Warrants	105	–
Commodity derivatives		
Options	719 406	622 490
Credit derivatives		
Credit swaps bought and sold	–	7 639
Total notional principal amounts	178 235 291	79 124 168

Notes to the financial statements

For the year ended 31 March

(£'000)	Positive fair value 2003	Negative fair value 2003
39. Risk management (continued)		
Maturity of derivative instruments (continued)		
Fair values		
Up to one year		
Foreign exchange derivatives		
Forward foreign exchange	189 668	243 565
Currency swaps	5 748	5 244
Options	7 453	15 611
	202 869	264 420
Interest rate derivatives		
Caps and floors	710	1 253
Swaps	64 368	48 311
Futures	2 333	630
Options	6 840	8 775
Forward rate agreements	39 675	43 310
Other interest rate contracts	–	230
	113 926	102 509
Equity and stock index derivatives		
Swaps and forwards	18 040	20 472
Futures	472	836
Options	36 998	35 613
Warrants	137	27
	55 647	56 948
Commodity derivatives		
Options	6 288	4 997
Commodity swaps and forwards	3 018	3 129
	9 306	8 126
Credit derivatives		
Credit swaps bought and sold	129	162

Notes to the financial statements

For the year ended 31 March

(£'000)	Positive fair value *2003*	Negative fair value *2003*
39. Risk management (continued)		
Maturity of derivative instruments (continued)		
Fair values (continued)		
One to five years		
Foreign exchange derivatives		
Forward foreign exchange	90 130	43 525
Currency swaps	40 216	8 371
Options	60 592	13 191
	190 938	65 087
Interest rate derivatives		
Caps and floors	3 048	3 496
Swaps	173 958	178 501
Futures	1 627	61
Options	934	40
Forward rate agreements	19 710	17 518
	199 277	199 616
Equity and stock index derivatives		
Equity swaps and forwards	9 060	42 282
Futures	–	10
Options	31 847	11 613
Warrants	44	–
	40 951	53 905
Commodity derivatives		
Options	25 444	16 767
Commodity swaps and forwards	3 524	2 201
	28 968	18 968
Credit derivatives		
Credit swaps bought and sold	690	1

Notes to the financial statements

For the year ended 31 March

(£'000)	Positive fair value 2003	Negative fair value 2003
39. Risk management (continued)		
Maturity of derivative instruments (continued)		
Fair values (continued)		
More than five years		
Foreign exchange derivatives		
Forward foreign exchange	13 828	14 518
Currency swaps	31 012	36 926
	44 840	51 444
Interest rate derivatives		
Swaps	283 212	304 530
Futures	–	2
	283 212	304 532
Equity and stock index derivatives		
Warrants	31	–
Commodity derivatives		
Options	46 888	30 280
	1 217 672	1 155 998

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
39. Risk management (continued)		
Currency disclosure		
Assets and liabilities denominated in sterling and foreign currencies		
Denominated in sterling	3 433 422	7 564 745
Denominated in currencies other than sterling	*11 525 643*	*9 392 187*
Total assets	**14 959 065**	**16 956 932**
Denominated in sterling	3 042 432	6 819 679
Denominated in currencies other than sterling	*11 180 861*	*9 369 478*
Total liabilities(*)	**14 223 293**	**16 189 157**

(*) Includes subordinated liabilities.

Notes to the financial statements

For the year ended 31 March

39. Risk management (continued)

Non-trading currency risk - structural currency exposures

Non-trading currency risk exposure arises principally from the group's net investments in overseas subsidiaries and associated undertakings, principally in South Africa, Israel and the United States of America.

The group's structural currency exposures at each reporting period were as follows:

Currency of structural exposure	Net investments in overseas operations(*) £'000
2003	
Israeli Shekel	55 617
US Dollar	28 557
South African Rand	(101 952)
Other currencies (also includes the Australian Dollar and the Euro)	118 619
	100 841
2002	
Israeli Shekel	30 000
US Dollar	14 700
South African Rand	14 178
Other currencies (also includes the Australian Dollar and the Euro)	54 127
	113 005

(*) There were no borrowings taken out in the functional currencies of the overseas operations in order to hedge foreign net investments.

Goodwill is not considered to form part of the net investment in overseas operations in the above table.

Notes to the financial statements

For the year ended

39. Risk management (continued)

Non-trading currency risk - non-structural currency exposure

The table below shows the group's currency exposures. These non-structural exposures give rise to the net currency gains and losses recognised on the profit and loss account. Such exposures, comprise the monetary assets and monetary liabilities of the group that are not determined in the functional currency of the operating unit involved.

Net foreign currency monetary assets/(liabilities) in £'000

Functional currency of group operation	Sterling	SA Rand	US Dollar	Israeli Shekel	Euro	Other	Total
31 March 2003							
Sterling	–	564	(2 884)	5	2 879	21 400	21 964
South African Rand	90 775	–	(128 418)	2	3 692	5 376	(28 573)
US Dollar	(17 896)	–	–	–	654	398	(16 844)
Israeli Shekel	(1 995)	–	10 022	–	16	–	8 043
Euro	7 320	(10)	1 733	–	–	(572)	8 471
Other	(3 306)	(299)	83	–	5	–	(3 517)
	74 898	**255**	**(119 464)**	**7**	**7 246**	**26 602**	**(10 456)**

Net foreign currency monetary assets/(liabilities) in £'000

Functional currency of group operation	Sterling	SA Rand	US Dollar	Israeli Shekel	Euro	Other	Total
31 March 2002							
Sterling	–	692	49 851	4	(1 022)	19 213	68 738
South African Rand	344	–	8 094	84	24	1 293	9 839
US Dollar	22 909	(25)	–	–	–	248	23 132
Israeli Shekel	–	–	88 183	–	–	–	88 183
Euro	627	(120)	–	–	–	–	507
Other	4	258	39	–	4	–	305
	23 884	**805**	**146 167**	**88**	**(994)**	**20 754**	**190 704**

The amounts shown do not take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

Notes to the financial statements

For the year ended (£'000)	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year
39. Risk management (continued)			
Interest rate sensitivity gap for the non-trading book			
31 March 2003			
Assets			
Treasury bills and other eligible bills	68 318	–	–
Loans and advances to banks	1 083 861	2 822	–
Loans and advances to customers	2 581 263	102 491	148 390
Debt securities and equity shares	779 887	75 040	70 526
Other assets	553 574	3 090	3 537
Total assets	5 066 903	183 443	222 453
Liabilities			
Deposits by banks	660 122	313 191	37 831
Customer accounts	4 615 570	330 145	178 560
Debt securities in issue	513 539	313 228	231 805
Other liabilities	167 913	15 095	59 094
Subordinated liabilities	4 189	–	–
Minorities interest and shareholders' funds	–	–	–
Total liabilities	5 961 333	971 659	507 290
Off-balance sheet items	235 692	111 884	460 752
Interest rate repricing gap	(658 738)	(676 332)	175 915
Cumulative repricing gap	(658 738)	(1 335 070)	(1 159 155)
31 March 2002			
Assets			
Treasury bills and other eligible bills	42 411	–	–
Loans and advances to banks	957 278	32 155	14 280
Loans and advances to customers	2 020 399	77 091	124 738
Debt securities and equity shares	385 538	290 309	266 699
Other assets	158 921	14 888	15 799
Total assets	3 564 547	414 443	421 516
Liabilities			
Deposits by banks	597 959	196 149	15 432
Customer accounts	3 573 368	146 160	125 666
Debt securities in issue	365 068	116 670	95 698
Other liabilities	–	–	–
Subordinated liabilities	–	–	–
Minorities interest and shareholders' funds	–	–	–
Total liabilities	4 536 395	458 979	236 796
Off-balance sheet items	430 244	103 851	(2 000)
Interest rate repricing gap	(541 603)	59 315	182 720
Cumulative repricing gap	(541 603)	(482 288)	(299 568)

More than 1 year but not more thank 5 years	More than 5 years	Non-interest bearing	Total non-trading	Trading	Total
–	–	–	68 318	174 701	243 019
–	27 763	3 583	1 118 029	1 640 768	2 758 797
687 814	618 977	19 733	4 158 668	739 558	4 898 226
124 669	127 547	159 473	1 337 142	741 761	2 078 903
18 073	9 351	855 668	1 443 293	1 000 508	2 443 801
830 556	783 638	1 038 457	8 125 450	4 297 296	12 422 746
24 808	7 072	13 352	1 056 376	1 072 916	2 129 292
191 818	51 219	26 849	5 394 161	960 706	6 354 867
31 184	–	–	1 089 756	–	1 089 756
128 981	5 096	178 280	554 459	1 281 703	1 836 162
20 250	252 458	–	276 897	–	276 897
–	–	735 772	735 772	–	735 772
397 041	315 845	954 253	9 107 421	3 315 325	12 422 746
(701 357)	(106 971)	–	–	–	–
(267 842)	360 822	84 204	(981 971)	981 971	–
(1 426 997)	(1 066 175)	(981 971)	(981 971)	–	–
–	–	–	42 411	155 356	197 767
3 034	115 662	2 866	1 125 275	1 457 930	2 583 205
460 984	971 958	6 266	3 661 436	1 119 044	4 780 480
66 570	22 874	154 627	1 186 617	3 395 612	4 582 229
29 135	379 126	871 729	1 469 598	989 252	2 458 850
559 723	1 489 620	1 035 488	7 485 337	7 117 194	14 602 531
16 614	26 388	–	852 542	2 792 766	3 645 308
353 352	911 507	–	5 110 053	1 958 167	7 068 220
28 810	–	–	606 246	–	606 246
–	–	418 475	418 475	1 905 848	2 324 323
27 227	163 432	–	190 659	–	190 659
–	–	767 775	767 775	–	767 775
426 003	1 101 327	1 186 250	7 945 750	6 656 781	14 602 531
(91 779)	(440 316)	–	–	–	–
41 941	(52 023)	(150 762)	(460 413)	460 413	–
(257 627)	(309 651)	(460 413)	(460 413)	–	–

Notes to the financial statements

For the year ended 31 March

(£'000)	**2003**	**2002**

40. Related party transactions

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

	2003	2002
(a) At the respective year-end dates 6 directors had outstanding loans from Investec Bank Limited. For loans to related parties, normal credit parameters are applied		
Loans - Investec Bank Limited	9 093	2 418
(b) H Herman has a 17% and 13.25% holding in Picbel Parkade Shareblock (Pty) Ltd and Taaibos Square (Pty) Ltd respectively. Loans were provided to these entities by Investec Bank Limited on an arms length, fully secured basis as follows:		
Picbel Parkade Shareblock (Pty) Ltd	–	1 384
Taaibos Square (Pty) Ltd	6 170	5 125

The loan provided for Picbel Parkade Shareblock (Pty) Ltd was settled by H Herman on 3 February 2003.

	2003	2002
(c) Boutique Finance II Ltd is an investment company owned by certain members of senior management. Investec Bank (UK) Limited provided a loan to Boutique Finance II Ltd and uses Boutique Finance II Ltd's investment in shares as security therefore.		
Loan provided by Investec Bank (UK) Limited	2 730	4 187

The terms of the loan are such that 200% cover is required at all times, if the cover drops below 175% a margin call back to 200% must be made. I Kantor, who is a director of Investec Limited, has guaranteed 34% of the above loan provided.

	2003	2002
(d) S. Koseff, G. Burger, B. Kantor, I. Kantor, H. Herman, P Thomas and D. Jowell have an interest in Spurwing-P Investments Limited and Spurwing-L Investments Limited, which jointly amount to a holding of 32.3% and 12.02% respectively. Loans were provided to these entities by Investec Bank (Mauritius) on an arm's length basis, to fund 36% of the acquisition price of shares in Investec Limited and Investec plc, as follows:		
Spurwing-P Investments Limited	7 678	–
Spurwing-L Investments Limited	2 182	–

The above entities purchased 4 400 000 Investec plc ordinary shares for £27.0 million from the SA Staff Share Scheme on 31 March 2003 and sold 1 860 750 options for £2 260 506 to the UK Staff Share Scheme on 31 March 2003.

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

Notes to the financial statements

At 31 March

(£'000)	2003	2002

40. Related party transactions (continued)

(e) The group's personal account trading policy requires all employees who participate in *securities transactions to deal on an arm's length basis through Investec Securities* Limited., This has no material effect on either Investec Securities Limited or the group.

(f) Directors portfolios are subject to management fees on an arms length basis.

(g) Particulars of directors' dealings in Investec shares are recorded in a register held at the Registered Office of the Company which is available for inspection.

Transactions with other related parties of the group
Any dealings with regards to investments in unit trusts or the asset management division occur at arms length.

(a) During February 2001, Investec Bank Limited entered into a 20 year zero coupon swap transaction with Fedsure Life Assurance Limited for the future amount of R1.4 billion. The nature of the transaction was that Investec Bank Limited would pay a fixed rate interest and receive a floating rate interest. The contract was dissolved during March 2002.

	2003	2002
(b) On 30 September 2001, Investec Bank Limited sold certain property loans to the policyholder assets of Investec Employee Benefits for a total consideration of	–	33 854

The balance was settled at year end.

Notes to the financial statements

For the year ended 31 March

(£'000)	2003	2002
41. Miscellaneous		
Assets subject to sale and repurchase transactions maturity:		
Government securities	9 457	3 709 831
Value of liabilities secured by assets:		
Deposits by banks	985	453 693
Deposits by customers	334	9 768
	1 318	463 461
Aggregate amounts receivable, including capital repayments, under finance leases, hire purchase and conditional sale contracts	35 456	28 446
Costs of assets acquired for the purpose of letting under financial leases	31 248	35 759

The group has investment management and stockbroking businesses.

42. Subsequent events

On 15 May 2003, it was announced that agreement had been reached in terms of which Peu Investment Group and Tiso Group, together with a broad-based Entrepreneurship Development Trust and a new Investec employee share trust, will acquire in separate transactions a total interest of 25.1% in the issued share capital of Investec Limited. This will include the issue of 5 600 000 new shares by Investec Limited at South African rand 90 per share. The Public Investment Commissioner has agreed to provide funding to facilitate the proposed transactions.

Investec plc parent company accounts - balance sheet

At 31 March

(£'000)	Notes	2003	2002
Fixed assets			
Investments	a	421 503	62
Current assets			
Other debtors	b	35 203	50
Creditors falling due within one year	c	(61 475)	(62)
Net current liabilities		(26 272)	(12)
Total assets less current liabilities		395 231	50
Capital and reserves			
Called up equity share capital	d	113	50
Share premium account	e	393 823	–
Capital redemption reserve	e	50	–
Profit and loss account	e	1 245	–
		395 231	50

The directors' approved the accounts on 27 June 2003.

S. Koseff
Chief Executive Officer

Notes to Investec plc parent company accounts

For the year ended 31 March

(£'000)	Subsidiaries	Other	Total
a. Investments			
At 1 April 2002	62	–	62
Additions	703 224	5	703 229
Disposals	(281 789)	–	(281 789)
Exchange movements	1	–	1
At 31 March 2003	421 498	5	421 503

In July 2002, in preparation for the Company's listing on the London Stock Exchange as part of a dual-listed structure, the Investec group's businesses in United Kingdom, the United States, Israel and Australia were transferred to the Company which acquired the whole of the issued share capital (not already owned) of the following companies:

- Investec SA for a consideration of £582.1m satisfied by the issue of 50,334,493 shares and the assumption of £281.8m of indebtedness.
- Investec Israel BV for a consideration of £60.1m satisfied by the issue of 9,737,282 shares.
- The 54.4% of Investec Holdings Australia Limited not already owned by the Company's subsidiary, Investec Holding Company Limited, for a consideration of £56.6m satisfied by the issue of 9,493,928 shares.
- GRS Overseas Establishment for a consideration of £4.2m satisfied by the issue of 701,346 shares
- Various other International subsidiaries for an aggregate consideration of £0.2m satisfied by the issue of 36,697 shares.

These holdings, with the exception of the holding in Investec Holdings Australia Limited, were then transferred to the Company's wholly owned subsidiary, Investec Holding Company Limited (IHC) for an aggregate consideration of £646.6m satisfied by the issue of shares and the transfer of indebtedness of £281.8m.

On 17 January 2003 Investec plc's 54.4% holding in Investec Holdings Australia Limited was transferred to IHC for an aggregate consideration of £56.6 million on loan account, such that IHC then owned 100% of Investec Holdings Australia Limited. On 20 February 2003, the intercompany loan to IHC was capitalised by the issue to Investec plc of 139 £1 ordinary shares in IHC at £407 495.05 each.

The principal subsidiary undertakings of the group are detailed in note 1 of the group accounts on page 236.

For the year ended 31 March

(£'000)	2003	2002
b. Other debtors		
Amounts owed by group undertakings	35 194	50
Other debtors	9	–
	35 203	50
The amounts owed by group undertakings are payable on demand		
c. Creditors falling due within one year		
Amount due to group undertakings	31 917	62
Accruals and deferred income	569	–
Proposed dividends	28 989	–
	61 475	62

Notes to Investec plc parent company accounts

For the year ended 31 March (£'000)

d. The company's called up share capital is detailed in note 32 of the group accounts on pages 275 to 280.

e. Reserves

	Share *premium*	Capital *Redemption* Reserves	Profit *and loss* account	*Total* Reserves
At 1 April 2002	–	–	–	–
Transfer	–	50	(50)	–
Issue of new shares	421 334	–	–	421 334
Bonus issue of shares	(38)	–	–	(38)
Share issue expenses	(27 473)	–	–	(27 473)
Retained profit	–	–	1 295	1 295
At 31 March 2003	393 823	50	1 245	395 118

Parent company profit and loss account

The Company has taken advantage of the exemption in s 230 of the Companies Act 1985 not to present its own profit and loss account. The Company's profit for the year, determined in accordance with the Act, was £1 295 237 (2002 : Nil).

f. Reconciliation of shareholders' equity	**2003**	**2002**
Issue of shares	421 358	50
Share issue expenses	(27 472)	–
Retained profit for the year	1 295	–
Opening shareholders' equity	50	–
Closing shareholders' equity	395 231	50

Definitions UK GAAP

Annuity income as a percentage of operating income: Net interest income and annuity commissions receivable less commissions payable expressed as a percentage of operating income.

Assets under administration: Includes third party assets under administration and on-balance sheet assets.

Capital resources: Includes shareholders' funds, subordinated liabilities and minority interests.

Cost to income ratio: Administrative expenses and depreciation divided by operating income.

Dividend cover: Earnings per ordinary share pre exceptional items and amortisation of goodwill divided by dividends per ordinary share.

Dividend yield (%): Dividends per ordinary share divided by the closing share price on the London Stock Exchange.

Earnings before exceptional items and goodwill amortisation: As per calculation on page 254.

Earnings yield (%): Earnings per share pre exceptional items and goodwill amortisation divided by the closing share price on the London Stock Exchange.

Headline earnings: As per calculation on page 255.

Effective tax rate: Tax charge expressed as a percentage of operating profit.

Market capitalisation: Number of shares in issue, multiplied by the closing share price of Investec plc on the London Stock Exchange.

Net interest income: Interest receivable less interest payable.

Non-performing loans (NPL): An exposure is classified as an NPL when there is prospect of non-recovery of interest or it is deemed imprudent to bring interest to account.

Number of shares in issue on a fully converted basis: Based on the number of shares in issue assuming conversion of all debentures and convertible preference shares.

Operating income: All income less interest payable and fees and commissions payable.

Operating profit: Operating income less administrative expenses, provisions for bad and doubtful debts and depreciation of tangible fixed assets before goodwill amortisation and exceptional items.

Operating profit - Southern Africa & Other: Operating profit earned in South Africa, Mauritius and Botswana.

Operating profit - Non-Southern Africa & Other: Operating profit earned in UK and Europe, Australia, Israel and the US.

Price earnings ratio: The closing share price on the London Stock Exchange South Africa divided by the earnings per share pre exceptional items and goodwill amortisation.

Return on average net asset value: Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average shareholders' funds.

Return on average tangible shareholders' funds: Earnings attributable to ordinary shareholders pre exceptional items and amortisation of goodwill expressed as a percentage of average tangible shareholders' funds i.e. excluding goodwill.

Staff compensation to operating income ratio: Fixed and variable staff costs expressed as s percentage of operating income.

Total core loans and advances: Loans and advances to customers less cash and short-term funds included therein.

Weighted number of shares in issue: The number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group.